



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Annual Report

2008/09



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National Treasury

Annual Report

2008/09

Mr P Gordhan
Minister of Finance

I have the honour of submitting the Annual Report of the National Treasury for the period 1 April 2008 to 31 March 2009.

L Kganyago
Director-General





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ACCOUNTING OFFICER'S OVERVIEW

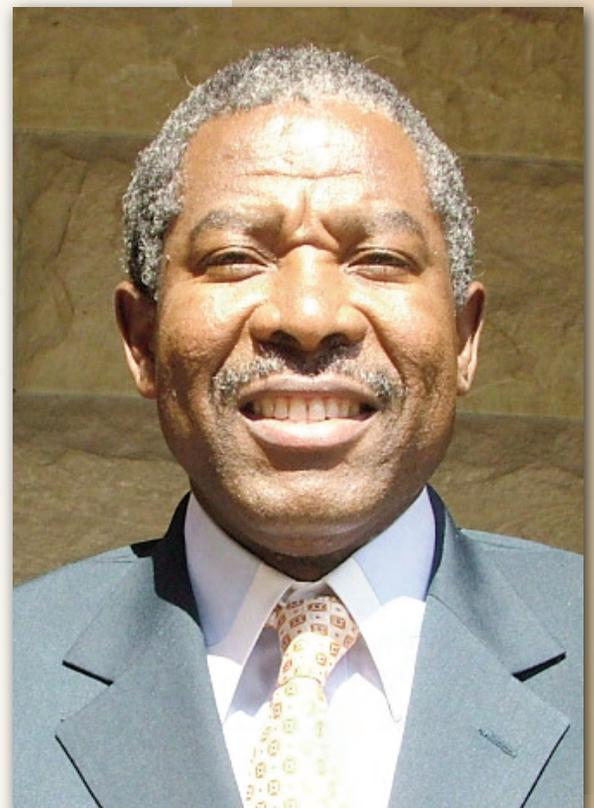
We present this report during a difficult time in the history of our country. South Africa is in a recession, its first in 17 years. When we tabled the strategic plan that this report is based on, I observed that our economy would grow more rapidly than major world economies over the medium-term. The picture has changed and the current reality is quite different. While our country does remain less severely affected than many others globally, the storm ferried by the economic crisis hit our shores more fiercely than we had predicted. Slowing economic growth has put pressure on our revenue stream and reduced the fiscal space for increased expenditure. As part of our work in 2008/09, we sought to understand the causes and consequences of the international financial crisis and assessed how to improve South Africa's financial regulatory system so it remains protected from possible future crises.

There has been a great deal of speculation about when the recovery is likely to happen and be felt in the real economy. In South Africa we continue to see massive job losses and contractions in the critical sectors of our economy. Recent 2nd quarter GDP figures released by Statistics South Africa however, point to a recovering economy albeit at a slower and sluggish pace than preferred. Factors contributing to the resilience that we see in our economy include the considerable boost of R787 billion in public infrastructure investment.

Government's borrowing requirements have been greatly impacted by the pressure being felt on revenue collection, which will come in well below the 2009 budget target. For 2008/09 government's gross borrowing requirement stands at R50.9 billion – significantly higher than the budgeted amount of R15.7 billion. In dealing with this pressure, Treasury has continued to ensure prudent cash management, asset restructuring and optimal management of the government's domestic and foreign debt portfolio.

Treasury also continued to work on improving and extending unemployment relief while encouraging labour market participation. Further, as a result of the prudent policy choices over the past decade, government was able to increase spending on social services and fixed investment even in these difficult times. The social grants system continued to contribute to poverty reduction for those less fortunate and reaches over 13 million South Africans.

During the 2008/09 financial year, Treasury's engagement with national departments involved the usual scrutinising of budget proposals, as well as assisting and deploying resources to provinces and municipalities to ensure that service delivery is not compromised. In



Lesetja Kganyago
Director-General: National Treasury



order to improve the system of supply chain in government, a grievance mechanism to deal with disputes and complaints arising out of tender processes was established, in consultation with provincial treasuries.

A standardised financial reporting template was also developed in consultation with departments, public entities and the Office of the Auditor-General. This will improve the quality of Consolidated Financial Systems (CFS) and Consolidated Financial Information, and support government departments in preparing for the 2008/09 year-end.

A review of Development Finance Institutions was completed in October 2008. Work has begun to ensure that recommendations made in the review are implemented, in recognition of the role that DFI's must play in supporting government's social and economic policy objectives.

National Treasury contributed to discussions in key multilateral institutions to promote governance reforms in the International Monetary Fund and World Bank. South Africa together with Australia co-chaired the G20 working group on IMF governance reform. South Africa also continued to play a leading role in advancing regional integration in southern Africa through the Southern African Development Community (SADC) and the Southern African Customs Union (SACU).

National Treasury prides itself in attracting and retaining a talented workforce. During the reporting period, the graduate development programme and training outside public practice (TOPP) had acceptance rates of 81 per cent and 70 per cent respectively. Also, a new recruitment operating model led to shorter turnaround times for filling vacant posts.

In 2008/09 National Treasury also underwent a significant internal restructuring, resulting in the creation of four groups – fiscal and budget group, economics and financial markets group, financial management group and the corporate office. This was done to further align and better organise the collaborative nature of the work of the department.

The period was difficult, the work demanding, the expectations unrealistic but as usual the Treasury staff did not disappoint.

Acknowledgement must be made to Minister Trevor Manuel as former Minister under whose able leadership the strategic plan was tabled. Deputy Finance Minister Nhlanhla Nene too handled the transition between him and his predecessor, former Deputy Minister Jabu Moleketi, with ease and we thank both for their leadership in this period.

We welcome the energy and zeal of Minister Pravin Gordhan, our new minister.

L Kganyago
Director-General: National Treasury



THE MINISTRY

The 2008/9 financial year ended with some uncertainty about the economic landscape facing South Africa, as the storm in the global economy reached our shores. Minister Trevor Manuel tabled his 13th Budget in February, signaling that the country would not be immune to the impacts of the global crisis. However, under his leadership the National Treasury has been instrumental in creating a sound and stable financial environment for domestic and international investors; rendering South Africa an attractive investment destination that continues to hold its position as a centre of economic activity on the continent. The Finance Ministry has benefited immensely from the stewardship of Minister Manuel in his role as Finance Minister for thirteen years.

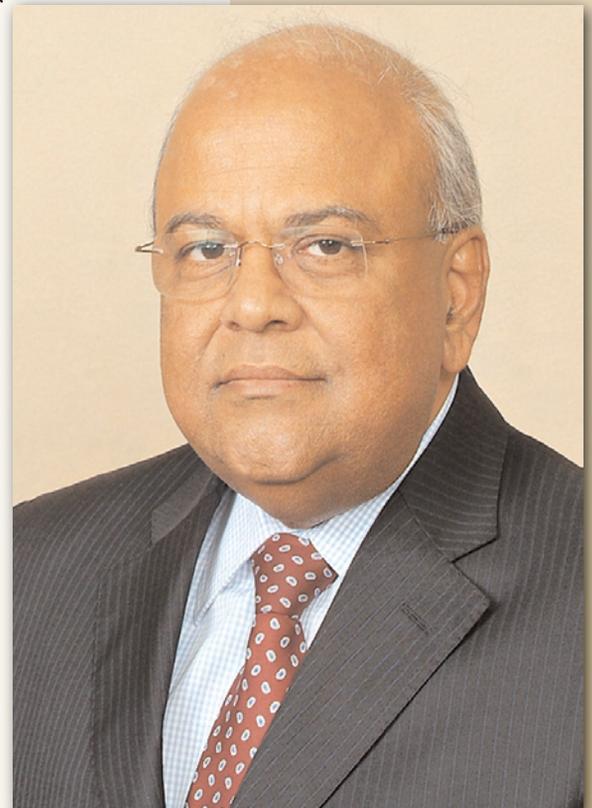
Government has kept the needs of South Africans at the fore of the economic agenda by staying the course in achieving macro-economic stability. The Minister has sometimes had to make tough decisions and bold choices in the face of criticism, to ensure that our growth trajectory and redistributive stance promise continued hope to all South Africans.

For six months during the period under review, the former Deputy Finance Minister Jabu Moleketi supported Minister Manuel in providing effective strategic leadership to the work of the Ministry. In September 2008 Nhlanhla Nene was appointed to the position and has continued to provide leadership at this level.

The National Treasury has remained a successful organisation of dedicated and highly skilled people, which has risen to meet the challenges posed by the changing economic landscape. The core team of the Ministry itself operates within a dynamic environment and deals with a relentless pace to meet the operational needs of the Minister and Deputy Minister.

The Minister and Deputy Minister of Finance continue to actively engage in several international forums to advance the agenda of South Africa and other developing countries in the international arena. South Africa again played an influential role in the G20 as it met to deal with the global financial crisis. South Africa also continues to act as a development partner in addressing regional challenges, through relevant regional institutions including the African Union, African Development Bank and Southern African Development Community.

There continues to be sound interaction between the Ministry and the National Treasury team, under the exemplary leadership and guidance of Lesetja Kganyago, the Director-General. The National Treasury continues to be highly regarded due to effective management structures and teams working well together to provide sound technical advice on a wide range of complex issues to the Ministry.



Pravin Gordhan
Minister of Finance



International visits undertaken by the former Minister of Finance, Trevor A Manuel, during the 2008/09 financial year

| | |
|--------------------|--|
| 31 Mar - 02 Apr 08 | India and Ethiopia for meetings with the Finance Minister of India and the Deputy Chair of the Planning Commission, attended the Joint Annual Conference of the African Union (AU) Ministers of Economy and Finance and the UN Economic Commission for Africa. |
| 3 - 4 Apr 08 | Botswana, to attend the 14th SACU Council of Ministers Meeting. |
| 7 - 13 Apr 08 | Washington D.C., for World Bank/IMF, Growth Commission and Spring meetings. |
| 10 -15 May 08 | Mozambique, for Seminar for Governors on Aid Effectiveness and ADB Annual Meeting. |
| 24 - 28 May 08 | Germany, Sweden and London UK, met with Minister Wieczorek-Zeul in Germany, seminar to launch Growth Commission Report in Sweden and a fundraising lunch at the SA High Commission in London for Thuthuka. |
| 28 Jun - 6 Jul 08 | New York and Washington D.C., to attend UN Economic and Social Council 2008, High Level Segment in New York |
| 11 - 13 Jul 08 | The Netherlands, to attend the World Bank/Dutch Foreign Ministry Conference. |
| 30 - 31 Aug 08 | Botswana, for SACU Ministerial Retreat. |
| 1 - 10 Sep 08 | Ghana, New York and Germany, for third High Level Forum on Aid Effectiveness, to New York for the United Nations General Assembly, and Germany for dialogue on the Financing of the Millennium Development Goals. |
| 21 - 24 Sep 08 | New York and Washington D.C., for UN General Council and UN/BWI High Level Session on Africa's Development Needs in New York, and Committee on IMF Governance Reform. |
| 8 - 14 Oct 08 | Washington D.C., for World Bank/IMF Annual Meetings |
| 30 - 31 Oct 08 | Namibia, for SACU Council Meeting. |
| 6 - 16 Nov 08 | Sao Paulo, Brazil, for G20 Finance Ministers' Meeting and G20 Leaders Summit on Financial Markets and the World Economy. |
| 27 Nov - 2 Dec 08 | Qatar, for UN Financing For Development Review Conference. |
| 4 - 5 Dec 08 | Namibia, for SACU Council of Ministers |



International visits undertaken by the former Minister of Finance, Trevor A Manuel, during the 2008/09 financial year (continued)

- 09 - 14 Dec 08 Washington D.C. and London, for a Center for American Progress discussion on international policy on economics in Washington D.C., and a meeting of the Committee on IMF Governance Reform.
- 25 Jan - 02 Feb 09 France and Switzerland, for Committee on IMF Governance Reform in Paris, and Annual Meetings of the World Economic Forum.
- 9 - 17 Mar 09 Tanzania and London, for conference jointly hosted by IMF and Ministry of Finance of Tanzania, and an IMF Committee of 10 meeting in Tanzania, and a G20 Finance Ministers and Central Bank Governors meeting.

International visits undertaken by the former Deputy Minister of Finance, Jabu Moleketi, during the 2008/09 financial year

- 3 - 8 Apr 08 Tokyo, for G8 Development Ministers meeting.
- 2 - 6 Jun 08 Rome and Paris, to accompany the Deputy President of RSA to the high level conference on food security and OECD Ministerial Council meeting.
- 24 - 27 Jun 08 London, for CBC 7th Banking and Financial Services Forum.
- 11 - 12 Jul 08 Zambia, for SADC Finance and Investors Ministers meeting.
- 29 - 31 Aug 08 Botswana, for SACU Ministerial retreat for Ministers of Finance and Trade and Industry.



VISION

National Treasury is the custodian of the nation's financial resources. We hold ourselves accountable to the nation to discharge our responsibilities professionally and with humility, with the aim of promoting growth and prosperity for all.

We aspire to excellence in the quality of our analysis, our advice and the execution of our financial management responsibilities. We aim to realise the full potential of South Africa's economy and people and to mobilise the resources of the state, business enterprises and the wider community in a partnership of trust and mutual respect.

MISSION AND OBJECTIVES

National Treasury aims to promote economic development, good governance, social progress and rising living standards through accountable, economic, efficient, equitable and sustainable management of South Africa's public finances.

We endeavour to advance economic growth, broad-based empowerment, progressive realisation of human rights and the elimination of poverty. We are responsible for preparing a sound and sustainable national Budget and an equitable division of resources among the three spheres of government.

We strive to raise fiscal resources equitably and efficiently and to manage government's financial assets and liabilities soundly.

We promote transparency and effective financial management.



VALUES

As custodians of the nation's financial resources, the National Treasury acknowledges the authority of Parliament through whom we are accountable to the nation.

We value teamwork, sound planning and enthusiasm and strive continually to improve the quality, accuracy and reliability of our service delivery.

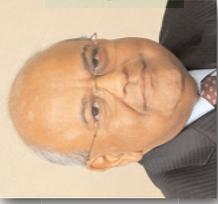
Our people are our most valued assets. We seek to be an employer of choice, we invest in the education and training of our staff, we cultivate a learning and consultative environment, we make use of the best available technological support and we aim to mobilise the full potential of our people.

In our dealings with the public and with our colleagues we act transparently and with integrity, showing respect and demonstrating fairness and objectivity.

In achieving these things, we will honour the faith that the South African public has placed in us.



Former Minister of Finance
Trevor Manuel



Minister of Finance
Pravin Gordhan



Former Deputy Minister of Finance
Jabu Moleketi



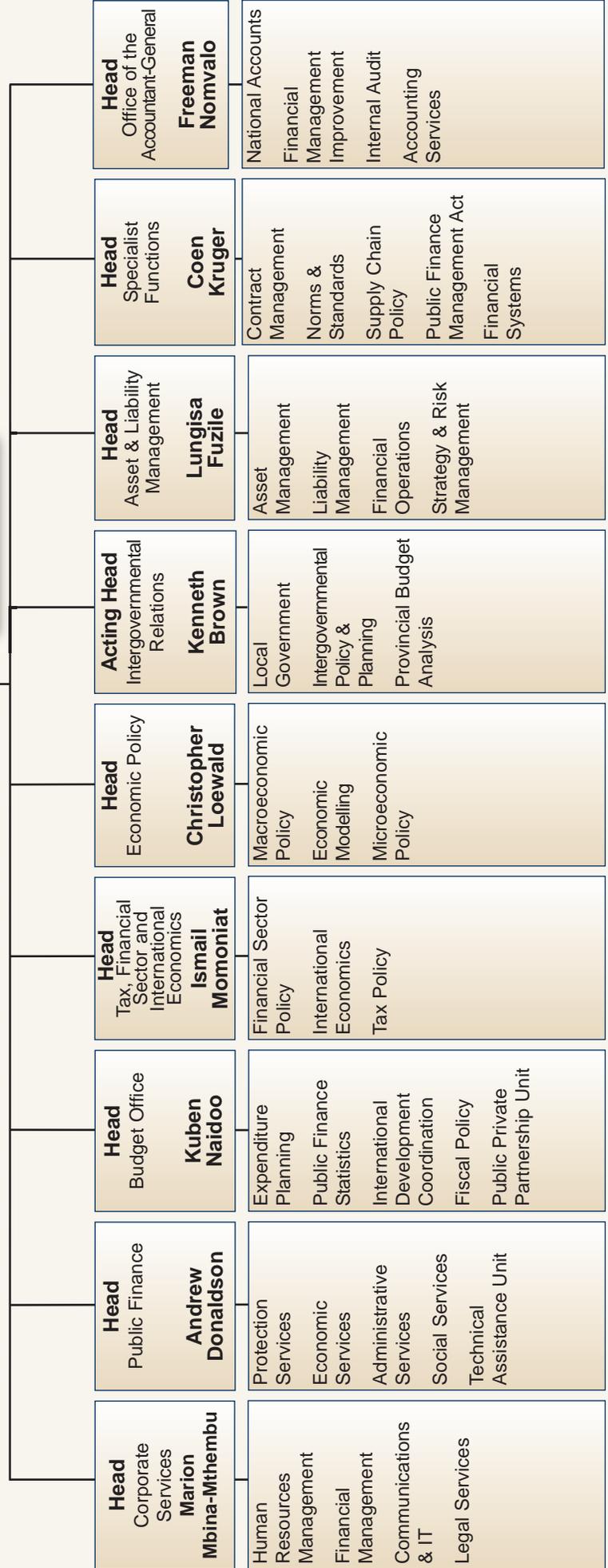
Deputy Minister of Finance
Nhlanhla Nene



Director-General
Lesetja Kganyago

CD: Communications
Thoraya Pandya

CD: Legal Services
Rebecca Tee





MINISTER'S STATEMENT ON POLICY AND COMMITMENT

In May this year, I had the privilege of taking over the Finance Ministry from Minister Trevor Manuel. This transition occurs at both a difficult time and an opportune one; difficult because of the global economic environment and opportune because crises presents us with the opportunity to do things differently. Over the next five years, we must improve the performance of government and change the trajectory of our economy towards a more inclusive one. Nevertheless, this Annual Report is mainly to account for what we did in the past fiscal year.

It was indeed a difficult year from the perspective of both the global and domestic economies. This is not surprising. As a small open economy, South Africa relies significantly on its exports to support growth. The downturn in the world economy which was precipitated by the sub-prime crisis in the USA was bound to have consequences for the South African economy. In many ways the budget surplus and the prudent fiscal stance in the period of “plenty” during which global economic performance streaked ahead of underlying fundamentals, was really in preparation for a lean period ahead. As mentioned in the Budget Speech of 2008, the gathering financial storm clouds had already begun to appear.

Prior to the world financial crisis, South Africa had enjoyed a period of significant economic growth unprecedented in recent times. Since 2003 the South African economy grew at an average of 5 percent a year. This is the longest continuous period of growth on record. GDP per person also increased by over 20 per cent since 2000 and from 2003, employment increased at a faster pace than at any point in the past twenty years, adding over 1.5 million jobs..

By late 2008 though, the world was in what has been described as one of the most severe slowdowns since the Great Depression. By the 4th quarter of 2008, the world's most advanced economies were collectively experiencing a contraction of some 7.5% in GDP. Emerging markets also experienced a contraction in their economies of some 4%. Furthermore, the gloomy outlook arising from the global financial crises was predicted to continue during 2009.

Internationally, the second half of the 2008/09 financial year also witnessed the spectacular failure of established international financial institutions. Many were forced to close down and others were rescued precariously from failure. South Africa's prudent banking regulations saved our banks from being exposed to the worst effects from so-called toxic assets. Against this backdrop, multilateral institutions such as the International and Monetary Fund not only had to bail some countries out but also had to provide leadership in forums dealing with the crisis. Significant slowdown in the global economy also affected South Africa.

After 4 years of GDP growth in excess of 5%, the growth rate of the South African economy declined to 3.1% during 2008. This though, was significantly better than the performance of the global economy. Nevertheless, the 4th quarter ushered in a contraction in the economy of 1.8%. This, followed by the contraction of 6.4% during the first quarter



of 2009, meant that the economy had entered recession. This was particularly evident in the manufacturing sector – South Africa’s manufacturing output declined by 6.8% during the first quarter of 2009 in relation to the previous quarter. Mining production declined by 12.8% during the same period. Reference also needs to be made to other aspects related to the economy’s performance such as revenue levels which were slightly less than those which had been budgeted for during the period under review, the stickiness of relatively high inflation levels since 2006 and the effects of sharp declines in commodity prices world-wide.

South Africa does not have the deep pockets of the developed countries to provide bail-outs to a wide range of sectors and institutions. Nevertheless, because of our sound fiscal position, we have been able to respond boldly and decisively to support growth and employment through rising public sector spending and a sustained expansion in infrastructure spending. At a time when most other countries have had to make deep cuts in public spending, we have been able to protect spending on the areas that make the most different to our people – education, health, fighting crime, rural development and employment creation.

In summary therefore, it is evident that although policy consistency has been retained in meeting the economic goals and objectives of government, changing circumstances have required a good deal of pragmatism in dealing with the worst effects of the global financial crisis. Key elements of this strategy are employment creation, looking after the basic needs of the poorest section of the population particularly in respect of education and health care, achieving savings in government through improved levels of efficiency and effectiveness, continued improvements in infrastructure and the addressing of regional policy issues such as ensuring progress towards meeting the Millennium Development Goals and deepening integration of regional economic activity. All this needs to be achieved in a manner that will not create an unreasonable burden on future generations for decades to come. It is evident that the above-mentioned objectives cannot be achieved in isolation. Co-operation with other Ministries and Departments will be central in ensuring progress. Government in turn must be responsive to the needs of the people. This will require working closely with business, labour and the broader society in combating the effects of the global financial crisis and in setting a trajectory for long-term sustainable economic growth in the South African economy. It is also important that improvements in the economy should not be restricted to a fortunate few. To achieve stability and, in the longer term, prosperity, the benefits need to reach all, particularly those who are finding it difficult to rise above poverty.

P Gordhan
Minister of Finance



LEGISLATIVE MANDATE

The National Treasury has a legislative mandate to promote the national government's fiscal policy and the coordination of macroeconomic policy; coordinate intergovernmental financial and fiscal relations; manage the budget preparation and enforce transparency and effective management in respect of revenue and expenditure, assets and liabilities, public entities and constitutional institutions.

Parliamentary Services

The Minister of Finance as the political principal of the department regards the active collaboration with Parliament as vital. Consequently, National Treasury continued to have sustained relations during the period under review through interactions with Parliamentary committees. Chief among the committees that the department works with is the Portfolio Committee on Finance (now called Standing Committee on Finance); other committees include the Select Committee on Finance, Joint Budget Committee and the Standing Committee on Public Accounts.

At the core of maintaining this relationship is the Parliamentary Services Office, tasked with ensuring a transparent and cooperative working relationship with Parliament. The Office is also a vehicle through which financial policies and pieces of legislation are presented to Parliament for consideration and approval.

During the period under review the Parliamentary Services Office maintained a transparent working relationship through coordinating work processes between policy makers and public representatives. Information continued to flow between the Ministry through Cabinet to Parliament and vice versa.

Other clients of this office include but are not limited to:

- Members of Parliament;
- Parliamentary Committees;
- Parliamentary Administrative Staff;
- Civil society institutions; and
- Members of the public.

The Parliamentary Services Office also maintains collegial and cooperative relationships on behalf of the Ministry with political structures as well as offices of the Presiding Officers and Leader of Government Business.



LEGISLATION ENACTED

National Treasury annually tables legislation in Parliament, which can be categorised as follows:

- Legislation conceptualised and prepared in-house
- Legislation prepared by bodies like the Financial Services Board and the South African Reserve Bank, with National Treasury providing policy direction
- Tax legislation prepared jointly with the South African Revenue Services, with National Treasury providing policy direction.

The following is a list of legislation tabled in Parliament during the 2008/09 financial year:

- 1. Taxation Laws Amendment Act, 2008 (Act No. 3 of 2008)**
Bill enacted: Taxation Laws Amendment Bill [B 13 – 2008]
English text signed by the President. Assented to 17 July 2008
Published in Government Gazette No.31267 dated 22 July 2008
- 2. Taxation Laws Second Amendment Act, 2008 (Act No. 4 of 2008)**
Bill enacted: Taxation laws Second Amendment Bill [B 14 – 2008]
English text signed by the President. Assented to 28 June 2008
Published in Government Gazette No. 31208 dated 3 July 2008
- 3. Appropriation Act, 2008 (Act No. 9 of 2008)**
Bill enacted: Appropriation Bill [B 3 – 2008]
English text signed by the President. Assented to 17 July 2008
Published in Government Gazette No. 31266 dated 22 July 2008
- 4. Financial Intelligence Centre Amendment Act, 2008 (Act No. 11 of 2008)**
Bill enacted: Financial Intelligence Centre Amendment Bill [B 18B – 2008]
English text signed by the President. Assented to 22 August 2008
Published in Government Gazette No. 31365 dated 27 August 2008
- 5. Special Pensions Amendment Act, 2008 (Act No. 13 of 2008)**
Bill enacted: Special Pensions Amendment Bill [B 29B – 2008]
English text signed by the President. Assented to 17 September 2008
Published in Government Gazette No. 31448 dated 19 September 2008
- 6. Financial Services Laws General Amendment Act, 2008 (Act No. 22 of 2008)**
Bill enacted: Financial Services Laws General Amendment Bill [B 21B – 2008]
English text signed by the President. Assented to 23 September 2008
Published in Government Gazette No. 31471 dated 30 September 2008
- 7. Insurance Laws Amendment Act, 2008 (Act No. 27 of 2008)**
Bill enacted: Insurance Laws Amendment Bill [B 26B – 2008]
English text signed by the President. Assented to 1 November 2008
Published in Government Gazette No. 31578 dated 5 November 2008



- 8. Mineral and Petroleum Resources Royalty Act, 2008 (Act No. 28 of 2008)**
Bill enacted: Mineral and Petroleum Resources Royalty Bill [B 59 – 2008]
English text signed by the President. Assented to 17 November 2008
Published in Government Gazette No. 31635 dated 24 November 2008
- 9. Mineral and Petroleum Resources Royalty (Administration) Act, 2008 (Act No. 29 of 2008)**
Bill enacted: Mineral and Petroleum Resources Royalty (Administration) Bill [B 60 – 2008]
English text signed by the President. Assented to 21 November 2008
Published in Government Gazette No. 31642 dated 26 November 2008
- 10. Adjustments Appropriation Act, 2008 (Act No. 40 of 2008)**
Bill enacted: Adjustments Appropriation Bill [B 76 – 2008]
English text signed by the President. Assented to 25 November 2008
Published in Government Gazette No. 31652 dated 27 November 2008
- 11. Eskom Subordinated Loan Special Appropriation Act (2008/09 – 2010/11 Financial Years), 2008 (Act No. 41 of 2008)**
Bill enacted: Eskom Subordinated Loan Special Appropriation Bill (2008/09 – 2010/11 Financial Years) [B 77 – 2008]
English text signed by the President. Assented to 25 November 2008
Published in Government Gazette No. 31653 dated 27 November 2008
- 12. Finance Act, 2008 (Act No. 42 of 2008)**
Bill enacted: Finance Bill [B 78 – 2008]
English text signed by the President. Assented to 25 November 2008
Published in Government Gazette No. 31654 dated 27 November 2008
- 13. Government Employees Pension Fund (Condonation of Interrupted Service) Act, 2008 (Act No. 43 of 2008)**
Bill enacted: Government Employees Pension Fund (Condonation of Interrupted Service) Bill [B79 – 2008]
English text signed by the President. Assented to 28 November 2008
Published in Government Gazette No. 31669 dated 3 December 2008
- 14. Revenue Laws Amendment Act, 2008 (Act No. 60 of 2008)**
Bill enacted: Revenue Laws Amendment Bill [B80 – 2008]
English text signed by the President. Assented to 5 January 2009
Published in Government Gazette No. 31781 dated 8 January 2009
- 15. Revenue Laws Second Amendment Act, 2008 (Act No. 61 of 2008)**
Bill enacted: Revenue Laws Second Amendment Bill [B81 – 2008]
English text signed by the President. Assented to 5 January 2009
Published in Government Gazette No. 31782 dated 8 January 2009



Programme 1 ADMINISTRATION

Purpose: Provide strategic management and administrative support to National Treasury, giving managerial leadership to the work of the department.

Measurable objective: The programme aims to provide an effective leadership, management and administrative support service to National Treasury, through the continuous refinement of organisational strategy and structure, to ensure compliance with applicable legislation and alignment with appropriate best practice.

The programme is divided into four subprogrammes:

- The *Minister* subprogramme provides for the Office of the Minister of Finance and includes parliamentary and ministerial support services.
- The *Deputy Minister* subprogramme provides for the Office of the Deputy Minister of Finance and related support services.
- The *Management* subprogramme incorporates the Office of the Director-General and related support services.
- The *Corporate Services* subprogramme supports the administration and effective operation of the department.

Service Delivery Objectives and Indicators

Recent outputs

The *Corporate Services* division is responsible for the Administration programme. The division develops, maintains and implements the department's governance framework, aiming to create a productive and creative working environment that enhances National Treasury's effectiveness.

Corporate Services consists of the following units: *Information Technology, Facilities Management, Knowledge Management and Project Support, Security Management, Financial Management, Internal Audit and Human Resources.*

The *Information Technology* (IT) unit improved operational effectiveness and governance through the adoption of the Information Technology Infrastructure Library, an internationally accepted best-practice framework. Policies governing acceptable IT, e-mail and backup practices were introduced. Progress, has been registered in staffing levels, with the unit's approved organisational structure partially filled.

To support a stable and effective IT service, solutions were developed and are being deployed throughout National Treasury, including e-mail mobility, mobile device encryption and a wireless LAN infrastructure to support organisational mobility. Uninterrupted power supply infrastructure, least-cost routing telephone solutions, and the implementation of centralised storage were some of the initiatives targeted for ICT cost saving and future business requirements. Customised Web publishing solutions were



developed to support organisational effectiveness throughout the department.

The *Financial Management* unit continued to promote and champion good governance and prudent financial management. Ensuring compliance with the Public Finance Management Act (1 of 1999) (PFMA), Treasury regulations and other relevant legislation is part of the unit's core business. The fraud prevention plan and the national anti-corruption hotline continue to be given prominence in the department. The Governance Review Committee (GRC) is facilitating the development and amendment of departmental policies, processes and procedures. The unit also provides secretarial services to the Risk Management Committee and the GRC.

The Paper Trail electronic document management system has been implemented and is being used effectively. Change management is 80 per cent complete across the National Treasury as projected. The implementation of the department's filing plan and electronic registry is on course.

The *Project Support* office has assisted divisions with building capacity in project management and has provided in-house facilitation. The unit completed the scanning and indexing of all Special Investigation Unit and backlog files, and has submitted the resulting e-registries to Special Pensions, whose staff have been fully trained in the use of the system.

The *Human Resources* (HR) unit implemented a talent management framework. It also enhanced the graduate development programme with acceptance rates reaching 81 per cent for general internship applicants, and 70 per cent for training outside public practice (TOPP) applicants. A comprehensive selection process was conducted for the external bursary programme as part of building the pipeline feeder for internships. The new recruitment operating model led to shorter turnaround times for filling vacant posts (from 16 to four weeks on average), and allowed the unit to pay more attention to reducing the vacancy rate, which stands at 16 per cent for funded posts.

The unit's service delivery improved considerably over the reporting period. As part of its business partnership model, the unit assigned HR representatives to each division in the department. The HR unit also reviewed the technical abilities and competencies of its staff to ensure improvements and service excellence. Key HR indicators were identified and monitored to focus and improve operational efficiencies.

The *Facilities Management* unit completed a number of projects, including upgrading National Treasury's conference centre, its printing technology, and the second phases of the offices of the Director-General and Deputy Minister. A long-term parking solution has been provided. The buildings are kept clean and maintained regularly. New signage was put up at the 240 Vermeulen office building. The unit has made considerable effort to follow procurement procedures, source contracts before expiry and manage suppliers. Recycling bins have been provided on all floors to minimise wastage. A cost-effective, reliable transport service has been provided to National Treasury at all times. The upgrade of 28 Church Square is underway, although at a relatively slow pace as a result of external factors.



The *Security Management* unit continued to ensure a secure and enabling working environment. The unit conducted an evacuation drill and audit of emergency equipment. It also launched a security manual, which was published in two formats: a “Z-card” for easy reading and an A3 version with full details. The Security Management team has successfully secured all events hosted by the department without any reported incidents or information leaks. The unit continued to confirm the credibility of companies contracted by National Treasury, conducting screening and ensuring that all new employees go through suitability checks before they are appointed. The unit ensures compliance with the Minimum Information Security Standards.

The *Internal Audit* unit provided the Accounting Officer and senior National Treasury management with objective assurance about the design and operation of internal control systems and processes. The structure of the unit was approved by the Accounting Officer, which led to the grading of all positions and filling the key positions of the Director: Performance Audit and Quality Assurance and Director: Regularity Audit. During the review period the unit also advertised posts in order to ensure that the office is adequately staffed. The unit completed its annual audit plan, including ad hoc requests initiated by management. All findings were reported to the Audit Committee.

Legal Services provided legal advisory service to the ministry and the department. These included involvement in negotiating and settling agreements a range of commercial agreements notably the agreements relating to the disposal of Telkom’s stake in Vodacom, Eskom loan agreement and provision of funding to the government of Zimbabwe.

The *Legislation* unit oversaw the passage of the annual Appropriation, Division of Revenue, and Adjustments Appropriation Acts, the Financial Intelligence Centre Amendment Act, 2008 (Act No. 11 of 2008), the Special Pensions Amendment Act, 2008 (Act No. 13 of 2008), the Financial Services Laws General Amendment Act, 2008 (Act No. 22 of 2008), the Insurance Laws Amendment Act, the Mineral and Petroleum Royalty Act, 2008 (Act No. 28 of 2008), the Eskom Subordinated Loan Special Appropriation Act, 2008 (Act No. 41 of 2008), the Finance Act, 2008 (Act No. 42 of 2008), the Government Employees Pension Fund (Condonation of Interrupted Service) Act, 2008 (Act No. 43 of 2008), and the Western Cape Inherited Debt Relief Act, 2009 (Act No. 7 of 2009).

The *Communications* unit continued to provide a reliable media liaison service to both the department and ministry. The unit also managed the editing, layout and design and printing of all documents. Key events handled were the Medium Term Budget Policy Statement in October and the annual Budget tabled in February. Other events included the launch of the OECD’s Economic Assessment Report on South Africa, which was co-hosted by OECD Secretary-General, and the launch of the Growth Report together with the Commission on Growth and Development. The unit also managed a number of conferences, including the Annual Bank Conference on Development Economics and the Meeting of the Committee of Ten. It managed public lecturers by a number of visiting academics, including Professor Ricardo Hausmann, Nobel laureate Michael Spence, and World Bank chief economist Justin Lin. It also undertook a campaign to promote awareness of the RSA Retail Savings Bonds. It was responsible for coordinating study tours from countries including Nigeria, Sudan and Russia. The unit also responds to a high volume of public queries on a range of issues related to the work of the department.



SERVICE DELIVERY ACHIEVEMENT
Programme 1: Administration

Measurable objective: To ensure effective leadership, management and administrative support to the department through continuous refinement of organisational strategy and structure, in compliance with appropriate legislation and best practice.

| Subprogramme | Output | Output performance Measure/service delivery indicator | Actual performance against target | |
|---|--|---|---|--|
| | | | Target | Actual |
| Minister and Deputy Minister of Finance | Providing continued parliamentary services to the Ministry and its departments | Satisfaction of the Minister, Deputy Minister and the Director-General regarding quality of parliamentary services provided | 100% satisfaction – assessment system in place | General satisfaction achieved with performance System of assessment under review |
| Management | The National Treasury's strategic direction aligned to the country's development policy needs | Strategic plans developed by the National Treasury and approved by Parliament | Achievement of all targets set out in the National Treasury's strategic plans | 77% of targets achieved 20% partially achieved 3% not achieved |
| Corporate Services (CS) | Policies, procedures and standards in place, understood, and regularly reviewed and innovated | Good governance practices annually reviewed, audited and communicated | Good governance gaps identified and corrective measures annually implemented | Achieved. Seven additional CS policies approved and implemented in 2008/09 |
| | Develop and implement an integrated Client Relationship Management Strategy | Client satisfaction rating above 67% attained | Client satisfaction rating of 70% | Client satisfaction rating of 69% attained |
| | Adequate, safe and secure working facilities for the department | Quarterly review of the department's requirements, and acquisition of additional accommodation where applicable | Quarterly review of the department's requirements, and acquisition of additional accommodation where applicable | Achieved. The department has adequate accommodation |
| | Contribute to the establishment of a knowledge management (KM) culture and system in National Treasury | Quarterly assessment of the knowledge management systems and infrastructure | Quarterly assessment of the knowledge management systems and infrastructure | Achieved. Knowledge management projects are ahead of schedule |



Programme 2

PUBLIC FINANCE AND BUDGET MANAGEMENT

Purpose: Provide analysis and advice on fiscal policy and public finances, intergovernmental financial relations, and expenditure planning and priorities. Manage the annual budget process and provide public finance management support.

Measurable objective: The programme aims to promote growth, social development and poverty reduction through sound fiscal and financial policies, and the effective, efficient and appropriate allocation of public funds. Measurable objectives are to:

- Prepare a national budget that gives effect to government's economic, fiscal, social and development goals.
- Publish the *Budget Review*, *Estimates of National Expenditure (ENE)*, *Medium Term Budget Policy Statement (MTBPS)* and appropriation legislation containing relevant, accurate and clear financial information, and associated indicators of service delivery and performance.
- Contribute to public policy and programme development, sound planning, budgeting and project management, including increased support to public finance reform in provinces and municipalities.
- Support improved monitoring and analysis of public expenditure and service delivery, and the appropriate use of public and private financial resources for social and economic development and infrastructure investment.
- Ensure that all official development assistance (ODA) provided to government is aligned to budget priorities and is channelled through South Africa's public finance management system.

Service Delivery Objectives and Indicators

Recent outputs

Budget Office

Much of the work of the *Budget Office* is focused on coordinating the budget process, providing advice to the Ministers' Committee on the Budget, and monitoring fiscal and public expenditure trends. In 2008 South Africa's budget documents were rated second highest in terms of transparency by the Open Budget Initiative.

The *Fiscal Policy* unit plays a leading role in monitoring economic and fiscal trends, and advising the Minister of Finance on policy options and the budget framework. The unit also plays a central role in developing public-sector personnel policy and the infrastructure finance framework of government.



During the reporting period, the unit assessed the impact of the economic crisis on government finances and worked to develop a countercyclical response that does not compromise long-term sustainability. Public-sector personnel policy advice focused on improving understanding the wage bill and future spending pressures that may need to be accommodated by the fiscus. Work on the infrastructure finance framework and the institutional framework for capital budgeting continued. Training of government officials in capital project appraisal is under way.

The *Fiscal Policy* unit is involved in interdepartmental budgetary and policy consultation, including support to the Department of Public Service and Administration (DPSA) relating to public-service wage bargaining, and liaison with the Department of Trade and Industry on critical infrastructure planning and budgeting.

The *Expenditure Planning* unit focuses on the coordination of the medium-term expenditure framework (MTEF) budget process in preparing the annual ENE, and coordinating the in-year adjustments process. The Adjustments Budget is tabled together with the MTBPS.

The unit has worked to improve budget allocation decisions by focusing on value for money in government spending, which requires improved expenditure and performance information. The unit also focuses on strengthening parliamentary and public oversight of budgets by publishing extensive budget information.

Other key activities included:

- Coordinating responses to various surveys on public expenditure, financial accountability and budgeting. The Open Budget Initiative, an international measure of budget transparency, awarded South Africa second place in its global ranking.
- The 2008 *Adjusted Estimates of National Expenditure* and the 2009 ENE included more comprehensive data on performance information.
- For the first time, the ENE included provincial information in the budget documentation of concurrent function departments, as well as comprehensive coverage of public entities and detailed information on service delivery sites.
- A fiscal incidence study was completed, confirming the pro-poor character of South African budget allocations over time.

The *Public Finance Statistics* produces fiscal data used for National Treasury publications. The focus is on improving transparency and accountability by providing the public with information on government revenue and expenditure outcomes. The data is also submitted to international organisations such as the International Monetary Fund.

- On 1 April 2008 government implemented an updated chart of accounts for national and provincial government. This was the outcome of collaboration between the *Budget Office* and the *Office of the Accountant-General*, which saw the introduction of a revised reference guide to the economic reporting format and chart of accounts. This chart will ensure improved reporting on infrastructure and capital spending, and



paves the way for improved asset management.

- The unit continued to work on improving the existing databases and models used for reporting data on all spheres of government and the consolidated government account. These improvements were supported by extensive programmes to build capacity at national and provincial level.
- During 2008/09, the unit improved the quality and scope of reporting on the consolidated government account. Reporting was expanded to include all entities controlled and largely financed by government revenue, such as taxes, levies and administrative or service fees, or direct budgetary support in the form of transfer payments. The enhancement of the data collection process by strengthening internal communication and coordination contributed to an improvement in the coverage of accounts. Greater coordination will improve the efficiency of data flows between public entities and government, and ensure accuracy in the consolidation process.

The reforms introduced thus far will be consolidated over the next several financial years.

The *International Development Cooperation* (IDC) unit is responsible for the establishment of an effective and efficient policy framework and management system for ODA to South Africa. During the review period the unit revised the policy framework and procedural guidelines for management of ODA flows, enhanced government coordination and management of ODA through skills development, and worked to improve monitoring systems supporting delivery of ODA programmes.

The unit focused on:

- Obtaining strategic support for South Africa's critical priorities
- Increasing resource flows from development finance partners such as the European Investment Bank, German Development Bank, and the French Development Bank for infrastructure needs in the context of the global financial crisis and the reduced revenue base
- Developing plans for ensuring finance partners' compliance with global commitments, such as the Paris Declaration principles.

ODA programmes totalling over €300 million over the next three years have been agreed using a system that allows for the use of South African financial and procurement systems when supported by international partners' funds. Key programmes include initiatives to support primary education, legislature support, restorative justice and job creation.

The IDC unit works to align ODA and budget processes. Achievements included improved reporting on ODA through the ENE (2009) and the use of departmental ODA information in planning the MTEF. The development cooperation information system is being upgraded to function as a management information system.

The unit drafted a trilateral cooperation framework to respond to the demands of other African countries, and worked with Foreign Affairs to access additional resources through such initiatives. Trilateral cooperation allows for a donor to support South Africa's work



in another country.

The *Public Entities Governance* unit works to implement the recommendations of the public entities governance framework review. A key element of the budget reform programme is the extension of budget planning and oversight to include all government agencies and public entities – while distinguishing between entities wholly or largely reliant on transfers from the fiscus, and those operating on a commercial basis without recourse to public funds. The rollout of a programme structure budgeting framework for all public entities is under way.

The unit assisted with also preparing consolidated financial accounts, maintained a budgetary database and appropriate administrative records of the general government sector, including public entities. The unit is creating a coherent regulatory environment to promote a consistent approach to governance, human resource management and financial management.

Public Finance

The *Public Finance* division advises the Minister of Finance on sectoral policies and departmental spending programmes, evaluates budget submissions of national departments, and monitors spending and service delivery trends. The unit's budget analysts monitor and evaluate spending trends across departments and agencies, providing support for improvements to financial administration, such as the implementation of the standard chart of accounts and compliance with the Public Finance Management Act (PFMA).

The *Administrative Services* unit oversees the finances and budgets of a number of central government responsibilities. Key areas of work in 2008/09 included:

- **Foreign Affairs:** Assisted the department in concluding a financial closure agreement with a private partner for its head office building. Provided support to the international relations, peace and security cluster in articulating South Africa's position in international conventions and peace missions.
- **Home Affairs:** Participated in seven of the 55 projects supporting the department's turnaround strategy, and assisted initiatives to improve contract management of IT projects by developing guidelines for business cases.
- **Public Service and Administration:** Supported the monitoring of government's Programme of Action and initiatives for improving administration, including planning for a single public service and one-stop government information centres. Took part in reviewing research, policy, and monitoring and evaluation (M&E) reports on public-sector issues.
- **Statistics SA:** Assisted in budgeting and planning for household surveys, including the living conditions survey and the next national census (2011). Support was provided to find alternative accommodation for the head office and the data processing centre.
- **National Treasury:** Supported initiatives by the South African Revenue Service to



strengthen capacity, modernise systems and improve project management. Assisted the *Technical Assistance Unit (TAU)* with its organisational and governance arrangement as an operating unit of National Treasury. Part of the TAU's function has been operating as a trading entity, and the entire unit is being converted to a government component.

- Public Administration Leadership and Management Academy: Supported the implementation of the strategy for a public-service academy and course redesign.
- Public Works: Assisted with the design of the second phase of the expanded public works programme, including the incentive allocation mechanisms for municipalities, provinces and the non-state sector.

The *Justice and Protection Services (JPS)* unit oversees expenditure and service delivery by departments in this sector. The team plays an instrumental role in policy planning through its participation in the justice, crime prevention and security cluster structures. In 2008/09, the team provided technical assistance and expertise on a number of projects, including:

- Support for the devolution of custodial functions and responsibilities from the Department of Public Works, including transfer of responsibility for police stations to the Department of Safety and Security.
- Support to the *Office for Criminal Justice Reform* in identifying projects and funding options to be considered for the criminal justice system review.
- Guidance on appropriate funding for five new correctional facilities.
- Support to the Department of Justice and Constitutional Development in drafting policy regulations on exhumation and symbolic burials of persons who died as a result of their role in the liberation struggle, as well as regulations relating to educational assistance for the victims in terms of the Promotion of National Unity and Reconciliation Act (1995).
- Monitoring capital modernisation projects of the Department of Defence.
- Support to the Department of Foreign Affairs with the drafting of the White Paper on South African Participation in International Peace Missions.
- Oversight of the special arms procurement programme of the South African National Defence Force (SANDF) and the integration of the special defence account allocation into the relevant programmes.
- Assistance to the Independent Complaints Directorate with the development of a case-flow management and monitoring tool.

The work of the *Education and Related Departments* unit includes monitoring and advice on several functions largely administered by provincial departments. Efforts have focused strongly on supporting the development of policy and funding norms, improved monitoring of service delivery and the costing of services. Policies and programmes that



have come under review include:

- Education: Monitoring and evaluation of national standards for school funding, the funding norms for further education and training (FET) colleges, and processes to enable these colleges to access funding for bursaries from the National Skills Fund.
- Arts and Culture: Funding requirements of Freedom Park and the establishment of a Language Practitioners' Council.
- Sport and Recreation: The conditional grant for mass participation, school sport and legacy projects, and advising on funding of the construction and maintenance of sport facilities.
- Labour: National youth policy initiatives, the review of the Umsobomvu Youth Fund and National Youth Commission as part of their merger into the National Youth Development Agency, the establishment of the Quality Council for Trade and Occupations, and a new operational model for sheltered employment for people with disabilities.

The *Health and Social Development* unit focuses on expenditure analysis and medium-term expenditure recommendations, monitoring and advice on sectoral and policy matters affecting this sector. Highlights of the unit's work included the following:

- Health: Treasury supported the Department of Health on projects that resulted in R19 billion of additional budget allocations to the sector over the MTEF, including:
 - Evaluation of new childhood vaccinations, resulting in early introduction of medicines with great potential to improve child health
 - Tuberculosis treatment defaulter tracking programme
 - Introduction of new dual therapy for prevention of mother-to-child transmission of HIV and AIDS, and further ARV rollout
 - Multiple complex analysis of nursing and doctor occupation-specific dispensations.
- Social Development: Engaged with the sector on child protection, family policy costing, the National Integrated Social Information System project, community development, disability policy, occupation-specific dispensations and social grant projections. Regular engagement with provincial chief financial officers and the Social Development Financial Management Forum resulted in improved spending by provincial departments.

The *Urban Development and Infrastructure* unit supports national departments involved in the provision of infrastructure through budget and expenditure analysis. The unit focuses on policies and programmes that deliver network and social infrastructure, such as transport, electricity, water and sanitation, telecommunications, municipal infrastructure and housing.

Specific areas of focus in the reporting period included:



- Transport: Support to the monitoring and managed public transport expenditure in provincial and local government; borrowing provisions relating to toll roads and intercity bus services; the review of the Road Accident Fund revenue model and policy on the Road Accident Benefit Scheme; the finalisation of the National Land Transport Act (2009).
- Housing: Reviews of the emergency housing programme and the upgrading of informal settlements. Support on tax incentives for low-income housing and the Financial Services Charter to increase affordable housing. Reviews of allocation efficiencies in the housing grant.
- Water Affairs and Forestry: Engaged on capital asset management, water services infrastructure asset management, water boards debt collection, development of retail water tariff guideline, and water for growth and development.
- Provincial and Local Government: Engaged on the Traditional Leadership and Governance Framework Amendment Bill and the National House of Traditional Leaders Bill.
- Energy: Contributed to the work of the national electricity emergency response team. Continued with critical analysis of the integrated national electrification programme. Provided technical assistance for the development of a renewable energy business case. Engaged on electricity pricing, the establishment of regional electricity distributors and related issues.
- Communications: Worked on the Sentech wireless broadband business plan, World Cup 2010 ICT guarantees, South African Broadcasting Corporation corporate governance and financial management challenges, the rollout of digital television and set-top boxes manufacturing, ICT in schools and the Universal Service and Access Agency of South Africa (USAASA) and the Universal Service and Access Fund (USAF).
- Infrastructure project support: Provided support for the construction of the De Hoop dam in Limpopo, conducted technical evaluation of departments' capital infrastructure bids, and helped to evaluate proposed municipal regional bulk infrastructure project proposals.

The *Economic Services* unit assesses policy proposals and expenditure plans for departments and state enterprises in this sector. The unit has conducted analysis of public entities' finances to ensure value for money. Funding has been provided for environmental protection, climate change, sustainable development programmes, tourism, industrial development zones, rebates for the motor vehicle sector, film support programmes, critical infrastructure development, a range of regulatory bodies, the Competition Commission, and capital programmes of departments and state enterprises.

The unit's work included:

- Environmental Affairs: Development of a fee model for environmental impact assessment applications, participation in a review of South Africa's response to



climate change and sustainable development, and a review of cost recovery and tariff setting for environmental products.

- Tourism: Business case analysis of the department's budget and how it will stimulate growth and development the industry.
- Science and Technology: Business case analysis of the Technology Innovation Agency and the National Space Agency, evaluation of the titanium industry development programme, financial analysis of the extension of the Square Kilometre Array radio telescope project and the financing of national research facilities.
- Agriculture: Options for accelerating land reform and agricultural development, alignment of support for sustainable agricultural production and business development, and advice on land acquisition strategy through amendments to the Provision of Land and Assistance Act (1993) relating to ownership and control of agricultural enterprises.
- Trade and Industry: Evaluated funding proposals for a wide range of programmes, transfers and public entities. During the establishment of the National Regulator for Compulsory Specification and the National Consumer Commission, assisted with the financing of these entities. Estimate of public expenditure for the department included information on 19 public entities. Participated in the Manufacturing Development Board and various interdepartmental oversight bodies.
- Public Enterprises: Consideration was given to the financing of three major state-owned entities (Infraco, Denel and South African Airways [SAA]). Funding was made available to SAA.

Technical and Management Support

Technical and Management Support is a subprogramme of Programme 2.

The *Technical Assistance Unit* (TAU), co-funded by the Canadian International Development Agency (CIDA), provides programme and project management support to government initiatives (including donor-funded programmes) to contribute to building government's capacity for effective programme and project delivery.

In 2008/09 TAU supported a total of 82 projects. At the end of the financial year 37 were current, 16 were in the pipeline, and support to 29 projects was brought to a close. Four requests were rejected. These projects covered all three spheres of government, with support focused on programme design, planning, strategy development and management, support for the development of business plans, operation manuals, monitoring and evaluation. In 2008 TAU implemented its cost-recovery strategy and established a trading entity.

The following is a list of projects illustrating the support services rendered to government departments and entities:

- Department of Sports and Recreation – Mass participation programme in sport, business planning support and monitoring and evaluation



- National Treasury, *Office of the Accountant-General* – Identifying financial management improvements in the Eastern Cape, KwaZulu-Natal and Limpopo provincial health departments
- National Treasury, *Public Finance* and *Budget Office* – Budget programme structure review
- Department of Health – Support on setting up the norms and standards unit
- Department of Local Government, Western Cape – Setting up a technical assistance programme for municipal support and capacity building
- Department of Labour – Support towards developing a business case for sheltered employment for disabled workers
- The Department of Foreign Affairs – Strategy management and systems improvement for the African Renaissance Fund
- Department of Correctional Services – Development of project management capacity
- Department of Arts and Culture – Business plan development for libraries recapitalisation project
- Department of Education – Diagnostic study, early childhood development
- Department of Education – Diagnostic study in support of developing a strategy and rollout plan for inclusive education
- Department of Education – Support to infrastructure delivery and management
- City of Johannesburg – Strategic management support and strengthening senior management capacity in developing and implementing business plans at the Johannesburg Social Housing Company.
- Department of Social Development – Support on employment options in social services through the expanded public works programme.

TAU has extended its knowledge sharing and entered into a partnership with the University of the Witwatersrand, Public and Development Management School, to bring theory and practice together for graduates, especially those working in the public sector.

The *2010 FIFA World Cup* unit provides support to the Minister and Deputy Minister of Finance, and to the Local Organising Committee, for hosting the 2010 FIFA World Cup. The unit supported key departments and host cities responsible for project management, cost control and contract management.

Full advantage has been taken of the hosting of the competition, which opens in June 2010, to channel capital infrastructure investment. Four out of the 10 stadiums were completed in March 2009 for the Confederations Cup competition in June of the same year. The four stadiums included the installation of advanced fibre-optic cable and satellite technology to broadcast the competition to the world. Public transport infrastructure was improved in the four host cities to enable spectators and visitors to travel to and from the stadiums. Construction at the OR Tambo International Airport was



completed and construction at the Cape Town International Airport continued.

The *Public Private Partnership* (PPP) unit assists National Treasury in ensuring that PPPs are delivered in terms of Treasury regulation 16 to the PFMA, and in terms of PPP regulations continued in the Municipal Finance Management Act (MFMA). It also provides technical assistance to institutions in all spheres of government for the appraisal and procurement of PPPs.

During 2008/09, the unit extended its services in contract management to government institutions, and to develop municipal projects in water, wastewater, solid waste, waste to energy and land development. These municipal projects take advantage of the municipal PPP service delivery guidelines, which are in use, and continuing PPP training for government officials.

The unit has worked to respond to the financial crisis, which has seen decreased availability of private finance, and to develop a programme for the combined use of public, private and development finance institution funding in key infrastructure projects.

The *Neighbourhood Development Programme* unit administers the *neighbourhood development partnership grant* (NDPG). The grant provides municipalities with funding for technical assistance to develop proposals for property development in townships and residential neighbourhoods, and capital grants for the construction and/or upgrading of community facilities and economic infrastructure. The unit's achievements during 2008/09 included the following:

- By the end of March 2009, the unit's portfolio had expanded to 86 awards in 51 municipalities, with a value of R8.75 billion.
- The unit strives to create a balance between township economic development and the quality of life of residents. The grant is targeted at those municipalities with the largest concentrations of poor people, to capitalise on the critical mass needed for stimulating economic development. The NDPG targets about 54 per cent of the country's poorest people, with R5.2 billion allocated to metros and secondary cities and R3.6 billion allocated to rural large and small towns.
- The Training for Township Renewal Initiative – a partnership between National Treasury, South African Cities Network, the former Department of Provincial and Local Government and others – hosted sessions for township development practitioners.
- Eighty funding agreements have been concluded to date.
- About R249 million was disbursed by the end of March 2009 – a ten-fold increase on the previous year.
- Spending is still below planned levels as it takes time to embed the NDPG within municipalities. Despite this, 48 municipalities had started planning by the end of March 2009. Construction had commenced at 27 sites within townships managed by Ba-Phalaborwa, Cape Town, Ekurhuleni, eThekweni, Greater Tzaneen, Johannesburg, King Sabata Dalindyebo, Kouga, Lekwa, Makana, Nelson Mandela



Neighbourhood development partnership grant

| Key performance indicator | Year 1 | | Year 2 | | Year 3 | |
|--|---------|--------|---------|--------|---------|--------|
| | 2006/07 | | 2007/08 | | 2008/09 | |
| | Target | Actual | Target | Actual | Target | Actual |
| No. of projects granted award status | 35 | 33 | 60 | 72 | 80 | 86 |
| No. of projects commenced construction | - | - | 2 | 4 | 7 | 27 |
| Expenditure (technical assistance) (Rm) (Schedule 7) | 50.0 | 0.0 | 63.8 | 3.8 | 85.0 | 67.6 |
| Expenditure (capital grant) (Rm) (Schedule 6) | 0.0 | 0.0 | 231.2 | 41.4 | 289.0 | 181.5 |
| Expenditure (NDPG) (Rm) | 50.0 | 0.0 | 295.0 | 45.1 | 374.0 | 249 |

Metropole, Sisonke, Umngeni and Zululand municipalities.

The *Infrastructure Delivery Improvement Programme* (IDIP) is designed to address problems relating to the planning and management of public-sector infrastructure delivery. The programme provides technical support to help provinces implement and institutionalise good practice. Key achievements during the review period included the following:

- The IDIP is active in all provincial departments of education, health and public works. A total of 32 full-time technical advisors have been deployed.
- The programme has made progress in assisting provinces to improve their capacity to deliver infrastructure, as confirmed by the recently completed independent IDIP review. Progress is evident in the establishment of technical and planning capacity in education at provincial level. Provincial treasuries have also improved their capacity to oversee and coordinate planning, budgeting and monitoring of infrastructure delivery.
- The programme has been enhanced, with the design and rollout of a structured monitoring and reporting system.
- The IDIP began as a pilot in the education sector in 2005, and there has been a tangible increase in infrastructure spending in education since then. In health, where the programme is in its second year, improvements are also beginning to show.

Intergovernmental Relations

The *Intergovernmental Relations* division coordinates fiscal relations between the national, provincial and local spheres of government. This is an important function given the design of intergovernmental funding arrangements, in which provinces and municipalities were allocated R280 billion or 51 per cent of non-interest expenditure. The bulk of these resources are expended on core programmes such as education, health care and the provision of free basic municipal services. The division is responsible for coordinating inputs related to the division of revenue and the preparation of the annual Division of Revenue Bill. This includes coordinating the development of conditional grant management frameworks required in terms of the Division of Revenue Act. During the reporting period the division published, for the first time, the *Local Government*



Budget Review.

Intergovernmental Relations is responsible for compiling consolidated provincial budgets and quarterly expenditure reports required in terms of Section 32 of the PFMA. These reports provide Parliament and provincial legislatures with valuable data for exercising more effective oversight. The division is also responsible for the consolidated reports on local government required by Section 71 of the MFMA. The coverage and quality of the municipal quarterly reports improved significantly during the reporting period, as evidenced by the extension from 43 municipalities in the third quarter of 2006/07 to 282 municipalities in the second quarter of 2008/09.

The division developed an internet-based training programme on the essentials of budget formulation. This programme, which is benchmarked against graduate-level programmes, seeks to enhance the skills of staff and managers. Three hundred participants from all three spheres of government attended this course, which was presented in all the provinces. The division developed and published the municipal budgeting and reporting regulations, which aim to ensure sound and sustainable management of municipal budgeting and reporting.

The division also worked to ensure effective use of financial resources through the IDIP, monitoring and reporting on provincial infrastructure delivery trends, and recommending a delay of transfers where provinces failed to comply with the conditions of national grants.

The division hosted quarterly meetings of officials from the South African Local Government Association (SALGA), provincial and national departments to assist in the coordination of MFMA implementation across all municipalities, and provided hands-on support to 25 municipalities and nine provincial treasuries to implement the MFMA. A total of 22 international advisors with expertise in financial management were deployed to municipalities to support the preparation of budgets, improve reporting and build local skills. In addition, three roving advisors assisted provinces with the monitoring of municipal finance management reforms. The municipal finance recovery service was established during 2007 and is being capacitated to help municipalities develop and implement recovery plans.

A total of 503 financial management interns were part of the programme to build capacity in municipalities. Municipal capacity has been further strengthened by the *financial management grant*, training of officials and councillors, and the issuance of guidelines and policy support, all of which have also contributed to better financial reporting.

As part of raising awareness and facilitating compliance with the provisions of the MFMA, nine circulars and guides were produced, distributed to all municipalities and published on the internet, to assist municipal officials and political office bearers. The MFMA implementation website registered more than 26 000 hits during the past two financial years. The help-desk facility also assisted in responding to over 750 enquiries and provided guidance to municipal officials in the implementation of the MFMA. The division issued MFMA regulations in support of the implementation of the MFMA on debt disclosure, minimum competency levels for finance officers, exemptions on



implementation of generally recognised accounting practice standards, and draft asset transfer regulations for municipalities for public comment.

The division was responsible for monitoring all provincial and local government budgets, as well as all conditional grants, and continued to compile a database of all such information.

The local government fiscal framework has been revised to provide greater financial support to poor and rural municipalities. The reforms introduced in 2007/08 to assist in the funding of more under-resourced municipalities, namely introducing minimum allocations for the *municipal infrastructure grant* (R5 million per municipality) and extending the *financial management grant* to smaller municipalities, were expanded on in 2008/09 by reforming the revenue-raising component of the equitable share formula. This resulted in greater equity in the allocation system by balancing the bigger service-level responsibilities of larger municipalities with the greater revenue-raising constraints faced by smaller municipalities through applying a differentiated “tax” rate on various bands of per capita property rates revenue.

New conditional grants to provinces were introduced as part of the 2008/09 Adjustments Budget process, including the Ilima/Letsema projects under the Agriculture Vote, and the overload control grant and Sani Pass grant, both under the Transport Vote. The *rural transport services and infrastructure grant*, aimed at improving rural transport access, was introduced to municipalities in 2008/09.

To enhance transparency, accountability, performance and planning, attention was given to improve compliance with the Division of Revenue Act provision, first introduced in the 2007 act, requiring that provinces publish hospital budgets per hospital, transfers to schools per school, housing allocations per municipality, and an indicative allocation to any public entity for the implementation of a programme funded by a schedule 5 allocation.



SERVICE DELIVERY ACHIEVEMENT
Programme 2: Public Finance and Budget Management

| Measurable objective: Promote growth, social development and poverty reduction through sound fiscal and financial policies, and the effective, efficient and appropriate allocation of public funds. | | | |
|---|--|--|---|
| Subprogramme | Output | Output performance Measure/service delivery indicator | Actual performance against target |
| | | | Target |
| Budget Office | Annual budget framework and division of revenue | Integrity of budget framework: fiscal sustainability, structure and trends in fiscal indicators | Budget framework for MTBPS and Budget Review were tabled on time and included an estimate of the structural budget balance |
| | Budget Review, Estimates of National Expenditure, appropriation legislation, treasury guidelines and public finance statistics | Quality of budget documentation published on Budget Day | Budget documents were of high quality. In 2008 South Africa's budget documents were rated second highest in terms of transparency by the Open Budget Initiative |
| | Expenditure planning and budget process management | Departmental and agency spending plans and submissions to Ministers' Committee on the Budget | Programme Performance Information Framework issued. Also worked with 4 departments to improve quality of performance information. The 2009 ENE included comprehensive data on performance information |
| | Capital expenditure planning and evaluation | Departmental and agency capital spending and infrastructure plans | A training course on Investment Appraisal and Risk Analysis with international experts was undertaken, training officials from several departments A capital budgets committee process was conducted to assess the technical feasibility of capital bids |
| | Official development assistance (ODA) resources aligned to and mobilised for government policies and priorities Contribution to global ODA debates and policy formation | Alignment of ODA with government priorities Quality engagement in global ODA debates and policy formation | Assessment of capital projects through capital budgets committee Establishing ODA coordinating mechanisms aligned to budget process in at least one cluster |



| Subprogramme | Output | Output performance Measure/service delivery indicator | Actual performance against target | |
|----------------|---|--|---|---|
| | | | Target | Actual |
| Public Finance | Legislative reform, including finalising amendments to key framework legislation as it relates to governance and gain approvals from Cabinet and Parliament | Draft Bill for discussion and consultation | Create a coherent regulatory environment and promote a consistent approach to governance, human resource management and financial management in the public sector, including 'extra-budgetary' entities | The revised Public Finance Management Bill was submitted in May 2008 to Cabinet. This draft included substantial changes to the governance of public entities. ¹ |
| | Sectoral and departmental policy advice | Timely and relevant analysis and advice | Assessment of policy priorities for medium term and 2009 budget | Sectoral and departmental policy priorities are reflected in the 2008 Medium Term Budget Policy Statement and 2009 Estimates of National Expenditure. Advised the Minister of Finance on policy priorities. Departments consulted and advised through correspondence, submissions and direct engagement |
| | Expenditure analysis | Monthly and quarterly monitoring of expenditure; analysis of expenditure trends | Introduction of improved in-year expenditure monitoring system | Improved in-year expenditure monitoring system introduced. Monthly expenditure monitoring of all national departments; regular consultation with CFOs on expenditure trends; Minister advised of challenging cases |
| | Medium-term expenditure recommendations | Inputs to the Medium Term Expenditure Committee on departmental budget submissions | Improved prior consultation with departments, phasing in of measurable objectives and indicators of service delivery, improve long term expenditure planning | Extensive consultation with departments and analysis reflected in detailed 2009 MTEC recommendations, accepted by Ministers' Committee on the Budget and Cabinet. These were published in the February 2009 budget |

¹ Please refer to the narrative under *Governance Monitoring and Compliance* section in the text (page 50) for reasons relating to the delay with this deliverable.



| Subprogramme | Output | Output performance Measure/service delivery indicator | Actual performance against target | |
|-----------------------------|--|--|---|--|
| | | | Target | Actual |
| Intergovernmental Relations | Provincial budget framework | Integrity of the framework: fiscal sustainability, structure and trends in fiscal indicators | Provincial budget framework finalised by September of budget planning year | The Provincial budget framework was prepared and finalised by September 2008 through extensive consultations with all stakeholders including the Budget Council. The consultation process was extended to include further revisions to the fiscal framework after publication of the MTBPS |
| | Preparation of the Division of Revenue Bill and accompanying explanatory memorandum; implementation of the act | Timely publication and quality of the Division of Revenue Bill and explanatory memorandum (Annexure W1) | Available for tabling on Budget Day, with no errors | The Division of Revenue Bill 2009 and its explanatory memorandum, both of improved quality compared to previous years, were published on Budget Day. The Bill was enacted on 3 April 2009 |
| | Support provincial and municipal government with: <ul style="list-style-type: none"> Financial management (FM) reforms Infrastructure planning Service delivery | Number of provincial departments and municipalities in which financial management programmes and reforms are being implemented in terms of the Public Finance Management Act (PFMA) and Municipal Finance Management Act (MFMA) (2003) | Implementation programme extended to 126 low-capacity municipalities | Assessed the implementation FM reforms in 120 provincial departments Annual Budget Format Guideline produced Annual Budget and Programme Structure Guideline produced 6 consultants appointed through Financial Management Improvement Programme to improve financial management in Eastern Cape and Limpopo Additional support provided on implementation of MFMA in all EC and KZN municipalities through advisors placed at provincial treasuries All 126 municipalities receiving additional funding and support on MFMA through the FM grant Oversee the development of customised sets of performance information in two sectors (Economic Affairs and Social Development) |
| | Training in budget formulation and budget analysis courses | Number of officials trained | 300 officials on the budget formulation course 200 officials on budget analysis course | Of 232 applications 173 public officials successfully trained on budget formulation Trained 74 correctional services officials on budget Formulation Budget analysis course was not rolled out due to capacity constraints |



| Subprogramme | Output | Output performance Measure/service delivery indicator | Actual performance against target | |
|--------------|--|--|--|---|
| | | | Target | Actual |
| | Develop budget format regulations, including funding compliance methodology in line with Sections 17 and 18 of the MFMA | User-friendly budget formats Number of municipalities | Complete regulations and guidelines by end of June 2008 | Draft Regulations published for comment on 23 January 2009. The delay in publishing the draft was due to the extent of redrafting required flowing from comments from the legal team. It was also decided to allow 90 days for public comment, which pushed the final issuing date out. Further delay was caused by the need to process the extensive comments received from stakeholders. Final Regulations issued on 17 April 2009 |
| | Provincial and local government Budget and Expenditure Reviews | Quality and scope of reviews | Publish updated provincial data in May | 2008 provincial budget information was published in April 2008 on NT website |
| | Publication of provincial and local government expenditure reports in terms of the PFMA (section 32) and MFMA (section 71) | Timely and accurate reports | Publish Local Government Budget and Expenditure Review by end of May | Tabled in Parliament on 28 August 2008. The delay was due to the need to ensure the integrity of the data The Review was also taken to the provinces through a series of provincial workshops. |
| | | | Publish provincial quarterly reports a month after the end of the quarter Publish municipal reports 45 days after the end of each quarter | Provinces: Section 32 of the PFMA 4th Quarter of 2007/08 – 30 April 2008 1st Quarter of 2008/09 – 30 July 2008 2nd Quarter of 2008/09 – 30 October 2008 3rd Quarter of 2008/09 – 30 January 2009 Local Government: Section 71 of the MFMA 3rd Quarter of 2007/08 – 30 May 2008 4th Quarter of 2007/08 – 25 August 2008 1st Quarter of 2008/09 – 28 November 2008 2nd Quarter of 2008/09 – 16 February 2009 Where there were delays, they were due to the extensive processes followed to check and verify the information submitted by municipalities |
| | | Coverage of municipal information | 120 municipalities | The coverage was extended from 43 municipalities in the 3 rd quarter of 2006/7 to 282 municipalities in 2 nd quarter of 2008/09 |



| Subprogramme | Output | Output performance Measure/service delivery indicator | Actual performance against target | |
|----------------------------------|---|---|---|--|
| | | | Target | Actual |
| Technical and Management Support | Deepen the principles of governance and accountability in public entities and governmental agencies and departmental business enterprises. To institutionalise budgeting, reporting and change management processes, it is essential that the oversight departments strengthen capacity | Implement a governance and financial management monitoring and compliance system for government agencies, public entities and departmental business enterprises | Create a coherent regulatory environment and promote a consistent approach to governance, human resource management and financial management in the public sector, including 'extra-budgetary' entities | Regulatory environment for public entities is still evolving. The draft PFMB and the draft Public Administration Bill are key elements in the process of developing such a regulatory environment. Politically the landscape has changed and some of the elements of these Bills are being revisited |
| | IDIP | Provincial infrastructure plans complying with guidelines developed by provinces and submitted to National Treasury | Technical support given to 3 sectors (by department) in all 9 provinces Infrastructure plans for targeted departments comply with division of revenue act requirements | Technical support given to Public Works, Education and Health Health, Education, and Roads and Transport submitted infrastructure plans complying with division of revenue act requirements |
| | Project management support | Number of projects | 40 projects in receipt of technical assistance Develop technical assistance cost-recovery framework | 86 projects received technical 27 projects commenced construction |
| | Oversight of national government funding to institutions implementing 2010 FIFA World Cup projects | Compliance with financial management legislation, practices and procedures | Oversee, monitor and report on expenditure of national government funding to institutions implementing 2010 FIFA World Cup projects | 4 stadia complete, ongoing monitoring of the remaining 6 (to be completed by December 2009) |
| | PPP agreements | Increased PPP oversight capacity | Establish capacity for contract management support and implementation | Contract management directorate established |
| | | Number of projects reaching financial close | Six projects | Only one project reached financial close due to an unusual slow progress of projects. It is expected that the other projects will reach financial close during the 09/10 financial year |



Programme 3

ASSET AND LIABILITY MANAGEMENT

Purpose: Prudent management of government's financial assets and liabilities.

Measurable objective: This programme aims to ensure prudent cash and financial management, oversight of state-owned entities, and optimal management of the state's domestic and foreign debt.

There are five subprogrammes:

- *Management* provides strategic guidance and direction to the overall programme, including managing the central budget.
- *Asset Management* promotes the optimal allocation and use of financial resources, and sound corporate governance in state-owned entities.
- *Liability Management* provides for government's funding needs, manages domestic and foreign debt, and contributes to the development of domestic capital markets.
- *Financial Operations* provides for prudent management of cash in all spheres of government, efficient accounting of debt and investment transactions, supply of reliable systems and the provision of quality information.
- *Strategy and Risk Management* develops and maintains a risk management framework.

Service Delivery Objectives and Indicators

Recent outputs

Liability Management – Government's debt management policies were influenced by the global economic crisis. To soften the impact of the downturn on South Africa, government pursued a countercyclical fiscal policy, which resulted in the state becoming a net issuer of debt.

Government's gross borrowing requirement of R50.9 billion in 2008/09 was R35.2 billion higher than the budgeted amount of R15.7 billion. In addition, an increase in cash balances of R6.7 billion had to be financed. The borrowing requirement was financed through short-term domestic loans (R12.2 billion), long-term domestic loans (R42.4 billion) and long-term international loans (R3 billion). To develop the domestic market and enhance liquidity, bond issues were concentrated in existing benchmark bonds. Of the total bond issues, 76.8 per cent were in fixed-income bonds and 23.2 per cent in inflation-linked bonds. To further support the market, government continued with the scrip lending and repurchase facilities. To reduce the refinancing risk, R66.3 billion of bonds maturing in 2008/09 and over the next three years were switched to longer-dated maturities. As part of the investor relations programme, two domestic and two foreign non-deal road shows were conducted. Debt service costs as a percentage of gross



domestic product (GDP) were marginally higher at 2.3 per cent against a budgeted 2.2 per cent.

Financial Operations – The provinces continued to use their intergovernmental cash coordination accounts at the Corporation for Public Deposits as bridging-finance facilities, resulting in a national and provincial government saving of 4.7 per cent on short-term borrowing. A similar investment facility has been set up for other public entities.

User testing of the foreign debt module and customisation of the domestic debt module of the new back-office system has commenced. In line with the revised divisional information technology strategy, IT governance is being addressed.

Strategy and Risk Management – Government continued its active debt management strategy to support broader macroeconomic objectives. The issuance of new debt is informed by market and credit risk guidelines. These guidelines also take into consideration the risks arising from contingent liabilities relating to state-owned entities.

The debt portfolio risk profile has been affected by the performance of the rand against other currencies, movements in both domestic and international interest rates, funding strategy choices and increased borrowing requirements. Non-fixed debt (treasury bills, inflation-linked bonds and floating rate notes) accounted for 29.7 per cent and fixed-income debt 70.3 per cent of the domestic debt portfolio at end-March 2009, compared to the risk management guideline of 30 per cent non-fixed versus 70 per cent fixed-income debt. Foreign debt was 15.5 per cent of the total debt portfolio at end-March 2009, remaining well within the 20-25 per cent risk management guideline.

Three of the four rating agencies rating South Africa have assigned a negative outlook on South Africa's credit rating. This is in line with the global trend due to the impact of the global economic crises. However, Moody's placed South Africa on a stable outlook citing prudent fiscal policy and the accumulation of reserves.

The monitoring of risks emanating from government's contingent liabilities remained a strategic focus area. The economic crisis affected the financial sustainability of state-owned entities. Providing assistance to these entities will be considered on a case-by-case basis and closely monitored against strategic risk benchmarks. Net debt and contingent liabilities as a ratio of GDP amounted to 32.7 per cent as at 31 March 2009 against a 50 per cent debt sustainability benchmark. This excludes the Eskom guarantees still requiring final approval for incorporation into the guarantee portfolio.

Asset Management – State-owned entities and development finance institutions (DFIs) play an important role in supporting economic growth and development. National Treasury is closely monitoring the progress of state-owned entities in implementing and funding their capital expenditure programmes with a view to identify and attend to challenges timeously. In light of the exceptional circumstances faced by Eskom, government approved a R60 billion subordinated loan over three years, and guarantees totalling R176 billion over five years for the utility's capital expenditure programme.

The regulation of administered prices affects the financial stability of many state-owned entities. Economic regulation seeks to balance a number of factors, including protecting



consumers from monopoly pricing, ensuring that an entity remains financially viable, promoting efficiency within the economy through cost-effective pricing, and ensuring long-term supply based on adequate investment. During 2009/10, a regulatory review will be conducted, with the goal of developing recommendations to achieve an appropriate balance between these objectives.

National Treasury conducted a review of the DFIs and submitted its report to Cabinet in 2008. The main objective of the review is to ensure that DFIs use resources more efficiently in support of government's social and economic policy objectives, as well as minimising wasteful competition and overlap with the private sector.

Government recognises the need to restore financial sustainability at public entities such as Denel, South African Airways (SAA) and the South African Broadcasting Corporation (SABC).

- Options for restructuring Denel are being developed and evaluated.
- The implementation of SAA's turnaround strategy was closely monitored and some progress was made, but this was offset by the high cost of fuel. Strategies for returning the company to profitability are under way.
- A joint National Treasury-Department of Communications task team has been established to review the SABC's strategy and business model, and to develop recommendations and action plans to ensure that the broadcaster is able to deliver on its mandate. As part of this process, the task team will determine the level, type and timing of government assistance that is necessary for the broadcaster to continue its operations.
- A financial review of the Pebble Bed Modular Reactor project was completed in 2008/09. Several restructuring options have been developed to make the project more affordable and reduce its reliance on public funds.

During 2008/09 National Treasury completed treasury best practice guidelines, reviewed 17 state-owned entities and DFIs against these guidelines, and issued individual reports to each entity. Continuous monitoring of the execution of the recommendations contained in the reports will enhance overall treasury standards.

During the reporting period National Treasury registered a notable increase in the sales of the RSA Retail Savings Bonds. By 31 March 2009 over 1 billion had been invested, bringing the total amount invested to R4 billion since 2004.



SERVICE DELIVERY ACHIEVEMENT
Programme 3: Asset and Liability Management

| Subprogramme | Output | Output performance Measure/service delivery indicator | Actual performance against target | |
|------------------|--|---|---|--|
| | | | Target | Actual |
| Asset Management | Review of development finance institutions (DFIs) | DFI review report completed | Submit to Cabinet by end-June 2008 | The DFI review report was submitted to Cabinet on 23 April 2009. Cabinet referred it to the Inter-Ministerial Committee. Recommendations and findings were presented to the Inter-Ministerial committee meeting was convened on 19 February 2009 |
| | | | Full report on SOE adherence | Follow-up reviews of 100% (17) of selected SOEs finalised |
| | Promote appropriate treasury management policies and practices for state-owned entities (SOEs) | Adherence to guidelines | Develop appropriate treasury management guidelines | Treasury best practice guidelines completed and issued to departments and SOE's in April 2009 |
| | Promote appropriate treasury management policies and practices in SOEs and major municipal treasuries (metros) | Percentage of selected treasuries reviewed against best-practice guidelines | 30% modelled | Target not met due to a delay in project pricing |
| | Formulate SOE capital structure and dividend policies | Analysis to determine appropriate target capital structure for each SOE | Quarterly | 98% of Schedule 2 and 3B public entities submitted their corporate plans, draft financial statements and audited annual financial statements. Ikangala did not submit a corporate plan and annual financial statements because it was disestablished on 23 January 2009. The Auditor-General was informed of the compliance/non-compliance |
| | Prudent shareholder management | PFMA and King Code (2002) compliance and monitoring | Submissions to Cabinet | PFMA Amendment Bill submitted to Cabinet on 30 April 2008. PFMA Amendment Bill amended on instruction of Cabinet to exclude proposed amendments regarding SOEs |
| | | PFMA amendments to reflect prudent shareholder management | Review all corporate plans and financial statements | Corporate plans and financial statements of SOEs reviewed, and reports submitted in July 2008 and January 2009 respectively |
| | | Continuous financial oversight over Schedule 2 and 3B entities | | |
| | | | | |
| | | | | |



| Subprogramme | Output | Output performance Measure/service delivery indicator | Actual performance against target | |
|----------------------|---|---|--|--|
| | | | Target | Actual |
| Liability Management | | | Participate in major interventions and restructuring | Approval granted to provide guarantees of R175.97 billion to Eskom. Legal agreements currently being finalised Drafted a Cabinet memorandum on the financial review of the pebble bed modular reactor (PBMR) project Participated in inter-departmental workshops to develop possible options for the future of SAA, and the "end state" of Denel Engaged in other, ongoing restructuring initiatives of entities like Transnet, SABC |
| | Finance government's gross borrowing requirement | Annual total government borrowing needs fully met | Gross issuance of R15.7 billion | Revised gross borrowing requirement of R50.9 billion financed |
| | Sound domestic and foreign debt management policies | Enhanced liquidity | Concentrate issuance in benchmark bonds | Funding in fixed-income bonds was concentrated in the R203 (8.25%; 2017), R204 (8.0%; 2018), R206 (7.5%; 2014), R207 (7.25%; 2020) and R209 (6.25%; 2036) benchmark bonds. Issues in these bonds accounted for 80.7 per cent of total issues. Issues in inflation-linked bonds (ILB) were concentrated in the R189 (6.25%; 2013) and R197 (5.5%; 2023) bonds. Fixed-income bonds represent 76.8 per cent and ILB's present 23.2 per cent of new issues |
| | | | Scrip lending and repo facilities | Scrip lending and repo facilities of R18.2 billion provided |
| | | Active debt management | Buyback and exchange in foreign and domestic debt | Switches of R5.4 billion in the R196 (10%; 2009) bond and R60.9 billion in the R153 (13.5%; 2009/10/11) bond were entered into |
| | Reduce debt service cost | Debt service cost as percentage of GDP declines | 2.2% of GDP | 2.3% of GDP |
| | Contribute to the development of financial markets | Diversification of funding instruments | Funding government's borrowing requirement in fixed-income, inflation-linked and retail bonds, floating rate notes and treasury bills within risk guidelines | Total domestic issuance of R59.5 billion comprises R12.2 billion in treasury bills, R37.1 billion and R10.2 billion in fixed-income and ILBs, respectively The net inflow in retail bonds was R415 million |



| Subprogramme | Output | Output performance Measure/service delivery indicator | Actual performance against target | |
|----------------------|---|---|--|--|
| | | | Target | Actual |
| Financial Operations | Sound investor relations | Retain current investors and attract new ones | Foreign issuance attracts 20% new investors Timely dissemination of reliable information | Conducted 2 domestic and 2 foreign non-deal road shows, and teleconferences with market participants and attracted over 20% new investors Compliance with disclosure requirements of the SEC, Luxembourg and Kanto local finance bureau was met |
| | Sound cash forecasts | Government's liquidity requirements met every time | Forecasting R1.8 trillion of cash flows | R2 trillion of cash flows forecasted |
| | Optimise return on investments subject to credit limits | Investment of surplus cash at market-related rates | Quarterly analysis and review of investment rates | Tax and Loan account rate reviewed quarterly Interest earned is on average equal to treasury bill yield plus 15 basis points Return on the sterilisation deposits with the Reserve Bank averaged 3.3% |
| | | Intergovernmental cash coordinated | Continuous improvements to intergovernmental cash coordination | Portfolio of accounts for public entities set up Investment policy for Schedule 3A and 3C public entities under review |
| | | Saving by national and provincial governments | Saving of up to 2% on borrowing costs compared to borrowing from commercial banks | Borrowing from the IGCC accounts by provinces reached a high of R5.5 billion in December 2008 Provinces saved up to 4.7% on short-term borrowing compared to commercial banks |
| | Annual financial statements and market reports | Timely and accurate reporting | Compliance with PFMA reporting requirements regarding annual financial statements Timely dissemination of reliable market information | Complied with PFMA reporting requirements Reporting requirements for the special data dissemination standards of the IMF met and reliable market information timely disseminated |
| | Treasury management systems | Reliable automated and integrated systems | Rollout of the new back-office system: <ul style="list-style-type: none"> Foreign debt module to be implemented February 2009 Preparation to implement back-office modules | Implementation of foreign debt module delayed due to interface incompatibilities with counterparties Preparation to implement back office modules behind schedule due to complex interfaces with counterparties |



| Subprogramme | Output | Output performance Measure/service delivery indicator | Actual performance against target | |
|------------------------------|--|--|--|--|
| | | | Target | Actual |
| Strategy and Risk Management | | | Implementing and actively managing the revised systems integration strategy | Implementation of revised systems integration strategy is ongoing although behind schedule due to staff turnover and budget constraints |
| | Minimise and mitigate risks emanating from government debt portfolio (market risk) | Performance against benchmarks: <ul style="list-style-type: none"> Non-fixed vs. fixed debt Foreign debt vs. domestic debt | Review of strategic benchmarks of 70/30 fixed versus non-fixed rate domestic debt and 20-25% maximum foreign debt exposure as a percentage of total debt | Domestic debt composition is 29.7% non-fixed rate and 70.3% fixed-rate debt. The split between foreign and domestic debt of 15.5% and 84.5% respectively |
| | Minimise and mitigate counterparty risks emanating from investment of surplus cash | Adherence to surplus cash benchmark investment ratios and total limits per counterparty | Implement and monitor strategic benchmarks Quarterly review of performance against benchmarks | Strategic benchmarks reviewed and a benchmark methodology proposed. Quarterly performance review of debt portfolio against benchmarks undertaken |
| | Minimise and mitigate sovereign credit rating risks | Quantitative indicators of sovereign risk | Annual review of investment ratios and limits per counterparty | Ratios have been revised taking into consideration underlying pressures facing the financial sector because of slower growth following the world economic crisis. Cash deposited with the banks kept within the 50% limit of the capital and reserves of the banks |
| | Manage contingent liabilities appropriately | Capping total government debt plus contingent liabilities as a percentage of GDP | Semi-annual reports on adherence to ratios and limits | Semi-annual reports prepared |
| | | | | Semi-annual sovereign credit rating reviews |
| | | | Review and monitor benchmark of net government debt and contingent liabilities not exceeding 50% of GDP | Government debt plus contingent liabilities of 32.7% of GDP |



Programme 4

FINANCIAL MANAGEMENT AND SYSTEMS

Purpose: Manage and regulate government's supply chain processes, and implement and maintain standardised financial systems.

Measurable objective: The programme aims to regulate and oversee public-sector supply chain management, and standardise the financial systems of national and provincial government.

Managed by the Specialist Functions division, activities are carried out under the following subprogrammes:

- *Supply Chain Management (SCM)* Office is composed of three subprogrammes Supply Chain Policy, Norms and Standards and Contract Management. SCM develops and implements policy that regulates supply chain management processes in the public sector, monitors policy outcomes, and facilitates and manages transversal term contracts on behalf of government.
- *Financial Systems* provides for the maintenance and enhancement of existing financial management systems, and the replacement of outdated systems with systems that are compliant with both the Public Finance Management Act (PFMA) and Generally Recognised Accounting Practice.

Service Delivery Objectives and Indicators

Recent outputs

The *Supply Chain Management* unit continues to improve SCM practices and procedures throughout government. During the reporting period the unit issued one practice note, in terms of the PFMA, dealing with unsolicited bid proposals.

The *Specialist Functions* division is the custodian of strategic sourcing and is responsible for facilitating transversal term contracts used by government departments. During 2008/09 strategic sourcing principles were applied to one transversal term contract. This brings the cumulative percentage of all transversal term contracts administered by National Treasury to which strategic sourcing principles had been applied to 96 per cent, against the target of 85 per cent.

Specialist Functions is also responsible for ensuring that strategic sourcing principles are rolled out to all spheres of government. During 2008/09 strategic sourcing principles were rolled out to 12 national departments, 5 provincial treasuries, 5 constitutional institutions and 30 high-capacity municipalities. Further support and mentoring is required.

The electronic format of the user requirement statement for the Integrated Financial Management System (IFMS) project was created in April 2008 to enable users to evaluate and post comments to improve the system. The policy framework for item identification was finalised in November 2008 to be available for the implementation of the IFMS



procurement management module in the lead sites.

The intention to align the Preferential Procurement Policy Framework Act (5 of 2000) (PPPFA) and the Broad-Based Black Economic Empowerment Act, (53 of 2003) (B-BBEEA) was not achieved by August 2008. It was envisaged that the PPPFA would be repealed and that alignment of preferential procurement with the aims of the B-BBEEA would be achieved through the inclusion of new provisions in the PFMA. The delay was due to the legislative calendar especially in the last two quarters of 2008/09. The PPPFA regulations would be amended as an interim measure. The proposed amendments will be aimed at incorporating the B-BBEE balanced scorecard methodology in the evaluation of bids.

It was envisaged that the SCM grievance mechanism would be established and that reports on SCM compliance monitoring would be submitted to Cabinet and the Standing Committee on Public Accounts. SCM compliance monitoring has been integrated into a financial management maturity capability model developed by the Accountant-General. Future reporting in respect of SCM-related matters will be done in the context of the new model.

A mechanism has been established in National Treasury for SCM-related grievances by bidders. Initiatives include measures to ensure uniformity in the receipt and handling of such grievances in all spheres of government, and measures to counter fraud and corruption. An SCM compliance monitoring unit is being established in National Treasury.

Financial Systems – Significant progress has been made on the IFMS project with the completion of the asset management module. Implementation in lead sites will commence about six to eight months later than projected in the 2008/09 strategic plan. The lead sites for the rollout of this module National Treasury, the Department of Defence and Military Veterans, and four departments in Limpopo province. The rollout in these lead sites is projected to be completed during the first half of 2009/10.

Following prolonged contract negotiations, site preparation and customisation of both the procurement management and human resource management modules have begun. These two modules are scheduled to be rolled out to the lead sites during the second half of 2009/10 – about 12 months later than the target date as indicated in the 2008/09 strategic plan.

It is projected that a rollout strategy for the rest of the IFMS modules will be confirmed during 2009/10, and this will inform the phasing-out of the existing financial management solutions in National Treasury, the Department of Defence and Military Veterans, and the South African Police Service.

The financial management systems used by National Treasury continue to operate optimally, with enhancements only targeted at areas supported by the implementation of the PFMA.

SERVICE DELIVERY ACHIEVEMENT

Programme 4: Financial Management and Systems



| Subprogramme | Output | Output performance Measure/service delivery indicator | Actual performance against target | |
|------------------------|--|---|--|---|
| | | | Target | Actual |
| Financial Systems | Roll out the Integrated Financial Management System (IFMS) | Implement lead solutions | Procurement commercial, off-the-shelf (COTS); Implement at National Treasury and one further national department – lead site | Contract awarded – lead site implementation will commence and be completed as per approved release strategy |
| | | | HR COTS: Department of Public Service and Administration and Free State Department of Education – lead sites | Contract awarded – lead site implementation will commence and be completed as per approved release strategy |
| | | | Asset Management: National Treasury and one further national department – lead sites | Asset Management module developed as proof of concept – lead site implementation ongoing as per approved release strategy |
| | Create a user support capacity at SITA | Success of user support facility | Assessment of user support capacity at SITA | User support capacity established, assessment ongoing |
| | Develop an approach for data migration | Successful data migration | Undertake data migration for lead sites | To be developed in conjunction with lead departments and lead modules. Delay was because of prolonged contract negotiations which were unforeseen |
| | Maintain and support current financial management systems | Percentage availability of systems within working hours | 98% availability of systems during working hours | Achieved |
| Retire current systems | Data migration for lead sites | Data migration and archives | Implementation underway | |



| Subprogramme | Output | Output performance Measure/service delivery indicator | Actual performance against target | |
|-------------------------|--|---|--|---|
| | | | Target | Actual |
| Supply Chain Management | Overall user requirement statement (URS) and updated Supply Chain Management (SCM) URS | Creating URS in an electronic format | April 2008 | Created in April 2008 |
| | Compile a policy for item identification | Implementation of item identification framework | May 2008 | Implemented in November 2008 due to protracted procurement processes |
| | Establish corporate reference data functionality | Establish URS repository | May 2008 | URS established and by May 2008 and ongoing maintenance |
| | Introduction of strategic sourcing principles to all spheres of government | Roll out strategic sourcing principles to the public sector and assist institutions with implementation | 30% of all national departments | Achieved |
| | Align preferential procurement with the aims of the BBBEE Act and its related strategy | Extent of alignment | Issue SCM framework to align Preferential Procurement Policy Framework Act with BBBEE Act by August 2008 | Delayed due to postponement in the consideration of the revised PFMA by Parliament – Draft framework completed |
| Norms and Standards | Roll out of revised SCM framework | Successful implementation throughout government | August 2008 Issue at least four practice notes for implementing the revised SCM framework | Delayed due to postponement in the consideration of the revised PFMA by Parliament – Draft framework completed |
| | SCM compliance monitoring on a proactive basis | Extent of compliance to SCM regulations by organs of state | Report to Cabinet and SCOPA on SCM compliance monitoring – August 2008 | Compliance monitoring information received for inclusion in National Treasury Financial Management Capability Maturity Model, report will be submitted to Cabinet in due course |
| | Establishment of a grievance mechanism to deal with disputes and complaints | Effectiveness of grievance mechanism | Establishment of grievance mechanism by August 2008 | Grievance mechanisms exist in national and provincial treasuries – draft for uniform grievance mechanism completed in consultation with provincial treasuries |



| Subprogramme | Output | Output performance Measure/service delivery indicator | Actual performance against target | |
|---------------------|--|--|--|---|
| | | | Target | Actual |
| Contract Management | Apply strategic sourcing to enhance value for money applicable to all transversal term contracts | Number of contracts on which strategic sourcing is applied | Apply strategic sourcing strategies on 85% of all transversal term contracts | Achieved |
| | Facilitate and manage national transversal term contracts | Number of transversal term contracts facilitated per year | 35 transversal term contracts | Facilitated 31 contracts because of changes in technical specification by user departments, also there were contracts that had to be re-advertised as no suitable contractor could be found |

- Note that "Align preferential procurement with aims of the BBBEE Act and its related strategy; Roll out of revised SCM framework" in the Strategic Plan was listed under Supply Chain Policy but should be under Norms and Standards.
- Note that " Apply strategic sourcing to enhance value for money applicable to all transversal term contracts; Facilitate and manage national transversal term contracts in the Strategic Plan was listed under Norms and standards, and should be under Contract Management"



FPPE

Programme 5

FINANCIAL ACCOUNTING AND REPORTING

Purpose: Enhance accountability and governance by promoting the transparent, efficient and prudent management of revenue, expenditure, assets and liabilities.

Measurable objective: The programme aims to promote accountability to the public by encouraging transparency and effective management of revenue, expenditure, assets and liabilities in the public sector.

Financial Accounting and Report develops frameworks, guidelines, practice notes and transversal policies for internal auditing, risk management and accounting for the public service. It sets new government accounting policies and practices, and improves existing ones, to ensure compliance with the Generally Recognised Accounting Practice (GRAP); prepares consolidated financial statements; and works to improve the timeliness and accuracy of financial reporting.

The programme consists of six subprogrammes:

- *Financial Reporting for National Accounts* is responsible for accounting for the National Revenue Fund and the Reconstruction and Development Programme (RDP) Fund, banking services for national government, and preparing consolidated financial statements.
- *Financial Management Improvement* includes improving financial management through training, developing and implementing accounting policies and internal audit services.
- *Investment of Public Monies* accommodates augmentation of the Public Investment Corporation's bank account.
- *Service Charges (Commercial Banks)* provides for bank service charges for all departments' deposit accounts.
- *Audit Statutory Bodies* provides for compensation for certain shortfalls of statutory bodies and municipalities in terms of the Auditor-General Act (12 of 1995).
- *Contingent Liabilities: Reinsurance Liabilities* provides for reinsurance granted to insurers arising from loss or damage to property, funds payments or consequential loss as a result of riots in terms of the Reinsurance of Damage and Losses Act (56 of 1989), and grants loans and advances to such insurers in terms of the act.

Service Delivery Objectives and Indicators

Recent outputs

The *Financial Reporting for National Accounts* unit produced a set of consolidated financial statements (CFS) for national departments and consolidated financial



information (CFI) for national public entities for 2007/08. The CFI contained information on all but 13 public entities, 12 of which were dormant. The CFS and the CFI were audited and tabled in Parliament in compliance with the requirements of the Public Finance Management Act (PFMA). While there are significant challenges in the consolidation process, largely as a result of the application of the cash and accrual bases of accounting in government departments and public entities respectively, the unit is confident that over the short to medium term, both the product and process will continue to improve.

To improve the quality of the CFS and CFI, and support government departments in preparing for the 2008/09 year-end, a standardised financial reporting template was developed in consultation with departments, public entities and the Office of the Auditor-General. The templates incorporated policy improvements to the reporting framework in line with GRAP standards issued by the Accounting Standards Board (ASB) and the transition to the accrual basis of accounting. A template for the consolidation process was also developed during the year.

The implementation of the reporting framework was achieved through training and supporting the reporting entities by means of road shows, workshops and forums for chief financial officers and provincial accountants-general. Training was provided to all national and provincial public entities to ensure compliance with new GRAP standards. In addition, the unit targeted initiatives to improve compliance with the PFMA, and annual financial statements submission and publication requirements, through regular support.

The *Financial Management Improvement* unit continued to develop and refine accounting policies to comply with the standards issued by the ASB. The policies were included in the guidelines for the preparation of the annual financial statements for national and provincial departments. The annual reporting template and guideline for national and provincial departments was enhanced to improve the quality of the information presented in annual reports.

To help municipalities comply with the applicable standards of GRAP, the division developed a template to be used for the annual financial statements for the year ending 30 June 2009. Furthermore the GRAP accounting manuals were enhanced to incorporate guidance for municipalities.

The division developed and published a booklet containing summaries of all the effective standards of GRAP for easy reference.

The office continued to participate in various local and international technical fora to provide public-sector perspectives on the development of new standards and the interpretation of existing ones. The division supported the East and Southern African Association of Accountants-General (ESAAG) member countries with training on the cash and accrual International Public Sector Accounting Standards (IPSAS).

The 2nd Public Sector Financial Management Symposium was held in November 2008 to discuss matters such as asset management and financial reporting experiences. Over 400 officials attended the symposium.



During March 2009, the internal audit framework was successfully launched at an indaba attended by 518 internal audit practitioners. *Internal audit* continued providing support to all spheres of government, and in this regard training sessions benefited 1 546 internal auditors.

The risk management framework was revised during the reporting period and augmented with a number of guideline documents and templates to ease use and reduce complexity. Hundreds of officials around the country attended forums and workshops held to introduce the revised framework. In addition, training workshops in basic and semi-advanced risk management practice took place. Risk management support strategies were concluded for 126 institutions.

During 2008/09, 17 students participated in National Treasury's training outside public practice (TOPP) programme, which is aimed at training chartered accountants. National Treasury sponsored 10 more students in the South African Institute of Chartered Accountants (SAICA) Thuthuka Bursary Fund. The OAG employed interns in risk management, internal audit and accounting, and in some cases these interns were deployed to support departments and municipalities.

With effect from 1 October 2008, the *PFMA Implementation* unit was moved from Programme 4 (*Financial Management and Systems*) to Programme 5. At the time of its absorption, the unit was dissolved and its operations assigned to two newly created units, namely *Governance Monitoring and Compliance* and *Capacity Building*.

Prior to formation of the *Governance Monitoring and Compliance* unit, work commenced on the development of a financial management capability maturity model for national departments. The model was developed as an electronic platform with 582 questions aimed at assessing national departments in critical areas of financial management. The results of these assessments were intended to provide the Standing Committee on Public Accounts (SCOPA) with a detailed progress report. Complexities surrounding the development of the electronic tool and the magnitude of the assessments resulted in the reports not being submitted to SCOPA by August 2008. The finalisation of these reports is, however, imminent.

In May 2008, Cabinet approved the Public Finance Management Bill, with the provision that certain amendments would be effected prior to it being tabling in Parliament. Due to the extent of the amendments and Parliament's tight legislative programme, it was not possible to table the bill during the reporting period. The bill will be submitted to Cabinet by March 2010. Amendments to the Treasury regulations will depend on amendments to the act.

The success and sustainability of public-sector financial management reforms depend on the critical mass of competent practitioners in all disciplines of financial management, including planning, budgeting, accounting, financial reporting, supply chain management and auditing. Consequently, National Treasury has, in consultation with the Public Administration Leadership and Management Academy (PALAMA) and the Institute for Public Finance and Auditing (IPFA) developed a sustainable and integrated capacity-



building model catering for finance personnel in national and provincial government, spanning four occupational levels in all areas of financial management.

The model will provide for the development of competence standards in a range of disciplines, the establishment of a curriculum framework, and assessments of finance staff to establish a comprehensive database of skills shortages and capacity requirements for each institution.



SERVICE DELIVERY ACHIEVEMENT

Programme 5: Financial Accounting and Reporting

| Measurable objective: To achieve accountability to the general public by promoting transparency and effective management of revenue, expenditure, assets and liabilities in the public sector. | | | | |
|---|--|--|--|---|
| Subprogramme | Output | | | |
| Financial Reporting for National Accounts | Monthly statements of actual revenue and expenditure for the National Revenue Fund | <p>Output performance Measure/service delivery indicator</p> <p>Timely publishing of accurate reports</p> | <p>Actual performance against target</p> <p>Target</p> <p>Last working day of each month</p> | <p>Actual</p> <p>All reports published on the last day of the month</p> |
| | Annual financial reporting framework in line with financial management improvement programme | <p>Compliance to prescripts and addressing of transversal audit issues</p> | <p>By 31 March 2009 for 2009/10 AFS template and preparation guide issued by 31 March 2009 for 2009/10</p> | Achieved |
| | Specimen formats for AFS | <p>Agreed formats for annual consolidation</p> | <p>30 April 2008 for 2007/08</p> | Achieved |
| | Conduct implementation sessions through workshops | <p>Number of participants in the workshop</p> | <p>30 participants</p> | 30 participants |
| | Consolidated AFS for national government | <p>Tabling of audited consolidated annual financial statements in Parliament</p> | <p>31 October 2008</p> | 30 October 2008 |
| | AFS for the RDP Fund | <p>Audited and published annual financial statements for the RDP Fund</p> | <p>31 October 2008</p> | 31 October 2008 |
| | Support implementation of reporting frameworks and related topics | <p>Departments – number of trainees</p> <p>Local government – number of trainees</p> | <p>300 officials from national and provincial departments</p> <p>300 officials from local government</p> | <p>206 – the training was not realised to the full extent as expected since no significant changes were effected to the templates</p> <p>Training did not take place for local government since exemptions were granted to municipalities from complying with approved GRAP standards</p> |



| Subprogramme | Output | Output performance Measure/service delivery indicator | Actual performance against target | |
|----------------------------------|--|---|--|---|
| | | | Target | Actual |
| Financial Management Improvement | Support implementation of new GRAP standards and the guidelines for public entities | Training workshops: number of participants | 370 participants | 442 participants |
| | Support implementation of new GRAP standards, the guidelines for local government and the generic procedure manual | Training workshops: number of participants | 550 participants | Due to the unavailability of officials, it was considered appropriate to reschedule training for medium/high capacity municipalities and low capacity municipalities to May 2009 and Sept 2009 respectively |
| | Cash to accrual implementation plan | Alignment with the Accounting Standards Board work plan and the IFMS rollout plan | Comprehensive implementation plan drawn up to be ready for the IFMS by 31 March 2009 | This project was delayed due to implementation of the new Standard Chart of Accounts |
| | Develop guidelines for all new GRAP standards and a generic procedure manual for municipalities | New GRAP standards guideline document for public entities Guideline document and a procedure manual for municipalities | 30 June 2008 for public entities 30 September 2008 for municipalities | Achieved Achieved |
| | Accounting policies and practices in support of framework for transition from cash to accrual basis of accounting | Accounting policies and practices in line with approved accounting standards and adhere to best practice | 100% alignment to approved standards effective dates | Achieved |
| | Develop internal audit guidelines on the frameworks and the standards | Guideline documents on the frameworks and the standards | 31 March 2009 – online | Framework and supporting guideline documents have been developed and the framework has been published on National Treasury website |
| | Develop risk management guidelines on the frameworks and the standards | Guideline documents on the frameworks and the standards | 31 March 2009 – online | Achieved |
| | | | | |
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| Subprogramme | Output | Output performance Measure/service delivery indicator | Actual performance against target | |
|--------------|---|--|---|---|
| | | | Target | Actual |
| | Implementation of the revised internal audit framework for national, provincial departments and local government | Training workshops: number of participants | 600 participants | 687 participants |
| | Implementation of the revised risk management framework for national, provincial departments and local government | Training workshops: number of participants | 600 participants | 859 participants |
| | Enhance service delivery capability of internal auditors through training programmes and workshops | Training workshops on performance auditing: number of participants | 600 participants | 1546 participants |
| | Enhance service delivery capability of risk managers through training programmes and workshops | Risk management training: number of trainees | 200 trainees | 203 trainees |
| | Risk management system implementation | Number of new sites | 50 sites | 52 sites |
| | Information sharing sessions/conferences | Number of delegates | 500 delegates | 740 delegates |
| | • Risk management | | 500 delegates | 430 delegates, the number of delegates fell short of expectations |
| | • Financial management | | 500 delegates | 518 delegates |
| | • Internal audit | | | |
| | Conduct internal quality assessment reviews (QARs) in municipalities | Number of municipalities | Report on QARs for 20 municipalities having internal audit functions, submitted to relevant councils by 31 March 2009 | Report on QARs for 19 municipalities have been completed and submitted to the relevant councils by 31 March 2009. A QAR was also performed in 1 provincial department |



| Subprogramme | Output | Output performance Measure/service delivery indicator | Actual performance against target | |
|--------------|--|---|--|---|
| | | | Target | Actual |
| | Facilitate QARs in local government and qualifying departments | Number of departments and municipalities | 15 departments 20 municipalities | QARs were not performed in departments since none qualified for review during 2008/2009. No reviews conducted in municipalities since none were ready for the reviews |
| | Develop intervention strategies to improve the risk management capability of clients based on the results of the survey conducted in 2007/08 | Risk management intervention strategy document Rollout/implementation workshop | Strategy document finalised by September 2008 Workshops October 2008 to March 2009 for all departments | Intervention strategies developed and support programmes initiated |
| | Participation on audit committees and risk management committees of national departments | Percentage participation on audit committees of national departments | 100% participation on audit committees of national departments, and in education and health departments in provinces and the treasury-delegated municipalities | There was 100% participation in national departments and metros. With the exception of Gauteng, there was 100% participation in provincial Health and Education departments |
| | Develop and implement audit committee guidelines | Audit committee guideline document Workshops on guidelines: number of participants | 30 June 2008 200 participants | Achieved 180 participants, the number of participants fell short of the number anticipated |
| | Finalise and implement the capability maturity model | Capability maturity model Implementation workshops through existing forums Client capability maturity assessment report in terms of financial management, internal audit and risk management of clients | 30 June 2008 31 August 2008 | Achieved Not achieved ¹ |

¹ Please refer to the narrative under *Governance Monitoring and Compliance* section in the text (page 50) for reasons relating to the delay with this deliverable.



| Subprogramme | Output | Output performance Measure/service delivery indicator | Actual performance against target | |
|--------------|---|---|--|---|
| | | | Target | Actual |
| | TOPP trainee progress evaluation Continued development programme for the Office of the Accountant-General and one for clients | Number of trainees Quarterly assessment reports General continued professional development programme for clients | 10 trainees Quarterly 30 June 2008; fully implemented by 31 March 2009 | 9 trainees – disciplinary action taken against 1 trainee Achieved Achieved |
| | Identify weaknesses in systems of financial management and internal controls in pre-selected clients | Progress and/or final report on findings in each client engagement Recommendations on corrective measures | 31 March 2009 | Achieved – clients were engaged on corrective measures taken to improve audit outcomes based on a Cabinet resolution |
| | Participate in the development of local and international standards of accounting, auditing and risk management | Meetings attended Comment letters submitted | 10 international meetings 10 comment letters | Achieved Achieved |
| | Support to East and Southern African Association of Accountants-General | Number of weeks dedicated to support | Three weeks | Achieved |
| | Coordinate implementation of the PFMA | Report to SCOPA and to the Portfolio Committee on Finance on progress made with the improvement of financial management in terms of the capability maturity model | August 2008 | Not achieved ² |
| | Financial management training initiatives | Report to Cabinet on the Audit Outcomes of national and provincial entities Number of training courses funded/subsidised and the number of individuals to be trained to assist with implementation of financial management reforms | November 2008 300 courses (6000 trainees) | A Memorandum on Audit Outcomes and on the Tabling of Annual Reports was tabled in Cabinet during December 2008 128 courses were rolled out to 3200 trainees ³ |
| | Facilitate the development and implementation of a learning framework for financial management | Success of learning framework | Development to be completed by March 2009 | The Capacity Building Model for Financial Management was approved by the Director-General on 13 April 2009 |

² Please refer to the narrative under *Governance Monitoring and Compliance* section in the text (page 50) for reasons relating to the delay with this deliverable.



| Subprogramme | Output | Output performance Measure/service delivery indicator | Actual performance against target | |
|--------------|--------------------------------------|--|-----------------------------------|---------------------------|
| | | | Target | Actual |
| | Review of and amendments to the PFMA | Submission of Public Finance Management Bill to Parliament | May 2008 | Not achieved ⁴ |
| | | Revision of Treasury Regulations issued in terms of the PFMA | December 2008 | Not achieved ⁴ |

⁴ Please refer to the narrative under *Governance Monitoring and Compliance* section in the text (page 50) for reasons relating to the delay with this deliverable.



Programme 6

ECONOMIC POLICY AND INTERNATIONAL FINANCIAL RELATIONS

Purpose: Provide specialist policy analysis and advisory services in the areas of macroeconomics, microeconomics, tax policy, financial and banking sector policy, regulatory reform, regional integration and international financial relations.

Measurable objective: The programme provides policy advice to promote growth, employment, macroeconomic stability and regional integration.

There are five subprogrammes:

- *Management and Research* funds the department's economic research programme, including international research on growth and promoting local research capacity.
- *Financial Sector Policy* provides financial sector policy advice and is responsible for related legislation, regulations and the regulatory framework. Key strategic focus areas include improvements to the financial regulatory system to maintain financial stability, retirement reform and financial sector transformation.
- *Tax Policy* provides advice on the formulation of tax policy, and is responsible for drafting tax legislation, revenue analysis and forecasting.
- *International and Regional Economic Policy* focuses on improving South Africa's participation in international economic institutions and debates. It facilitates the deepening of South Africa's role in regional integration (Southern African Development Community and Southern African Customs Union) and promoting the economic objectives of the African Development Bank and the New Partnership for Africa's Development.
- *Economic Policy* provides macroeconomic and microeconomic analysis and policy advice, economic forecasting, regulatory assessment and policy review for the annual budget and other government processes.

Service Delivery Objectives and Indicators

Recent outputs

Programme 6 covers the functions of three National Treasury divisions established over the past three years: *Economic Policy*, *Tax and Financial Sector Policy*, and *International and Regional Economic Policy*. These divisions coordinate the National Treasury's interaction with:

- The Reserve Bank on the framework and conduct of macroeconomic policy, supervision and regulation of banking and exchange controls
- The Financial Services Board in relation to regulation of non-banking financial services



- The Financial Intelligence Centre in relation to anti-money-laundering measures and combating the financing of terrorism
- The Cooperative Banks Development Agency, established after the proclamation of the Cooperative Banks Act (40 of 2007) on 1 August 2008.

Together with the *Assets and Liability* division, *Tax and Financial Sector Policy* serves on and chairs three standing committees with the Reserve Bank covering macroeconomics, financial regulation and financial markets, and prepares recommendations for bilateral meetings between the Minister of Finance and the Governor of the Reserve Bank.

Tax and Financial Sector Policy also oversaw the completion of research by the International Growth Advisory Panel, which resulted in the publication of 19 research papers in May 2008. These papers stimulated discussions on government's Accelerated and Shared Growth Initiative for South Africa (AsgiSA) in a wide range of forums.

Economic Policy

Economic Policy conducted ongoing research, and provided advice and coordination of growth-enhancing policies. Important areas of work over the past year included:

- The causes and consequences of the international financial crisis
- Responses to the electricity crisis and the economic impact of electricity tariff increases
- The drivers of food-price increases and policy responses
- The impact of methodological changes to the measurement of consumer price index (CPI) inflation, and proposals to change the inflation target measure to headline CPI
- Analysis and advice on proposed industrial policies.

The division engaged with a number of international organisations, including the Commission on Growth and Development and the Organisation for Economic Cooperation and Development (OECD). *Economic Policy* was also responsible for the organising the World Bank's Annual Bank Conference on Development Economics (ABCDE), hosted by National Treasury in Cape Town.

The division worked in conjunction with Public Finance, *Tax Policy* and *Asset and Liability* to assess and advise on departmental policy proposals and initiatives of state-owned enterprises.

A key output for the *Modelling and Forecasting* unit is the quarterly forecast, which feeds directly into the budget framework. This is accompanied by other analysis provided for policy makers. Over the past year studies have been conducted on fiscal multipliers, inflation, exchange rates and assessing the impact of trade and industrial policies. These policy questions required the development of new models and the improvement of existing ones.

A key output of the division is its work with the *Budget Office* on the national budget. Economic Policy creates the economic forecast for the medium-term expenditure framework and writes the macroeconomic chapter of the *Medium Term Budget Policy*



Statement (MTBPS) and Budget Review. The division monitors various economic sectors. In support of fiscal policy, the division has refined its methodology to calculate the structural budget balance and to improve the accuracy of tax forecasts.

Work continued on regulatory impact assessment. In conjunction with the Presidency, two training workshops were organised to build capacity and initiate regulatory impact assessment work in various departments. Discussions on capacity building were initiated with donor agencies and the OECD.

Tax Policy and Financial Sector Policy

The *Tax Policy* unit met its 2008/09 objectives. The unit implemented significant tax policy reforms arising from the 2008 Budget, including a shift of the secondary tax on companies to a withholding tax on dividends at shareholder level, industrial policy incentives and the turnover tax for small businesses. As a result, the Revenue Laws Amendment Bill (2008) and the Taxation Laws Amendment Bill (2008) were passed during 2008/09. The Minerals and Petroleum Resources Royalty Bill was passed at the end of 2008. The unit was also responsible for tax revenue analysis and the coordination of revenue forecasts for the 2008 MTBPS and the 2009 Budget.

Work on environmental fiscal reform, the use of taxes and incentives to deal with environmental challenges such as climate change, and the interactive gambling bill continued. The 2008 *Tax Statistics* was released in December 2008 and provides an overview of tax revenues for the period 2002/03 to 2005/06. This publication fills a void in the public availability of tax revenue data at a more disaggregated level.

The *Financial Sector Policy* unit prioritised responding to the global financial crisis by improving monitoring systems. The unit initiated an assessment of how to improve South Africa's financial regulatory system to protect the sector from current and future financial crises. The unit also participated in the work of the Group of 20 (G20), preparing for the heads of state summit to promote financial stability. Locally, the unit convened a forum of financial regulators to improve information-sharing in support of more effective financial supervision.

The unit continued with its work on reforming the retirement fund industry, researching technical issues arising from the February 2007 National Treasury *Social Security and Retirement Reform: Second Discussion Paper*. Much of this work continues to feed into the intergovernmental task team on social security and retirement fund reform.

During the reporting period, the unit was also instrumental in the promulgation of the Insurance Laws Amendment Act (27 of 2008), the Financial Services Laws General Amendment Act (22 of 2008), and the Financial Intelligence Centre Amendment Act (11 of 2008).

Following the promulgation of the Cooperative Banks Act, the unit also facilitated the establishment of the agency and its board, and the appointment of the managing director. This initiative will assist in building capacity in financial services cooperatives, and will result in the licensing and regulating all cooperative banks.



International and Regional Economic Policy

International and Regional Economic Policy is responsible for servicing South Africa's relationship with multilateral institutions such as the World Bank, International Monetary Fund (IMF) and African Development Bank (AfDB). South Africa continued to play a key role in negotiations with donor countries to ensure that their commitments to the African Development Fund and the World Bank's International Development Association (IDA) to fund low-income countries were considerably increased compared to previous rounds. More details are provided under Programme 9.

During the review period the Minister of Finance was appointed to chair a committee of eminent persons on IMF governance reform. South Africa also participated actively in G20 forums to promote governance reforms in the Bretton Woods institutions. The minister also served on the Commission on Growth and Development, an international research team initiated by the World Bank under the auspices of Nobel laureate Professor Michael Spence, which published its report in May 2008.

South Africa continued to play a leading role in promoting regional integration through the Southern African Development Community (SADC) and the Southern African Customs Union (SACU).

The division prepared policy briefs for the SADC summit, and contributed to the development of a common SADC approach to expanding representative governance on the AfDB board. The unit also supported SADC in assisting the unity government in Zimbabwe with the preparation of an economic recovery plan. The unit provided technical support for two grants of R300 million from the African Renaissance Fund. Within SACU, South Africa proposed a review of the revenue-sharing formula, and developed a database of actual and envisaged SACU payments from 2005 to 2011, to inform the discussion on a new formula.

South Africa contributed actively to the annual AfDB meetings, appointed a senior advisor to the bank's constituency, and finalised a host country agreement for the establishment of the bank's regional office in South Africa.



SERVICE DELIVERY ACHIEVEMENT

Programme 6: Economic Policy and International Financial Relations

Measurable objective: This programme provides policy advice to promote growth, employment, macroeconomic stability and regional integration.

| Subprogramme | Output | Output performance Measure/service delivery indicator | Actual performance against target | |
|--|---|--|--|---|
| | | | Target | Actual |
| Management and Research | Publication and promotion of economic research relevant to South Africa | Publication of economic papers | Publication of research or discussion papers on growth, employment creation, retirement reform, and various tax and financial sector policy issues | Published recommendations of the International Growth and Advisory Panel. Also coordinated the launch of the Organisation for Economic Cooperation and Development's assessment report on South Africa as well as the Growth Commission report |
| Financial Sector Policy | Reforming system of retirement funding | Publishing papers, gazettes or legislation on retirement reforms | Two research and concept papers to support retirement reform | Research papers produced for comment by relevant government departments. The papers will be published in the 2009/10 financial year |
| | | | Tabling of legislation on pensions and insurance industry | Insurance Laws Amendment Act 27 of 2008, published in Government Gazette (GG) No 31578 of 05 November 2008 Financial Services Laws General Amendment Act 22 of 2008, published in GG 31471 of 30 September 2008 Financial Intelligence Centre Amendment Act 11 of 2008, published in GG 31365 of 27 August 2008 |
| | | | Support regulatory agencies to monitor stability of financial sector | Contributed to the G20 resolutions on the principles for the enhancement of global financial regulations to promote financial stability |
| Financial stability | Enforcement of regulations or drafting of legislation promoting financial stability | | Report on improving the financial regulatory system | Convened domestic financial regulators forum for improving information sharing efforts amongst regulators, to enable more effective financial supervision. Report produced and submitted |
| | | | Appointment of the board and the managing director for the Development Agency for Cooperative Banks | Board members appointed by Notice in GG 31336 of 15 August 2008 Appointment of managing director finalised in March 2008. Appointment of supervisor in April 2009 |
| Financial sector transformation and access | Establishment of the Development Agency for Cooperative Banks | | Publication of discussion paper on micro-insurance industry | Discussion Paper on Micro-insurance Regulation released on 07 April 2008 |



| Subprogramme | Output | Output performance Measure/service delivery indicator | Actual performance against target | |
|--------------|---|---|-----------------------------------|---|
| | | | Target | Actual |
| Tax Policy | Tax proposals and revenue forecasts for the annual budget | Chapter 4 of the annual Budget Review | Publication on Budget Day 2009 | Published in 2009 Budget Review |
| | Tax legislation and amendments | Taxation and Revenue Laws Amendment Bill | Tabling by April 2008 | Taxation Laws Amendment Act 3 of 2008, published in GG 31267 of 22 July 2008 Taxation Laws Second amendment Act 4 of 2008, published in GG 31208 of 03 July 2008 |
| | | Minerals and Petroleum Resources Royalty Bill | Tabling by June 2008 | Mineral and Petroleum Resources Royalty Act 28 of 2008, published in GG 31635 of 24 November 2008 Mineral and Petroleum resources Royalty (Administration) Act 29 of 2008, published in GG 31642 of 26 November 2008 |
| | | Revenue Laws Amendment Bill | Tabling by September 2008 | Revenue Laws Amendment Act 60 of 2008, published in GG 31718 of 08 January 2009 Revenue Laws Second Amendment Act 61 of 2009, published in GG 31782 of 08 January 2009 |
| | | Other legislation | | Draft Interactive Gambling Tax Bill published 13 November 2008 (released for public comment) Draft regulations relating to tax incentives published on 09 March 2009 (released for public comment) |



| Subprogramme | Output | Output performance Measure/service delivery indicator | Actual performance against target | |
|-------------------------|--|---|---|--|
| | | | Target | Actual |
| International Economics | Promotion of Southern African economic integration | Agreement and implementation of a road map for integration and review of SACU revenue-sharing formula | Participate in process to develop a road map for regional integration in SADC | Prepared policy briefs for SADC Contributed to the development of a common approach in SADC on the formation of a Third Constituency Finalised a Memorandum Of Understanding for the establishment of SADC's Project Preparation and Development Facility (PPDF) South Africa proposed a review of the SACU formula, and developed a database of SACU payments (2005 to 2011) |
| | Promoting development of African countries and attainment of MDGs | Playing a catalyst role with donor countries and in capacity-building initiatives | Participate in African Development Bank (AfDB), United Nations Economic Commission for Africa (UNECA) and Collaborative Africa Budget Reform Initiative (CABRI) | Participated and contributed at annual AfDB and UNECA meetings Appointed a senior advisor to the AfDB Constituency Finalised a host country agreement for the establishment of an AfDB regional office in South Africa Managed the secretariat of CABRI and facilitated the establishment of CABRI as a legal entity |
| | Improving South Africa's participation in international economic institutions like the International Monetary Fund (IMF), World Bank and G20 | Playing a catalyst role in the reform of Bretton Woods institutions, climate change, attainment of Millennium Development Goals (MDGs) and elimination of poverty | Contribute to discussions and agenda-setting in key multilateral institutions | Minister of Finance appointed as chair of committee of eminent persons on IMF governance reform in September 2008 Participated in G20 to promote governance reforms in the IMF/World Bank |



| Subprogramme | Output | Output performance Measure/service delivery indicator | Actual performance against target | |
|-----------------|--|---|---|--|
| | | | Target | Actual |
| Economic Policy | Economic policy analysis, research, assessment and advice covering trade, labour markets, industrial sectors, network infrastructure, development finance institutions and economic growth | High-quality policy memos and economic assessment of policy proposals with appropriate turnaround times | Institutional development of divisional capacity and quality benchmarking | Background paper for the Growth Commission entitled "Policy Change and Economic Growth: a case study of South Africa" |
| | | | | Analysis of economic impact of electricity tariff increases Cabinet presentation on causes of food price increases and policy responses Cabinet presentations and analysis on causes and consequences of global financial crisis Cooperated with the OECD to complete research on the 2008 Economic Assessment of South Africa. Attended Economic and Development Review Committee (EDRC) country review of South Africa in May 2008 ABCDE conference organised and hosted Analysis of impact of methodological changes to the measurement of CPI inflation by Stats SA Proposal to change inflation target measure from CPIX to Headline CPI. Announced in the MTBPS and implemented as of January 2009 |
| | Macroeconomic forecasts | Quarterly economic forecasts and high-quality policy and scenario modelling | Staffing and capacity development for modelling and forecasting | Macroeconomic forecasts for Budget Review and MTBPS Quarterly macroeconomic forecast updates to Minister Quarterly tax forecasts and Structural Budget Balance forecasts Assessment of fiscal multipliers Improved the analysis and forecasting capability of the quarterly model (re-estimated and improved equations) |



| Subprogramme | Output | Output performance Measure/service delivery indicator | Actual performance against target | |
|--------------|---|---|---|---|
| | | | Target | Actual |
| | | | | <p>Improvements to Structural Budget Balance Model (improved estimates of various tax elasticities)</p> <p>Developed a principal components model to assist in forecasting short(er) term GDP growth outcomes</p> <p>Developed a model to forecast short(er) term Terms of Trade developments</p> <p>Developed a model and completed a report on house prices in SA (equilibrium house price model and impact on consumption)</p> <p>Hosted a CGE modelling workshop to increase capacity in National Treasury and in the Southern African region</p> <p>Trained 4 new modellers on building a small model and running the National Treasury macro econometric forecasting model</p> <p>Trained 3 modellers on calibrating and running the new small DSGE model</p> |
| | Macroeconomic perspective and analytics | High-quality Chapter 2 of <i>MTBPS</i> and <i>Budget Review</i> | Improved policy focus in <i>MTBPS</i> | High quality inputs into Chapter 2 of the <i>MTBPS</i> and the <i>Budget Review</i> covering the causes and consequences of the global financial crisis and South Africa's policy response. The <i>MTBPS</i> focused on the microeconomic reforms needed to raise productivity in South Africa and increase job creation |
| | Speeches and briefing notes | Speeches published on intranet | Improved speech-writing skills of staff via capacity building | Speeches and briefing notes prepared on a range of issues by staff covering topics such as the drivers of food prices and policy responses to high food inflation, the global financial crisis, the OECD economic assessment, the impact of the global crisis on South Africa's economic outlook, prospects for investment in South Africa |
| | Meetings with investors on the economic outlook | Impact on investor analysis | Made-to-measure analytics prepared for meetings | Achieved |
| | Regulatory impact assessments | Number and quality of assessments | Work processes developed. | Work processes drafted. Training institutions identified and training started for capacity building throughout government |



Programme 7

PROVINCIAL AND LOCAL GOVERNMENT TRANSFERS

Purpose: Manage three conditional grants to the provincial and local spheres of government. These conditional grants are in addition to the equitable share allocations and constitute only a portion of the many conditional grants administered by national departments.

Measurable objective: This programme aims to improve the pace and quality of provincial infrastructure investment and asset maintenance, promote financial management reforms in municipalities, and restructure service delivery in municipalities with large budgets.

This programme includes three conditional grants:

- The *infrastructure grant to provinces* supplements provincial infrastructure budgets, and is intended to accelerate the building and maintenance of social and economic infrastructure such as hospitals, clinics, schools, roads and agricultural infrastructure. The grant also assists provinces in the funding of labour-intensive infrastructure projects.
- The *local government financial management grant* provides financial assistance to municipalities in progressively implementing the Municipal Finance Management Act (MFMA) as part of the capacity-building efforts to modernise financial management in local government.
- The *neighbourhood development partnership grant* supports projects that provide community infrastructure, create platforms for private-sector development and improve the quality of life of residents in targeted areas. The unit administering this grant is discussed in Programme 2.

Service Delivery Objectives and Indicators

Recent outputs

Infrastructure grant to provinces

The *infrastructure grant to provinces* is a supplementary grant aimed at accelerating infrastructure investments at provincial level. The grant was allocated R7.2 billion in 2008/09 and was transferred to all nine provinces. Portions of the third and fourth instalments were delayed due to under-expenditure and non-compliance, but these amounts were released when the provinces complied.

The rapid rise in the allocation of this grant has contributed to high growth in provincial capital budgets. The provinces' capital budgets on education, health and roads grew from R19.9 billion in 2007/08 to R24.7 billion in 2008/09. This represents a year-on-year nominal growth of 24.5 per cent. The preliminary (un-audited) total infrastructure



expenditure on the education, health and roads sectors amounted to R23.6 billion or 95.5 per cent in 2008/09. Significant improvement in spending trends is notable in four provinces – Gauteng, KwaZulu-Natal, Limpopo and the Northern Cape – which spent an average of 98 per cent of their overall infrastructure budgets. Provinces that still need significant improvements in infrastructure delivery management are Mpumalanga and the Western Cape, which spent less than 85 per cent of their capital budgets.

Infrastructure Delivery Improvement Programme

The Infrastructure Delivery Improvement Programme (IDIP) helps departments to improve infrastructure planning, align project planning with budgets, and clarify roles and responsibilities. This has contributed to improved working relationships between public works and client departments.

To implement the IDIP, government is recruiting and placing technical assistants in departments to support the institutionalisation of good practices in the management of infrastructure delivery.

During 2008/09, 36 full-time and short-term technical assistants were hired and deployed to 25 departments (education, health and public works) across the provinces. Their effect on infrastructure expenditure through better forward planning is evident in education, where spending trends for 2008/09 averaged 97.3 per cent compared to 91.6 per cent in 2007/08.

Local government financial management grant

The *local government financial management grant* helps municipalities to progressively improve the quality of budgets and in-year reports; appoint skilled finance officials; participate in the graduate internship programme; build financial management skills; improve processes and procedures; introduce internal controls; publish relevant financial information on municipal websites; continuously enhance audit outcomes, revenue and expenditure management; introduce accounting reforms and supply chain management processes; and upgrade compliance with the MFMA and its regulations.

The grant was transferred to 283 municipalities, and the programme prioritised additional support and allocations to 32 small and rural municipalities.

Reforms during 2008/09 were supported by the introduction of asset transfer, budget and reporting regulations.

This grant was also able to leverage support from donors, including the Financial Management Improvement Programme II, which assisted in the placement of advisors in four municipalities (Makhuduthamaga, Modimolle, Inkwanca and Port St Johns). GTZ provided additional assistance to the Eastern Cape and KwaZulu-Natal treasuries to assist municipalities. The total allocation of R180 million in 2008/09 was disbursed in terms of the Division of Revenue Act.

The review of internal processes, delegations, implementation plans, changing of past practices, raising awareness among councillors and officials, budget reforms, and community consultation received attention during 2008/09. Lessons learnt need to be



taken forward over the medium term, and much work is required to ensure that financial and non-financial reforms extend throughout all levels of local government.

The skills development programme included the facilitation and accreditation of 34 independent private service providers, and development of quality training material in support of the countrywide rollout of the minimum competency regulations. Municipalities have also used the grant to sustain the graduate internship programme by employing 537 graduates from previously disadvantaged backgrounds. The National Treasury will accelerate skills development through this grant, developing further training material, guidelines and manuals.

Local government restructuring grant

The grant reached financial close on 31 March 2008, having achieved its intended objectives.



SERVICE DELIVERY ACHIEVEMENT

Programme 7: Provincial and Local Government Transfers

| Measurable objective: This programme aims to improve the pace and quality of provincial infrastructure investment and asset maintenance, promote financial management reforms in municipalities, and restructure service delivery in municipalities with large budgets | | | | | | | | | |
|---|---|--------|--------|---|--|---|---|--|---|
| Subprogramme | Output | | | | | | | | |
| Infrastructure Grant to Provinces | Monitoring provincial infrastructure development | | | | | | | | |
| Output performance Measure/service delivery indicator | Actual performance against target | | | | | | | | |
| Transfers in compliance with conditions | <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%; text-align: center;">Target</th> <th style="width: 50%; text-align: center;">Actual</th> </tr> </thead> <tbody> <tr> <td>Transfers made in accordance with the Division of Revenue Act</td> <td>The first and second transfers of IGP were made in compliance with DORA. Funds were transferred to all provinces. However, R11.6 million for Free State Health Department (which is part of the first instalment) is still withheld as the department submitted the final infrastructure plan late. The amount will be transferred as part of the third instalment</td> </tr> <tr> <td>Quarterly reporting on compliance, transfers and spending</td> <td>All nine provinces submitted quarterly reports on spending in line with the infrastructure grant to provinces framework</td> </tr> <tr> <td>Improvement of infrastructure delivery management systems, through implementation of IDIP in provinces</td> <td>Appointed 27 long term technical assistants and 9 short term technical assistants in all nine provinces The systems have been developed (alignment model and Infrastructure Development Improvement Programme (IDIP) toolkit) and the IDIP toolkit (module 2) has been enacted in DORA and in CIDB regulations. The provincial departments of Education all use the infrastructure plan requirements in the IDIP toolkit. The national department of Education assessed infrastructure plans unassisted. In the department of Health, work is on-going on the alignment of the IDIP toolkit and hospital revitalisation systems. IDIP also assisted in the development of schools norms and standards. In Public Works IDIP is working to align GIAMA, the IDIP toolkit and DORA</td> </tr> </tbody> </table> | Target | Actual | Transfers made in accordance with the Division of Revenue Act | The first and second transfers of IGP were made in compliance with DORA. Funds were transferred to all provinces. However, R11.6 million for Free State Health Department (which is part of the first instalment) is still withheld as the department submitted the final infrastructure plan late. The amount will be transferred as part of the third instalment | Quarterly reporting on compliance, transfers and spending | All nine provinces submitted quarterly reports on spending in line with the infrastructure grant to provinces framework | Improvement of infrastructure delivery management systems, through implementation of IDIP in provinces | Appointed 27 long term technical assistants and 9 short term technical assistants in all nine provinces The systems have been developed (alignment model and Infrastructure Development Improvement Programme (IDIP) toolkit) and the IDIP toolkit (module 2) has been enacted in DORA and in CIDB regulations. The provincial departments of Education all use the infrastructure plan requirements in the IDIP toolkit. The national department of Education assessed infrastructure plans unassisted. In the department of Health, work is on-going on the alignment of the IDIP toolkit and hospital revitalisation systems. IDIP also assisted in the development of schools norms and standards. In Public Works IDIP is working to align GIAMA, the IDIP toolkit and DORA |
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| Subprogramme | Output | Output performance Measure/service delivery indicator | Actual performance against target | |
|---|--|---|--|---|
| | | | Target | Actual |
| Local Government Financial Management Grant | Monitoring of municipal financial management reforms and restructuring | Transfers made according to conditions | Transfers made by 31 March 2009 | All 283 municipalities received transfers by 31 March 2009 for the financial year 2008/2009 |
| | | | Appointment of at least two interns in 283 municipalities (a total of 566 graduates) | 186 municipalities had at least 2 interns by 31 March 2009, and 58 municipalities with 1 intern. Only 39 municipalities had no interns |
| | | | Improved reporting in 50 municipalities through the new system | 282 municipalities complying with the improved reporting. One municipality did not report to National Treasury as required in terms of Sec71 (MFMA) |
| | | | Budget reforms in 100 municipalities | * Achieved |
| | | | Progressive implementation of MFMA in all municipalities | All municipalities received support on the implementation of the MFMA |

* This target is now the responsibility of the Local Government budget analysis unit and is covered under programme two, under the following output: Develop budget format regulations, including funding compliance methodology in line with Sections 17 and 18 of the MFMA



Programme 8

CIVIL AND MILITARY PENSIONS, CONTRIBUTIONS TO FUNDS AND OTHER BENEFITS

Purpose: Payment and administration of special pensions, military pensions, other statutory pensions and post-retirement medical subsidies.

Measurable objective: The programme aims to ensure the payment of benefits and awards to beneficiaries of departments, state-aided entities and other specified bodies in terms of various statutes, collective bargaining agreements and other commitments.

There are two subprogrammes:

- Civil Pensions and Contributions to Medical Aid Schemes provides for the payment of benefits of pension and other funds to medical aid schemes for pensioners, surviving spouses, dependants and civil pensioners who were not members of medical schemes during their period of service (by special concession). It ensures payment to medical schemes for pensioners and widows in the former Development Boards and the National Film Board. The subprogramme also provides for payment of special pensions to persons who have made sacrifices or served the public interest in the establishment of a democratic constitutional order.
- Military Pensions and Other Benefits provides for the payment of military pension benefits and medical claims arising from treatment for disability, medical assistance devices, and other related expenses in terms of statutory commitments. The subprogramme is responsible for payment of compensation benefits to government employees in cases of temporary, total or partial disablement; as a result of injuries sustained on duty; and in cases of death to dependants of such beneficiaries in accordance with the Compensation for Occupational Injuries and Diseases Act (1993). In addition, it provides for the payment of former presidents, retired judges (pre-1994), parliamentarians, and Venda and Gazankulu parliamentarians.

Service Delivery Objectives and Indicators

Recent outputs

The programme's financial affairs are governed by the PFMA and its human resources ambit is covered by the Public Service Act (1994).

During 2008/09, a draft administration agreement between National Treasury and the Government Employees Pension Fund (GEPF) was compiled. The administration agreement will be augmented by a service-level agreement that will outline service delivery outputs for the programme. It is expected that all the agreements will be concluded during 2009/10.

During the reporting period all special pension offices were integrated with GEPF offices to improve administration and delivery. The enactment of the Special Pensions



Amendment Act (2008) has extended the right to a pension to persons 30 years of age, but not yet 35 years of age, on 31 December 1996.

The following objectives were delivered during the period:

- Development and implementation of a new special pensions operations model that decentralises the pre-verification process for applicants
- Employment of qualified staff to speed up the processing of applications and reduce backlogs
- Design of new forms, including applications for persons qualifying for special pension, funeral and other benefits.

Military Pensions successfully processed payments for more than 6 000 beneficiaries and contributed to a draft amendment of the Military Pensions Act (1976).

The *Military Treatment* unit identified a number of gaps and recommended a complete restructuring of its operations. The restructuring process is under way to improve efficiency and effectiveness of payments, and will continue through 2009/10. The unit also consulted with medical schemes to improve assessments of medical invoices and case management.

The *Injury-on-Duty* unit improved its processes for the payment of client benefits and implemented increases on time. Introduction of the electronic award transfer system by the Compensation Commissioner will further improve processing of awards and payments.

Government's contribution to pensions and other benefits on behalf of retired civil servants increased from R2.2 billion in 2007/08 to R2.3 billion in 2008/09. This upward trend is expected to continue as new applications are received and processed for payment. Payments to parliamentarians amounted to about R59 million in 2008/09 for some 1 500 beneficiaries. This amount is expected to increase as MPs elected in April 2009 apply for pensions.



SERVICE DELIVERY ACHIEVEMENT

Programme 8: Civil and Military Pensions, Contributions to Funds and Other Benefits

Measurable objective: To ensure the payment of benefits and awards to beneficiaries of departments, state-aided bodies and other specified bodies in terms of various statutes, collective-bargaining agreements and other commitments.

| Sub programme | Output | Measure / Indicator | Actual performance against target | |
|--|---|--|---|--|
| | | | Target | Actual |
| Civil Pensions and Contribution to Funds | Payment of pension benefits and contributions to funds (including special pensions) | All beneficiaries paid monthly | 9 182 injury-on-duty (IOD) beneficiaries 8 187 special pensions monthly pensioners | 10 433 IOD beneficiaries |
| | Payment of contributions to medical aid schemes | All contributions paid timeously | 71 169 members per month | 67 533 members |
| | Payment of risk and administration fees to the Political Office Bearers' Pension Fund | Payment of risk and administration fees of all members monthly | Payment of risk and administration fees of 900 members monthly | Payment of risk and administration fees of 873 members monthly |
| | Notify beneficiaries of special pensions amendments | Successful national awareness campaign | Process all applications by March 2009 | Not achieved, as amendment only happened later than originally anticipated |
| Military Pensions and Other Benefits | Payment of military pension benefits | All beneficiaries paid monthly | 6 994 | 6 058 |
| | Payment to service providers for medical expenses | All claims paid to service providers monthly | 764 | 764 |



Programme 9 FISCAL TRANSFERS

Purpose: Makes funds available to public authorities and other institutions in terms of legal provisions governing the financial relations between government and the relevant authority or institution, including international development bodies of which South Africa is a member.

Measurable objective: To meet certain international and other statutory financial obligations, to meet the costs of effectively and efficiently raising revenue for the state, and to finance intelligence-gathering and other secret services in the national interest.

Domestic transfers are made to:

- The South African Revenue Service (SARS), which is responsible for the collection of revenue in terms of the South African Revenue Service Act (34 of 1997).
- The Financial and Fiscal Commission, a constitutional body charged with making recommendations about the equitable division of revenue between the three spheres of government.
- The Secret Services account, used to finance the activities of the National Intelligence Agency, the South African Secret Service, and certain activities of the Detective Service of the South African Police Service.
- The Financial Intelligence Centre, which combats money-laundering and works to strengthen financial regulation capacity.

To fulfil government's international obligations, foreign transfer payments are made to:

- The World Bank Group
- The African Development Bank
- Member states of the Common Monetary Area – Lesotho, Namibia and Swaziland
- The Commonwealth Fund for Technical Cooperation
- The Global Alliance for Vaccines and Immunisation.

Service Delivery Objectives and Indicators

Recent outputs

Contributions to the World Bank Group – South Africa contributes to the World Bank Group's International Development Association (IDA), which is replenished by donors every three years. The 15th replenishment of IDA was negotiated during 2007 and totalled US\$42 billion. During 2008/09, South Africa made its first contribution to IDA15 in the amount of R68 million. This is consistent with government's share of this multilateral



fund, which provides concessional resources to low-income countries. Fifty percent of IDA's resources are ring-fenced for expenditure in sub-Saharan Africa.

South Africa is the only African country that donates to the African Development Fund (ADF) of the African Development Bank (AfDB). This fund provides reduced-interest lending to low-income African countries to support poverty alleviation, and to foster economic growth and development. South Africa has been contributing to ADF replenishments since 1998. During the reporting period, South Africa made the first of three equal payments totalling R77 million and bought shares bringing the total amount transferred to R93 849 towards the 11th ADF replenishment. The remaining two instalments will be made in the 2009/10 and 2010/11 financial years.

South Africa's shareholding in the AfDB stands at just over 4.5 per cent.

The *Common Monetary Area* is made up of South Africa, Lesotho, Namibia and Swaziland. Its purpose is to implement a common monetary policy. South Africa compensates the other countries for rands circulating in their territories as legal tender in terms of Article 6 of the Multilateral Monetary Agreement. The compensation is based on the understanding that South Africa, as the issuing country, benefits from this through seigniorage collection. In 2008/09, R363 million was transferred for this purpose.

Commonwealth Fund for Technical Cooperation (CFTC) resources are used to further the Commonwealth Secretariat's goals and programmes, which are closely aligned to the Millennium Development Goals. The primary objective of the fund is to assist developing member countries to acquire the knowledge and institutional capacity needed to address their development priorities. Public sector development is a central theme within fund-sponsored activities. The CFTC provides funding to (mostly) technical advisors, and funding or scholarships for workshops, seminars, study tours and study programmes. South Africa contributed R3.7 million to this fund during the review period.

South Africa acceded to the *International Financial Facility for Immunisation* (IFFIm) in early 2007, with a binding pledge to provide the IFFIm with US\$1 million a year for the next 20 years, enabling the IFFIm to frontload the provision of development resources. The IFFIm's financial resources are made available to the *Global Alliance for Vaccinations and Immunisation* in support of health care, particularly the provision of vaccines to reduce the number of vaccine-preventable deaths among children under the age of five. During 2008/09 South Africa transferred R9.6 million to the facility.

Eskom was provided a subordinated loan of R60 billion over three years, of which R10 billion was transferred during the reporting period. These funds are for sustainable development of electricity infrastructure.



| Name of institution | R'000 |
|---|-------------------|
| African Development Bank and African Development Fund | 93 849 |
| Commonwealth Fund for Tech Cooperation | 3 659 |
| Common Monetary Area Compensation | 362 468 |
| Development Bank of Southern Africa [Siyenza Manje] | 246 809 |
| Eskom | 10 000 00 |
| Financial and Fiscal Commission | 26 125 |
| Financial Intelligence Centre | 111 474 |
| Global Alliance for Vaccines and Immunisation | 9 618 |
| Investment Climate Facility | 10 217 |
| Secret Services | 2 843 583 |
| South African Revenue Service | 6 302 778 |
| World Bank Group and IDA | 68 000 |
| Total: | 20 078 580 |





NATIONAL TREASURY VOTE 7

REPORT OF THE AUDIT COMMITTEE for the year ended 31 March 2009

Report of the Audit Committee

We are pleased to present our report for the financial year ended 31 March 2009.

Audit Committee Members and Attendance

The Audit Committee consists of the members listed hereunder and has met as reflected below, in line with its approved terms of reference.

| Audit Committee Meetings 2009 | |
|-----------------------------------|---|
| Name of member | *Number of meetings attended ¹ |
| Mr Ignatius Sehoole (Chairperson) | 5 of 5 |
| Prof Carolina Koomhof | 4 of 5 |
| Ms Mamoroke Lehobye | 5 of 5 |
| **Ms Matsotso Vuso ² | 2 of 5 |
| Ms Joyce Matlala | 2 of 5 |
| **Ms Lesibana Fosu ² | 1 of 5 |

* Note 1: The five Audit Committee meetings included two special meetings

** Note 2: Ms Vuso and Ms Fosu did not attend certain meetings because they were on maternity leave.

Audit Committee responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 38(1) (a) of the PFMA and Treasury regulation 3.1.13.

The Audit Committee also reports that it has adopted appropriate formal terms of reference as its charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The Audit Committee is of the opinion, based on the information and explanations given by management, the internal auditors, and discussions with the independent external auditors (Auditor-General) on the results of its audits, that the internal accounting controls are operating to ensure that the financial records may be relied upon for preparing the Annual Financial Statements, and that accountability for assets and liabilities is maintained.



Accordingly, we can report that the system of internal control for the period under review was efficient and effective. There were, however, a number of findings raised by the Auditor-General relating to pensions administration on Programme 8 (Civil and Military Pensions, Contributions to Funds and Other Benefits) that were cause for concern by the Audit Committee. In order to resolve this, a new senior management team has been put in place to deal with the audit findings, which have been a persistent problem in the past.

The State Information Technology Agency (SITA) is responsible for the wide area network (WAN), security and related controls, such as firewalls for the National Treasury. The Auditor-General audits this area and provides assurance to the Audit Committee of SITA only. We are therefore unable to express an opinion on the information technology controls as they relate to SITA, and SITA's functions at the National Treasury.

Other than these matters, nothing significant has come to the attention of the Audit Committee to indicate any material breakdown in the functioning of controls, procedures and systems during the year under review.

Evaluation of financial statements

The Audit Committee has evaluated the Annual Financial Statements of the National Treasury for the year ended 31 March 2009 and, based on the information provided to us, concurs and accepts the Auditor-General's conclusions on these financial statements. The committee is of the opinion that the audited Annual Financial Statements should be accepted and read together with the report of the Auditor-General.

Ignatius Sehoole

Chairperson: Audit Committee

Date: 12 August 2009



ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2009





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NATIONAL TREASURY VOTE 7

REPORT OF THE ACCOUNTING OFFICER for the year ended 31 March 2009

Report by the Accounting Officer to the Executive Authority and Parliament of the Republic of South Africa.

1. General review of the state of financial affairs

1.1 Strategic overview and key policy developments

As depicted in the department's Strategic Plan and Estimates of National Expenditure, the National Treasury's strategic direction is informed by five external strategic focus areas: promoting sustainable economic growth and work opportunities, reducing poverty, promoting optimal allocation and utilisation of financial resources in all spheres of government, ensuring good governance and accountability, and maintaining macroeconomic stability. This strategic direction is augmented by four internal strategic priorities: improving coordination and communication, matching resources to workload, developing and implementing human resources strategies to address attraction and retention challenges, and developing management skills.

For a more detailed discussion on the outcomes of the aforementioned strategic activities, please refer to the relevant chapters dealing with programme performance included in the Annual Report.

1.2 Annual appropriation and vote structure

The final appropriation for the National Treasury for the year ending 31 March 2009 amounted to **R31.4 billion** (2007/08: R19.7 billion) and is divided into two main components, namely the operational budget and transfer payments. Programmes 1 to 6 constitute the National Treasury's operational budget, which amounted to **R920 million** (2007/08: R992 million). The operational budget comprised **R321 million** (2007/08: R294 million) for compensation of employees, **R589 million** (2007/08: R666 million) for goods and services, and **R10 million** (2007/08: R32 million) for the acquisition of capital assets.

The remaining budget of **R30.5 billion** (2007/08: R18.8 billion) falls mainly under Programmes 7, 8 and 9 and includes transfers to provinces, municipalities, universities and technikons, departmental agencies, foreign institutions, payments of post-retirement benefits for a specific category of former employees and members of liberation movements.



NATIONAL TREASURY VOTE 7

REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2009

1.3 Programme structure

The National Treasury's Vote comprises nine programmes: *Administration*; *Public Finance and Budget Management*; *Asset and Liability Management*; *Financial Management and Systems*; *Financial Accounting and Reporting*; *Economic Policy and International Financial Relations*; *Provincial and Local Government Transfers*; *Civil and Military Pensions, Contributions to Funds and Other Benefits*; and *Fiscal Transfers*.

Administration provides strategic and administrative support to the National Treasury, giving managerial leadership to the work of the department. The Administration programme comprises the *Minister*, *Deputy Minister*, *Management*, *Corporate Services* and *Property Management* subprogrammes.

The final adjusted appropriation for this programme amounted to **R205 million** (2007/08: R202 million). Expenditure totalling **R204 million** (2007/08: R178 million), comprised compensation of employees **R70 million** (2007/08: R61 million), goods and services **R129 million** (2007/08: R106 million), transfers **R2 million** (2007/08: R3 million) and capital goods **R3 million** (2007/08: R8 million).

Public Finance and Budget Management provides analysis and advice on fiscal policy and public finances, intergovernmental financial relations and expenditure planning and priorities. This programme also manages the annual budget process and provides public finance management support. These activities are organised into four subprogrammes: *Public Finance*, *Budget Office*, *Intergovernmental Relations* and *Technical and Management Support*.

The final adjusted appropriation for this programme amounted to **R245 million** (2007/08: R224 million). Expenditure incurred totalled **R244 million** (2007/08: R212 million) and comprised compensation of employees **R107 million** (2007/08: R90 million), goods and services **R114 million** (2007/08: R115 million) and capital expenditure **R2 million** (2007/08: R1 million). Transfer payments amounted to R21 million (2007/08: R6 million).



NATIONAL TREASURY VOTE 7

REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2009

Asset and Liability Management manages government's financial assets and liabilities. There are five subprogrammes: *Management*, *Asset Management*, *Liability Management*, *Financial Operations* and *Strategy and Risk Management*.

The final adjusted appropriation amounted to **R64 million** (2007/08: R76 million). Total expenditure incurred amounted to **R63 million** (2007/08: R58 million), comprising compensation of employees **R33 million** (2007/08: R30 million), goods and services **R29 million** (2007/08: R25 million) and payments for capital goods **R1 million** (2007/08: R3 million).

Financial Management and Systems manages and regulates government's supply chain processes, and implements and maintains standardised financial systems. This programme consists of three subprogrammes: *Management*, *Supply Chain Management* and *Financial Systems*.

The final adjusted appropriation for this programme amounted to **R279 million** (2007/08: R340 million). The total expenditure incurred amounted to **R273 million** (2007/08: R268 million) and comprised compensation of employees **R34 million** (2007/08: R32 million), goods and services **R237 million** (2007/08: R235 million) and payments for capital goods **R2 million** (2007/08: R1 million). The biggest expenditure incurred by this programme relates to professional service providers for maintaining the transversal systems.

Financial Accounting and Reporting promotes and enforces transparency and effective management of revenue, expenditure, assets and liabilities of departments, public entities, constitutional institutions and local government, thus facilitating accountability and governance. The programme consists of six subprogrammes: *Financial Reporting for National Accounts*, *Financial Management Improvement*, *Investment of Public Monies*, *Service Charges (Commercial Banks)*, *Audit Statutory Bodies* and *Contingent Liabilities: Reinsurance Liabilities*.

The final adjusted appropriation for this programme amounted to **R203 million** (2007/08: R102 million) and consisted of an operational budget of **R69 million** (2007/08: R55 million). The total expenditure incurred amounted to **R203 million** (2007/08: R99 million), comprising compensation of employees **R31 million** (2007/08: R22 million), goods and services



NATIONAL TREASURY VOTE 7

REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2009

R37 million (2007/08: R29 million) and capital goods **R1 million** (2007/08: R231 000). Transfers paid amounted to **R134 million** (2007/08: R48 million), with the large increase attributable to the once-off payment to the Auditor-General.

This programme is also responsible for transfer payments to the Auditor-General in terms of the Public Audit Act (2004), whereby the National Treasury is obliged to pay audit costs in respect of the auditing of statutory bodies for any financial year concerned, where such costs exceed 1 per cent of the total expenditure of such bodies. These statutory audit costs amounted to **R106 million** (2007/08: R24 million), which included a R90 million once-off payment to alleviate the growing funding difficulties caused by legislative capping of audit fees not aligned with market-related professional fees, and inability by municipalities to pay for audit services.

Economic Policy and International Financial Relations provides specialist policy analysis and advisory services in the areas of macroeconomics, microeconomics, the financial sector, taxation, regulatory reform, regional integration and international financial relations. The programme comprises five sub-programmes: *Management and Research*, *Financial Sector Policy*, *Tax Policy*, *International Economics* and *Economic Policy*.

The final adjusted appropriation for this programme amounted to **R91 million** (2007/08: R109 million). Expenditure incurred totalled **R91 million** (2007/08: R93 million) and comprised compensation of employees **R47 million** (2007/08: R37 million), goods and services **R38 million** (2007/08: R53 million) and capital goods **R1 million** (2007/08: R1 million). Transfers paid amounted to **R5 million** (2007/08: R2 million) for economic research purposes.

Provincial and Local Government Transfers manages conditional grants to the provincial and local spheres of government. Total adjusted appropriation for this programme amounted to **R7.9 billion** (2007/08: R7.4 billion). Expenditure amounted to **R7.8 billion** (R7 billion) and comprised mainly conditional grants transferred directly to provinces and municipalities from the National Treasury's Vote, amounting to **R7.4 billion** (2007/08: R6.3 billion) and **R180 million** (2007/08: R675 million) respectively. The balance of **R262 million** (2007/08: R41 million) to municipalities is related to the Neighbourhood Development Partnership grant.



NATIONAL TREASURY VOTE 7

REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2009

Details on these transfers are provided under annexures 1A, 1B and 1D. These transfers exclude the equitable share grants to provinces and municipalities, as well as the conditional grants to provincial and local government made by other national departments.

Civil and Military Pensions, Contributions to Funds and Other Benefits provides for pension and post-retirement medical benefit obligations to former employees of state departments and bodies, and for similar benefits to retired members of the military.

The final adjusted appropriation for this programme amounted to **R2.3 billion** (2007/08: R2.2 billion). Expenditure amounted to **R2.3 billion** (2007/08: R2.1 billion) and comprised civil pensions and other contributions **R2.2 billion** (2007/08: R2 billion) and military pensions and other contributions **R157 million** (2007/08: R149 million). An overspending of **R18 million** was recorded against this programme due to higher-than-anticipated monthly premiums for post-retirement medical benefits and special pensions cases relating to annuities, gratuities, funeral benefits and widows' pensions.

Fiscal Transfers makes funds available to other countries, multilateral organisations, domestic institutions, public entities and international development institutions of which South Africa is a member. This programme consists of the following subprogrammes: *Domestic Budgetary Transfers, Domestic Programme Transfers, African Integration and Support, Multilateral Institutions* and *International Projects*.

Domestic transfers are made to the South African Revenue Service (SARS), the Financial Intelligence Centre (FIC) and the Financial and Fiscal Commission (FFC) for the fulfilment of their statutory obligations, and to the Development Bank of Southern Africa (DBSA) for specified government programmes. In addition, funds are also transferred to augment the Secret Services account. Domestic transfers accounted for 96 per cent of the total transfers allocated to this programme and amounted to **R19.5 billion** (2007/08: R8.4 billion), of which the largest transfers went to SARS, the Secret Services and a new transfer to Eskom, all totalling **R19.1 billion** (2007/08: R8.1 billion). The increase in transfers is attributed to a R10 billion subordinated loan to Eskom for sustainable development of infrastructure for electricity.



NATIONAL TREASURY VOTE 7

REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2009

Foreign transfer payments have been provided for:

- The World Bank Group;
- The African Development Bank (AfDB);
- Common Monetary Area compensation to Lesotho, Namibia and Swaziland;
- The Commonwealth Fund for Technical Cooperation;
- Investment Climate Facility; and
- Global Alliance for Vaccines and Immunisation.

The total foreign transfers made by the National Treasury amounted to **R548 million** (2007/08: R502 million) of which the transfer to Lesotho, Namibia and Swaziland makes up the largest portion, totalling **R362 million** (2007/08: R321 million).

For more details on the Vote structures, annual appropriation and summarised explanations for variances, please refer to the Appropriation Statement and related notes thereto.

1.4 Departmental revenue

Departmental revenue received during the reporting period amounted to **R5.3 billion** (2007/08: R5.1 billion), comprising sales of goods and services other than capital assets of **R49 million** (2007/08: R45 million), and dividends and interest earned from government investments with the four major commercial banks of **R5 billion** (2007/08: R4.9 billion). Other income amounted to **R268 million** (2007/08: R166 million).

For more details on departmental revenue, please refer to note 2 of the Notes to the Financial Statements.

1.5 Utilisation of donor funds

Local and foreign assistance received in cash during the year amounted to **R50 million** (2007/08: R13 million) relating to various projects of which the main contributor was the Canadian Capacity Building Technical Assistance Facility, with the aim of improving service delivery for poor and vulnerable



NATIONAL TREASURY VOTE 7

REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2009

populations through government programmes. Expenditure incurred amounted to **R42 million** (2007/08: R11 million).

Furthermore, the National Treasury transferred funds to external spending agencies amounting to **R5 million** (2007/08: R7 million) on behalf of the Reconstruction and Development Fund. These amounts do not reflect in the Statement of Financial Performance due to the National Treasury only acting as a conduit for those funds.

1.6 Events after the reporting date

Payments to the value of **R67 million** (2007/08: R58 million) were processed during April and May 2009 that relate to the 2008/09 financial year. These payments were not included in the financial statements for 2008/09, which were prepared on the modified cash basis of accounting. Refer to note 21.

Departmental revenue amounting to **R87 million** (2007/08: R394 million) was received by the National Treasury after year-end and subsequently transferred to the National Revenue Fund. Refer to note 24.

2. Services rendered by the department

Apart from Programme 8, which provides for pensions and other post-retirement civil and military benefits, most of the department's core business is of a fiscal and financial policy nature, servicing organs of the state in all three spheres of government and foreign multilateral and national institutions. The National Treasury is not a service delivery department and does not render any services in the public domain on a recoverable basis. Only a small part of the National Treasury provides for services related to the payment of pensions and other post-retirement medical expenditure, whereas other technical assistance is disclosed with the Project Development Facility (PDF) and Technical Assistance Unit (TAU) trading accounts.

3. Capacity constraints

Internal focus

A major focus and challenge for the year was reviewing our service delivery model. Introducing the human resources business-partnering model enabled



NATIONAL TREASURY VOTE 7

REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2009

the department to create a platform to transform our human resources way of working to ensure a value-added service to the business. This also started the process of ensuring that our human resources function is more business-focused and is working more closely with our line managers to support strategy execution. Extensive focus is given to a more customer-focused, innovative and structured way of quickly responding to changing priorities.

Resourcing was another challenge. The department managed to improve its vacancy rates and turnaround time for filling vacancies for all areas. The department's resourcing focus also led to the improvement in filling pipeline requirements at entry levels. The internship, external and internal bursaries and the training outside the public practice (TOPP) programmes continue to yield positive results.

External focus

The National Treasury, in enhancing public service capacity through training and development, and especially in financial management, will implement a capacity-building model for financial management in partnership with the Institute for Public Finance and Auditing (IPFA). This is a non-profit organisation established to provide professional training to staff in all spheres of the public sector.

4. Trading entities and Public entities

4.1 Trading entities

Project Development Facility (PDF)

The PDF is a single-function trading account in the National Treasury's *Public Private Partnership (PPP)* unit, created in accordance with the Public Finance Management Act (1 of 1999) (PFMA). Its mandate is to assist national, provincial and municipal spheres of government to pay for services provided by consultants (transaction advisors) to conduct feasibility studies for PPP projects. After the financial closure of the PPP, the funds are recovered from the successful private-party bidder, allowing the PDF to fund further projects. The PDF also disburses technical assistance funds for municipalities wishing to access capital grants from the Neighbourhood Development Partnership grant.



NATIONAL TREASURY VOTE 7

REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2009

Technical Assistance Unit (TAU)

TAU was established in 2001 in the National Treasury. This facility provides project management support and technical assistance through a wide range of services to all spheres of government. In 2008/09, it was created as a trading account. The TAU trading account will play a major role in the fields of legislation, institutional and municipal operation and capacity building by ensuring that prudent financial and project management are implemented throughout national, provincial and local government.

4.2 Public entities and business enterprises reporting to the Minister of Finance

The Minister of Finance is responsible for the following entities:

Development Bank of Southern Africa (DBSA) (Schedule 2: Major public entity)

The DBSA was established in 1983 to perform a broad economic development function within the prevailing dispensation of the homelands. It was reconstituted in terms of the Development Bank of Southern Africa Act (1997) as a development finance institution with the primary purpose of promoting sustainable socioeconomic development by funding physical, social and economic infrastructure. It does this by mobilising financial and other resources from the national and international private and public sectors for sustainable development projects and programmes.

South African Revenue Service (SARS) (Schedule 3A: National public entity)

SARS is mandated to support government in meeting its key growth and developmental objectives by facilitating legitimate trade, protecting South African ports of entry, and eliminating trade and tax evasion. By administering an efficient tax system, SARS is reducing the compliance burden, delivering on revenue targets, and ensuring good governance and administration.

Financial Services Board (FSB) (Schedule 3A: National public entity)

FSB was established in terms of the Financial Services Board Act (1990). It supervises and regulates the non-banking financial services industry: long



NATIONAL TREASURY VOTE 7

REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2009

term and short term insurance, retirement funds and friendly societies, financial service providers, collective investment schemes and capital markets. The FSB is responsible for ensuring that the regulated entities comply with the legislation and with capital adequacy requirements, thus promoting the financial soundness of these entities and protecting the investing community.

The introduction of the Financial Advisory and Intermediary Services Act (2004) (FAIS), expanded the mandate of the FSB to include aspects of market conduct in both the banking and non-banking financial services industries. In addition, the Financial Intelligence Centre Act (2001) (FICA) has added another dimension to the jurisdiction of the FSB in terms of monitoring compliance provisions to combat money-laundering and the financing of terrorism.

The FSB also advises the Minister of Finance through various committees made up of industry experts. Another responsibility of the FSB is to promote information and educational programmes by financial institutions and its representative bodies for users and potential users of financial products and services.

Financial Intelligence Centre (FIC) **(Schedule 3A: National public entity)**

FIC was established in terms of the FICA. The core mandate of the FIC is to assist in identifying the proceeds of unlawful activities, combating money-laundering activities and the financing of terrorist and related activities. The centre aims to protect South Africa's financial system, its institutions and citizens from being abused by criminals and their networks.

Accounting Standards Board (ASB) **(Schedule 3A: National public entity)**

ASB was established in 2002 in accordance with the PFMA. Its main function is to set standards and guidelines for financial reporting as required by section 216(a) of the Constitution.

It also promotes transparency and the effective management of the revenue, expenditure, assets and liabilities of the entities to which the standards apply.



NATIONAL TREASURY VOTE 7

REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2009

Independent Regulatory Board for Auditors (IRBA) **(Schedule 3A: National public entity)**

IRBA was established in terms of section 3 of the Auditing Profession Act (2005) and came into effect in April 2006. The strategic focus of the Board is to protect the financial interest of the public by ensuring that only suitably qualified individuals are admitted to the profession and that registered auditors deliver services of the highest ethical standards.

South African Special Risk Insurance Association Limited (SASRIA) **(Schedule 3B: National government business enterprise)**

SASRIA Limited was established in 1979 and registered in terms of section 21 of the Companies Act (1973). In 1998, it was converted through the SASRIA Act (134 of 1998) for government to be the sole shareholder. The goal of SASRIA is to create an environment for positive investment and gross domestic product growth and change by covering special risks. SASRIA indemnifies the insured against loss of or damages to property caused by any riots, strikes and public disorder.

Public Investment Corporation Limited (PIC) **(Schedule 3B: National government business enterprise)**

PIC was only established as a corporate entity in 2005, in accordance with the Public Investment Corporation Act (23 of 2004). The PIC is wholly owned by the South African government and invests funds on behalf of the state. Major clients include the Government Employees Pension Fund, the Unemployment Insurance Fund, the Associated Institutions Pension Fund, the Compensation Commissioner: Pension Fund, the Compensation Fund and the Guardian's Fund.

Land and Agricultural Bank of South Africa **(Schedule 3B: National government business enterprise)**

The Land Bank is an agricultural development finance institution whose mission is to support developing and resource-poor farmers by providing them with retail, wholesale, project and micro-finance. As a specialist agricultural financier, the bank's aim is to improve the sector by providing the necessary



NATIONAL TREASURY VOTE 7

REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2009

support, especially for training and capacity building of (developmental) farmers and the sustainability of the sector.

Cooperative Banks Development Agency (not listed)

The Cooperative Banks Development Agency (CBDA) was established in terms of the Cooperative Banks Act (2007). The objectives of the CBDA are to provide for the registration of cooperative banks, comprising deposit-taking financial services cooperatives, savings and credit cooperatives, community banks and village banks, and the regulation and supervision of these banks. The CBDA will also facilitate, promote and fund the education and training of cooperative banks.

Government Employees Pension Fund (GEPF)

GEPF was established in terms of the Government Employees Pension Law (1996). The fund is responsible for administering pensions and related benefits on behalf of its members, pensioners and their beneficiaries.

5. Organisations to which transfer payments have been made

Funds to public entities and other institutions, in terms of various legal provisions governing financial relations between government and those institutions, are made available on the *Fiscal Transfers* programme. Refer to annexures 1A to 1H.

In addition to the *Fiscal Transfers* programme, funds for PDF, TAU, ASB and IRBA have been provided for under Programmes 2 and 5 respectively.

6. Corporate governance arrangements

6.1 Internal audit function

The co-sourced internal audit function (IAF) of the National Treasury was established in 2006, in terms of the PFMA, as an integral part of the National Treasury system of governance.

The IAF provides objective and independent assurance to management and the Audit Committee on the adequacy and effectiveness of internal controls,



NATIONAL TREASURY VOTE 7

REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2009

risk management and governance processes of the National Treasury. This is accomplished through a number of audits, mainly regularity, performance, information technology and compliance audits. In pursuing this activity the IAF is guided by a fully functional Audit Committee, which operates in terms of an approved Audit Charter.

Following the international benchmarking exercise that was carried out by the IAF in the previous financial period, a proposed IAF organisational structure was approved by the Audit Committee and the Accounting Officer, and the process of filling posts began. The IAF continues to monitor its human capital and ensures that there are processes in place to make sure that existing staff obtain appropriate qualifications. The improved relationship with the co-sourced partner ensured that the IAF had the requisite skills to carry out its functions effectively.

The IAF through engagement of internal stakeholders formulated a comprehensive three-year rolling plan, incorporating an annual plan that was approved by the Audit Committee. The annual audit plan was 100 per cent executed during the year under review. The IAF also performed a number of consulting activities. Relationships with management improved, as evidenced by the number of unplanned audits received – mainly forensic and specialised audits – indicating that management sees the value of the IAF.

The head of the IAF has complete access and a direct reporting line to the Audit Committee and reports at each Audit Committee meeting on control weaknesses and other activities of internal audit. There was no material breakdown in systems of control and governance reported to the Audit Committee in the year under review.

6.2 Audit Committee

The Audit Committee continues to operate within its written terms of reference, which are reviewed annually. The Audit Committee met five times during the year. In these meetings, the Accounting Officer and executive management were always represented. The Auditor-General is always invited to attend, ensuring that such meetings are as effective as possible.



NATIONAL TREASURY VOTE 7

REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2009

6.3 Risk management

A risk management unit has been established under the leadership of the Chief Financial Officer (CFO), supported by three middle managers, to coordinate risk management activities throughout the National Treasury.

The following milestones have been established and/or achieved:

- Initiation of the business continuity management project approved;
- Alignment of risk management activities to the Public Sector Risk Management Framework reviewed;
- Risk management processes and procedures approved;
- Risk Management Committee terms of reference approved; and
- National Treasury risk profile updated.

The Risk Management Committee held four meetings during the financial year under review and the following resolutions were taken:

- Initiation of a head-hunting process for the recruitment of a Chief Risk Officer;
- The scope of updating the risk profile of the National Treasury to include chief directorates;
- Risk rating matrix to take into account prioritisation of high-impact but low-likelihood risks; and
- Formalising appointment of members into the committee to improve attendance.

6.4 Internal policy review

During the 2008/09 financial year, the Governance Review Committee (GRC) approved seven departmental policies for implementation and final approval by the Accounting Officer. The policies are as follows:

- Information communication and technology acceptable use;
- Internet and e-mail usage;
- Information back-up;



NATIONAL TREASURY VOTE 7

REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2009

- Debtors management;
- Asset management;
- Secondment; and
- External bursary.

As governance systems continuously evolve, the National Treasury's policies, prescripts and related business processes are reviewed quarterly to ensure compliance with statutory requirements and best practice.

In addition to the above, the GRC's terms of reference will be reviewed by the members and will be submitted for final approval by the Accounting Officer during the second quarter of 2009/10 financial year.

6.5 Other governance matters

In addition to the abovementioned governance arrangements, the following governance structures have been complied with or have been given attention:

- Fully implemented and applied business processes designed in the previous financial period for all *Corporate Services* business units;
- Established a fully functional Bid Specification and Adjudication Committee
- Systems put in place to ensure:
 - The effective, efficient, economical and transparent use of departmental resources
 - Proper management, administration, safeguarding and maintenance of the department's assets and liabilities
- Complied with all tax, levy, duty, pension and audit commitments as required by the relevant statutes and regulations;
- Settled contractual obligations and paid outstanding amounts owing, including intergovernmental claims, within the prescribed or agreed period, except where discrepancies have been identified or circumstances beyond reasonable control have prevented the timely processing and finalisation of such payments;
- Complied with the provision of the Division of Revenue Act (2008), prior to transferring funds to provincial or local governments, and ensured that all



NATIONAL TREASURY VOTE 7

REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2009

funds transferred to provinces and municipalities were paid to their primary bank accounts;

- Obtained written assurances from all entities confirming that those entities have implemented effective, efficient and transparent financial management and internal control systems prior to funds being transferred to those entities;
- Formulated the internal budget guideline document and travelling and subsistence manual; and
- Submitted all required reports to the relevant authorities.

7. Discontinued departmental activities

There were no discontinued departmental activities during the year under review.

8. New departmental activities

8.1 Cooperative Banks Development Agency (public entity unlisted)

Refer to paragraph 4.2 above.

8.2 Collaborative Africa Budget Reform Initiative

The Collaborative Africa Budget Reform Initiative (CABRI) has been created as a joint initiative of African finance departments, supported by the National Treasury with effect from 1 April 2009. The purpose of CABRI is mainly to support member countries in capacity building, training and research in the field of public finance management, and to develop common African positions on budgetary issues of interest to the continent, including gender budgeting.

9. Asset management

In addition to the normal day-to-day administration and management of the National Treasury's Asset Register, the department's asset management unit undertook several key activities to improve on the overall asset management environment of the department. These activities are as follows:



NATIONAL TREASURY VOTE 7

REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2009

9.1 Asset verification

The department tags and accounts for all departmental assets. In order to control asset movements, all movements are supported by an asset movement form, which is duly approved by the authorised official, prior to assets being moved.

The department annually verifies the physical existence of all departmental assets to enable the financial management chief directorate to accurately report on the condition and value of assets in the Annual Financial Statements.

9.2 Asset disposal

During the 2008/09 financial year, the asset management unit, in line with the principles of good corporate governance and social responsibility as articulated in the King 2 Report, identified and disposed 1 400 asset items. These comprised old ministerial vehicles sold through an auction, 1 292 items of computer equipment, and 106 items of machinery and office equipment donated to needy educational institutions mainly in rural areas, namely:

- Hlompanang Secondary School
- Kosea-Moeka Primary School
- Ithuteng Community Development and Training
- Lumphondo Secondary School
- Realeka Secondary School
- St. Julius Secondary School.

The department will continue to support needy communities in the 2009/10 financial year.

9.3 Acquisition of ICT assets

The department follows supply chain management processes in the acquisition of assets. There is an Information Communication and Technology Committee, which comprises financial management and information technology.



NATIONAL TREASURY VOTE 7

REPORT OF THE ACCOUNTING OFFICER (CONTINUED) for the year ended 31 March 2009

10. Performance information

Divisional heads have reported to the Director-General on a regular basis on the progress made with regard to programme delivery and measurable objectives as contained in the National Treasury's Strategic Plan.

11. SCOPA resolutions

There were no new SCOPA resolutions relating to National Treasury during the 2008/09 financial year.

12. Prior modifications to audit reports

No matters of significance were reported on by the Auditor-General regarding the department's administration. Those minor housekeeping matters highlighted in the management letter were addressed and required control processes implemented to prevent the reoccurrence of those matters.

In addition, weaknesses previously raised by the Auditor-General pertaining to the general controls in the information technology environment have been addressed, including policy development, review, approval and implementation.

13. Acknowledgements

I would like to express my appreciation to all the members of staff for their continuous dedication, commitment and hard work in ensuring the proper execution of the National Treasury's mandate.

Approval

The Annual Financial Statements set out on pages 109 to 227 have been approved by the Accounting Officer.

LESETJA KGANYAGO
DIRECTOR-GENERAL
DATE: 29 MAY 2009



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

REPORT OF THE AUDITOR-GENERAL

on the
**Financial Statements and
Performance Information of
Vote 7 - National Treasury**
for
the year ended 31 March 2009



Published by Authority



REPORT OF THE AUDITOR-GENERAL

TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF VOTE 7 - NATIONAL TREASURY for the year ended 31 March 2009

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the National Treasury which comprise the appropriation statement, the statement of financial position as at 31 March 2009, and the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 109 to 146.

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting determined by the National Treasury, as set out in accounting policy note 1.1 and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA), Division of Revenue Act, 2008 (Act No. 2 of 2008) (DoRA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.



REPORT OF THE AUDITOR-GENERAL

TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF VOTE 7 - NATIONAL TREASURY (CONTINUED) for the year ended 31 March 2009

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion the financial statements present fairly, in all material respects, the financial position of the National Treasury as at 31 March 2009 and its financial performance and its cash flows for the year then ended, in accordance with the modified cash basis of accounting determined by the National Treasury, as set out in accounting policy note 1.1 and in the manner required by the PFMA and DoRA.

Basis of accounting

8. Without qualifying my opinion, the department's policy is to prepare financial statements on the modified cash basis of accounting determined by the National Treasury, as set out in accounting policy note 1.1.

OTHER MATTERS

I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements

Unaudited supplementary schedules

9. Annexure 1A (Statements of Conditional Grants [Infrastructure] paid to Provinces) on page [147], Annexure 1B (Statement of Conditional Grants paid to Municipalities) on pages [148] to [160] and Annexure 1C (Statement of Conditional Grants [Restructuring] paid to Municipalities) on page [161] include



REPORT OF THE AUDITOR-GENERAL

TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF VOTE 7 - NATIONAL TREASURY (CONTINUED) for the year ended 31 March 2009

a column of amounts spent by the provinces and the municipalities. I have not audited these amounts and accordingly I do not express an opinion thereon.

Governance framework

10. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management, and are reflected in the key governance responsibilities addressed below:

Key governance requirements

11. The PFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

| No. | Matter | Yes | No |
|-----|---|-----|----|
| | Clear trail of supporting documentation that is easily available and provided in a timely manner | | |
| 1. | No significant difficulties were experienced during the audit concerning delays or the availability of requested information. | X | |
| | Quality of financial statements and related management information | | |
| 2. | The financial statements were not subject to any material amendments resulting from the audit. | X | |
| 3. | The annual report was submitted for consideration prior to the tabling of the auditor's report. | X | |
| | Timeliness of financial statements and management information | | |
| 4. | The annual financial statements were submitted for auditing as per the legislated deadlines (section 40 of the PFMA). | X | |
| | Availability of key officials during audit | | |
| 5. | Key officials were available throughout the audit process. | X | |



REPORT OF THE AUDITOR-GENERAL

TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF VOTE 7 - NATIONAL TREASURY (CONTINUED) for the year ended 31 March 2009

| No. | Matter | Yes | No |
|-----|---|-----|----|
| | Development and compliance with risk management, effective internal control and governance practices | | |
| 6. | Audit committee | | |
| | • The department had an audit committee in operation throughout the financial year. | X | |
| | • The audit committee operates in accordance with approved, written terms of reference. | X | |
| | • The audit committee substantially fulfilled its responsibilities for the year, as set out in section 77 of the PFMA and Treasury Regulation 3.1.10 | X | |
| 7. | Internal audit | | |
| | • The department had an internal audit function in operation throughout the financial year. | X | |
| | • The internal audit function operates in terms of an approved internal audit plan. | X | |
| | • The internal audit function substantially fulfilled its responsibilities for the year, as set out in Treasury Regulation 3.2 | X | |
| 8. | There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management. | X | |
| 9. | There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations. | X | |
| 10. | The information systems were appropriate to facilitate the preparation of the financial statements. | X | |
| 11. | A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in Treasury Regulation 3.2 | X | |
| 12. | Powers and duties have been assigned, as set out in section 44 of the PFMA. | X | |
| | Follow-up of audit findings | | |
| 13. | The prior year audit findings have been substantially addressed. | X | |
| 14. | SCOPA resolutions have been substantially implemented. | n/a | |
| | Issues relating to the reporting of performance information | | |
| 15. | The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete. | X | |
| 16. | Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information. | X | |
| 17. | A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the National Treasury against its mandate, predetermined objectives, outputs, indicators and targets (Treasury Regulations 5.1, 5.2 and 6.1). | X | |
| 18. | There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance. | X | |



REPORT OF THE AUDITOR-GENERAL

TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF VOTE 7 - NATIONAL TREASURY (CONTINUED) for the year ended 31 March 2009

Investigations

12. During the audit of the National Treasury, it has come to my attention that an investigation was undertaken by the Special Investigations Unit (SIU) in terms of a service level agreement between the National Treasury and the SIU that was still ongoing. The extent of the possible fraud allegations cannot as yet be assessed. The management of the National Treasury was unable to provide a conclusive opinion on the possible outcome of the investigation as it was still in progress at the date of this audit report. However, such an outcome may expose a contravention of the Special Pensions Act, 1996 (Act No. 69 of 1996). This investigation may result in additional costs being incurred by the National Treasury. It is expected that this investigation will be concluded in the 2009/10 financial year.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

13. I have reviewed the performance information as set out on pages 17 to 74.

The accounting officer's responsibility for the performance information

14. The accounting officer has additional responsibilities as required by section 40(3)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the department.

The Auditor-General's responsibility

15. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*.
16. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.



REPORT OF THE AUDITOR-GENERAL

TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF VOTE 7 - NATIONAL TREASURY (CONTINUED) for the year ended 31 March 2009

17. I believe that the evidence I have obtained is sufficient and appropriate to report that no significant findings have been identified as a result of my review.

APPRECIATION

18. The assistance rendered by the staff of the National Treasury during the audit is sincerely appreciated.

Auditor-General

Pretoria

31 July 2009



**A U D I T O R - G E N E R A L
S O U T H A F R I C A**

Auditing to build public confidence

NATIONAL TREASURY VOTE 7

ACCOUNTING POLICIES for the year ended 31 March 2009

The financial statements have been prepared in accordance with the following policies, which have been applied consistently in all material aspects, unless otherwise indicated. However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the financial statements and to comply with the statutory requirements of the PFMA, the Treasury Regulations issued in terms of this act and the Division of Revenue Act (2008).

1. Presentation of the financial statements

1.1 Basis of preparation

The financial statements have been prepared on a modified cash basis of accounting, except where stated otherwise. The modified cash basis constitutes the cash basis of accounting supplemented with additional disclosure items. Under the cash basis of accounting transactions and other events are recognised when cash is received or paid.

1.2 Presentation currency

All amounts have been presented in the currency of the South African Rand (R), which is also the functional currency of the Department.

1.3 Rounding

Unless otherwise stated all financial figures have been rounded to the nearest one thousand Rand (R'000).

1.4 Comparative figures

Prior period comparative information has been presented in the current year's financial statements. Where necessary, figures included in the prior period financial statements have been reclassified to ensure that the format in which the information is presented is consistent with the format of the current year's financial statements.

1.5 Comparative figures - Appropriation Statement

A comparison between actual amounts and final appropriation per major classification of expenditure is included in the Appropriation Statement.



NATIONAL TREASURY VOTE 7

ACCOUNTING POLICIES (CONTINUED) for the year ended 31 March 2009

2. Revenue

2.1 Appropriated funds

Appropriated funds are recognised in the financial records on the date the appropriation becomes effective. Adjustments to the appropriated funds made in terms of the adjustments budget process are recognised in the financial records on the date the adjustments become effective.

Total appropriated funds are presented in the Statement of Financial Performance.

Unexpended appropriated funds are surrendered to the National Revenue Fund. Amounts owing to the National Revenue Fund at the end of the financial year are recognised in the Statement of Financial Position.

2.2 Departmental revenue

All departmental revenue is paid into the National Revenue Fund when received, unless otherwise stated. Amounts owing to the National Revenue Fund at the end of the financial year are recognised in the Statement of Financial Position.

Amounts receivable at the reporting date are disclosed in the disclosure notes to the Annual Financial Statements.

2.2.1 Sales of goods and services other than capital assets

The proceeds received from the sale of goods and/or the provision of services is recognised in the Statement of Financial Performance when the cash is received.

2.2.2 Fines, penalties and forfeits

Fines, penalties and forfeits are compulsory, unrequited amounts which were imposed by a court or quasi-judicial body and collected by the department. Revenue arising from fines, penalties and forfeits is recognised in the Statement of Financial Performance when the cash is received.

2.2.3 Interest and dividends

Interest and dividends are recognised in the Statement of Financial Performance when the cash is received.

NATIONAL TREASURY VOTE 7

ACCOUNTING POLICIES (CONTINUED)
for the year ended 31 March 2009

2.2.4 Sale of capital assets

The proceeds received on sale of capital assets are recognised in the Statement of Financial Performance when the cash is received.

2.2.5 Financial transactions in assets and liabilities

Repayments of loans and advances previously extended to employees and public corporations for policy purposes are recognised as revenue in the Statement of Financial Performance on receipt of the funds.

Cheques issued in previous accounting periods that expire before being banked are recognised as revenue in the Statement of Financial Performance when the cheque becomes stale. When the cheque is reissued the payment is made from revenue.

Forex gains are recognised on payment of funds.

2.2.6 Transfers received (including donations and sponsorships)

All cash gifts, donations and sponsorships are paid into the National Revenue Fund and recorded as revenue in the Statement of Financial Performance when received. Amounts receivable at the reporting date are disclosed in the disclosure notes to the financial statements.

All in-kind gifts, donations and sponsorships are disclosed at fair value in an annexure to the financial statements.

2.3 Direct exchequer receipts

All direct exchequer receipts are recognised in the Statement of Financial Performance when the cash is received. All direct exchequer payments are recognised in the Statement of Financial Performance when final authorisation for payment is effected on the system (by no later than 31 March of each year).

2.4 Aid assistance

Local and foreign aid assistance is recognised as revenue when notification of the assistance is received from the National Treasury or when the department directly receives the cash from the donor(s).



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ACCOUNTING POLICIES (CONTINUED) for the year ended 31 March 2009

All in-kind local and foreign aid assistance is disclosed at fair value in the annexures to the Annual Financial Statements. The cash payments made during the year relating to local and foreign aid assistance projects are recognised as expenditure in the Statement of Financial Performance. The value of the assistance expensed prior to the receipt of the funds is recognised as a receivable in the Statement of Financial Position.

3. Expenditure

3.1 Compensation of employees

3.1.1 Short-term employee benefits

Salaries and wages comprise payments to employees (including leave entitlements, thirteenth cheques and performance bonuses). Salaries and wages are recognised as an expense in the Statement of Financial Performance when final authorisation for payment is effected on the system (by no later than 31 March of each year).

All other payments are classified as current expenses.

Short-term employee benefits that give rise to a present legal or constructive obligation are disclosed in the disclosure notes to the financial statements. These amounts are not recognised in the Statement of Financial Performance or Position.

3.1.2 Post-retirement benefits

The department provides retirement benefits (pension benefits) for certain of its employees through a defined benefit plan for government employees. These benefits are funded by both employer and employee contributions.

Employer contributions (i.e. social contributions) to the fund are expensed when the final authorisation for payment to the fund is effected on the system (by no later than 31 March of each year). No provision is made for retirement benefits in the financial statements of the department. Any potential liabilities are disclosed in the financial statements of the National Revenue Fund and not in the financial statements of the employer department.

The department provides medical benefits for certain of its employees. Employer contributions to the medical funds are expensed when final authori-



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ACCOUNTING POLICIES (CONTINUED) for the year ended 31 March 2009

sation for payment to the fund is effected on the system (by no later than 31 March of each year).

3.1.3 Termination benefits

Termination benefits such as severance packages are recognised as an expense in the Statement of Financial Performance as a transfer (to households) when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

3.1.4 Other long-term employee benefits

Other long-term employee benefits (such as capped leave) are recognised as an expense in the Statement of Financial Performance as a transfer (to households) when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

Long-term employee benefits that give rise to a present legal or constructive obligation are disclosed in the disclosure notes to the financial statements. These amounts are not recognised in the Statement of Financial Performance or Position.

3.2 Goods and services

Payments made for goods and/or services are recognised as an expense in the Statement of Financial Performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year). The expense is classified as capital if the goods and services were used for a capital project or an asset of R5 000 or more is purchased. All assets costing less than R5 000 will also be reflected under goods and services.

3.3 Interest and rent on land

Interest and rental payments are recognised as an expense in the Statement of Financial Performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year). This item excludes rental for the use of buildings or other fixed structures. If it is not possible to distinguish between payment for the use of land and the fixed structures on it, the whole amount should be recorded under goods and services.



NATIONAL TREASURY VOTE 7

ACCOUNTING POLICIES (CONTINUED) for the year ended 31 March 2009

3.4 Financial transactions in assets and liabilities

Debts are written off when identified as irrecoverable. Debts written off are limited to the amount of savings and/or underspending of appropriated funds. The write-off occurs at year-end or when funds are available. No provision is made for irrecoverable amounts but amounts are disclosed as a disclosure note.

Forex losses are recognised on payment of funds.

All other losses are recognised when authorisation has been granted for the recognition thereof.

3.5 Transfers and subsidies

Transfers and subsidies are recognised as an expense when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

3.6 Unauthorised expenditure

When discovered, unauthorised expenditure is recognised as an asset in the Statement of Financial Position until such time as the expenditure is either approved by the relevant authority, recovered from the responsible person, or written off as irrecoverable in the Statement of Financial Performance.

Unauthorised expenditure approved with funding is recognised in the Statement of Financial Performance when the unauthorised expenditure is approved and the related funds are received. Where the amount is approved without funding it is recognised as expenditure, subject to availability of savings, in the Statement of Financial Performance on the date of approval.

3.7 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is recognised as expenditure in the Statement of Financial Performance. If the expenditure is recoverable it is treated as an asset until it is recovered from the responsible person or written off as irrecoverable in the Statement of Financial Performance.

3.8 Irregular expenditure

Irregular expenditure is recognised as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the relevant

NATIONAL TREASURY VOTE 7

ACCOUNTING POLICIES (CONTINUED) for the year ended 31 March 2009

authority it is treated as an asset until it is recovered or written off as irrecoverable in the Statement of Financial Performance.

3.9 Expenditure for capital assets

Payments made for capital assets are recognised as an expense in the Statement of Financial Performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

4. Assets

4.1 Cash and cash equivalents

Cash and cash equivalents are carried in the Statement of Financial Position at cost.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand, deposits held, other short-term highly liquid investments and bank overdrafts.

4.2 Other financial assets

Other financial assets are carried in the Statement of Financial Position at cost.

4.3 Prepayments and advances

Amounts prepaid or advanced are recognised in the Statement of Financial Position when the payments are made.

Prepayments and advances outstanding at the end of the year are carried in the Statement of Financial Position at cost.

4.4 Receivables

Receivables included in the Statement of Financial Position arise from cash payments made that are recoverable from another party.

Receivables outstanding at year-end are carried in the Statement of Financial Position at cost plus any accrued interest.

4.5 Investments

Capitalised investments are shown at cost in the Statement of Financial Position. Any cash flows such as dividends received or proceeds from the sale of the investment are recognised in the Statement of Financial Performance



NATIONAL TREASURY VOTE 7

ACCOUNTING POLICIES (CONTINUED) for the year ended 31 March 2009

when the cash is received.

Investments are tested for an impairment loss whenever events or changes in circumstances indicate that the investment may be impaired. Any loss is included in the disclosure notes.

4.6 Loans

Loans are recognised in the Statement of Financial Position at the nominal amount when cash is paid to the beneficiary. Loan balances are reduced when cash repayments are received from the beneficiary. Amounts that are potentially irrecoverable are included in the disclosure notes.

Loans that are outstanding at year-end are carried in the Statement of Financial Position at cost.

4.7 Inventory

Inventories purchased during the financial year are disclosed at cost in the notes.

4.8 Capital assets

4.8.1 Movable assets

A capital asset is recorded on receipt of the item at cost. Cost of an asset is defined as the total cost of acquisition. Where the cost cannot be determined accurately, the movable capital asset is stated at fair value. Where fair value cannot be determined, the capital asset is included in the Asset Register at R1.

Subsequent expenditure of a capital nature is recorded in the Statement of Financial Performance as “expenditure for capital asset” and is capitalised in the Asset Register of the department on completion of the project.

Repairs and maintenance is expensed as current “goods and services” in the Statement of Financial Performance.

5. Liabilities

5.1 Voted funds to be surrendered to the Revenue Fund

Unexpended appropriated funds are surrendered to the National Revenue Fund. Amounts owing to the National Revenue Fund at the end of the financial

NATIONAL TREASURY VOTE 7

ACCOUNTING POLICIES (CONTINUED) for the year ended 31 March 2009

year are recognised in the Statement of Financial Position.

5.2 Departmental revenue to be surrendered to the Revenue Fund

Amounts owing to the National Revenue Fund at the end of the financial year are recognised in the Statement of Financial Position at cost.

5.3 Payables

Recognised payables mainly comprise of amounts owing to other governmental entities. These payables are recognised at historical cost in the Statement of Financial Position.

5.4 Contingent liabilities

Contingent liabilities are included in the disclosure notes to the financial statements.

5.5 Commitments

Commitments are not recognised in the Statement of Financial Position liabilities, or as expenditure in the Statement of Financial Performance, but are included in the disclosure notes.

5.6 Accruals

Accruals are not recognised in the Statement of Financial Position as liabilities, or as expenditure in the Statement of Financial Performance, but are included in the disclosure notes.

5.7 Employee benefits

Short-term employee benefits that give rise to a present legal or constructive obligation are disclosed in the disclosure notes to the financial statements. These amounts are not recognised in the Statement of Financial Performance or the Statement of Financial Position.

5.8 Lease commitments

Finance leases are not recognised as assets and liabilities in the Statement of Financial Position. Finance lease payments are recognised as an expense in the



NATIONAL TREASURY VOTE 7

ACCOUNTING POLICIES (CONTINUED) for the year ended 31 March 2009

Statement of Financial Performance and are apportioned between the capital and the interest portions. The finance lease liability is disclosed in the disclosure notes to the financial statements.

Operating lease payments are recognised as an expense in the Statement of Financial Performance. The operating lease commitments are disclosed in the disclosure notes to the financial statements.

6. Receivables for departmental revenue

Receivables for departmental revenue are disclosed in the disclosure notes to the Annual Financial Statements.

7. Net assets

7.1 Capitalisation reserve

The capitalisation reserve comprises financial assets and/or liabilities originating in a prior reporting period, but which are recognised in the Statement of Financial Position for the first time in the current reporting period. Amounts are transferred to the National Revenue Fund on disposal, repayment or recovery of such amounts.

7.2 Recoverable revenue

Amounts are recognised as recoverable revenue when a payment made in a previous financial year becomes recoverable from a debtor in the current financial year.

8. Key management personnel

Compensation paid to key management personnel, including their family members where relevant, is included in the disclosure notes.

NATIONAL TREASURY VOTE 7
APPROPRIATION STATEMENT
for the year ended 31 March 2009

| Programme | Appropriation per programme | | | | | | 2007/08 | | |
|--|------------------------------|-------------------------|----------------|---------------------------|--------------------------|----------------|---|---------------------------|--------------------------|
| | Adjusted appropriation R'000 | Shifting of funds R'000 | Virement R'000 | Final appropriation R'000 | Actual expenditure R'000 | Variance R'000 | Expenditure as % of final appropriation % | Final appropriation R'000 | Actual expenditure R'000 |
| 1. Administration | | | | | | | | | |
| Current expenditure | 194,665 | - | 5,105 | 199,770 | 199,062 | 708 | 99.6 | 179,009 | 167,452 |
| Transfers and subsidies | 1,053 | - | 457 | 1,510 | 1,500 | 10 | 99.3 | 2,739 | 2,703 |
| Capital expenditure | 3,683 | - | - | 3,683 | 3,101 | 582 | 84.2 | 20,613 | 7,447 |
| 2. Public Finance and Budget Management | | | | | | | | | |
| Current expenditure | 201,936 | - | 14,977 | 216,913 | 221,692 | (4,779) | 102.2 | 215,804 | 204,637 |
| Transfers and subsidies | 23,456 | - | 3,000 | 26,456 | 20,456 | 6,000 | 77.3 | 6,000 | 6,000 |
| Capital expenditure | 1,727 | - | 192 | 1,919 | 1,908 | 11 | 99.4 | 1,886 | 1,360 |
| 3. Asset and Liability Management | | | | | | | | | |
| Current expenditure | 68,630 | - | (5,498) | 63,132 | 61,930 | 1,202 | 98.1 | 73,454 | 55,329 |
| Capital expenditure | 713 | - | (49) | 664 | 573 | 91 | 86.3 | 2,499 | 2,498 |
| 4. Financial Management and Systems | | | | | | | | | |
| Current expenditure | 300,669 | - | (24,155) | 276,514 | 270,387 | 6,127 | 97.8 | 336,632 | 267,166 |
| Capital expenditure | 2,429 | - | (92) | 2,337 | 2,333 | 4 | 99.8 | 3,488 | 770 |
| 5. Financial Accounting and Reporting | | | | | | | | | |
| Current expenditure | 74,112 | - | (5,685) | 68,427 | 68,313 | 114 | 99.8 | 52,379 | 51,090 |
| Transfers and subsidies | 134,216 | - | - | 134,216 | 134,097 | 119 | 99.9 | 47,440 | 47,439 |
| Capital expenditure | 831 | - | (66) | 765 | 577 | 188 | 75.4 | 2,327 | 231 |
| 6. Economic Policy and International Financial Relations | | | | | | | | | |
| Current expenditure | 88,065 | - | (3,054) | 85,011 | 84,355 | 656 | 99.2 | 103,088 | 90,178 |
| Transfers and subsidies | 5,000 | - | - | 5,000 | 5,000 | - | 100.0 | 5,285 | 2,285 |
| Capital expenditure | 737 | - | 210 | 947 | 939 | 8 | 99.2 | 735 | 731 |
| 7. Provincial and Local Government Transfers | | | | | | | | | |
| Transfers and subsidies | 7,938,027 | - | - | 7,938,027 | 7,826,044 | 111,983 | 98.6 | 7,384,275 | 6,992,736 |
| 8. Civil and Military Pensions, Contributions to Funds and Other Benefits | | | | | | | | | |
| Current expenditure | 32,867 | - | (14,000) | 18,867 | 18,218 | 649 | 96.6 | 1,362,077 | 1,366,663 |
| Transfers and subsidies | 2,280,821 | - | 14,000 | 2,294,821 | 2,313,044 | (18,223) | 100.8 | 876,231 | 810,163 |
| 9. Fiscal Transfers | | | | | | | | | |
| Transfers and subsidies | 20,070,527 | - | 14,658 | 20,085,185 | 20,078,580 | 6,605 | 100.0 | 9,072,406 | 8,889,290 |
| Total annual appropriation per programme | 31,424,164 | - | - | 31,424,164 | 31,312,109 | 112,055 | 99.6 | 19,748,367 | 18,966,168 |
| Reconciliation with Statement of Financial Performance | | | | | | | | | |
| Add: | | | | | | | | | |
| Departmental receipts | | | | | | | | | |
| Aid assistance | | | | 5,270,354 | | | | 5,095,776 | |
| | | | | 50,486 | | | | 12,805 | |
| Actual amounts per Statement of Financial Performance (total revenue) | | | | 36,745,004 | | | | 24,856,948 | |
| Add: | | | | | | | | | |
| Aid assistance | | | | | | | | | 11,454 |
| Actual amounts per Statement of Financial Performance (total expenditure) | | | | | | | | | 18,977,622 |



NATIONAL TREASURY VOTE 7
APPROPRIATION STATEMENT (CONTINUED)
for the year ended 31 March 2009

| Economic classification | Appropriation per economic classification | | | | | | | | | |
|---|---|----------------------------|-------------------|------------------------------|-----------------------------|-------------------|--|------------------------------|-----------------------------|--|
| | 2008/09 | | | | | 2007/08 | | | | |
| | Adjusted appropriation R'000 | Shifting of funds R'000 | Virement R'000 | Final appropriation R'000 | Actual expenditure R'000 | Variance R'000 | Expenditure as % of final appropriation % | Final appropriation R'000 | Actual expenditure R'000 | |
| Current expenditure | | | | | | | | | | |
| Compensation of employees | 314,346 | 810 | 5,901 | 321,057 | 321,000 | 57 | 100.0 | 1,631,064 | 1,609,485 | |
| Goods and services | 646,598 | (810) | (38,211) | 607,577 | 602,501 | 5,076 | 99.2 | 691,379 | 588,296 | |
| Financial transactions in assets and liabilities | - | - | - | - | 456 | (456) | - | - | 4,734 | |
| Transfers and subsidies | | | | | | | | | | |
| Provinces and municipalities | 7,853,006 | - | - | 7,853,006 | 7,745,944 | 107,062 | 98.6 | 7,384,275 | 6,992,736 | |
| Departmental agencies and accounts | 9,526,422 | - | 3,060 | 9,529,482 | 9,518,441 | 11,041 | 99.9 | 8,218,658 | 8,218,630 | |
| Universities and technikons | 5,456 | - | - | 5,456 | 5,456 | - | 100.0 | 5,285 | 2,285 | |
| Foreign governments and international organisations | 542,396 | - | 14,658 | 557,054 | 550,501 | 6,553 | 98.8 | 631,992 | 503,820 | |
| Public corporations and private enterprises | 10,246,837 | - | 8 | 10,246,845 | 10,246,845 | - | 100.0 | 278,667 | 222,362 | |
| Non-profit institutions | 68 | - | - | 68 | - | 68 | - | 127 | 127 | |
| Households | 2,278,915 | - | 14,389 | 2,293,304 | 2,311,534 | (18,230) | 100.8 | 875,372 | 810,656 | |
| Capital expenditure | | | | | | | | | | |
| Machinery and equipment | 10,120 | - | 195 | 10,315 | 9,431 | 884 | 91.4 | 29,410 | 13,037 | |
| Software and other intangible assets | - | - | - | - | - | - | - | 2,138 | - | |
| Total annual appropriation per economic classification | 31,424,164 | - | - | 31,424,164 | 31,312,109 | 112,055 | 99.6 | 19,748,367 | 18,966,168 | |



NATIONAL TREASURY VOTE 7

APPROPRIATION STATEMENT - DETAIL PER PROGRAMME 1: ADMINISTRATION
 for the year ended 31 March 2009

| Programme per subprogramme | 2008/09 | | | | | | 2007/08 | | |
|--|---------------------------------|----------------------------|-------------------|------------------------------|-----------------------------|-------------------|--|------------------------------|-----------------------------|
| | Adjusted appropriation R'000 | Shifting of funds R'000 | Virement R'000 | Final appropriation R'000 | Actual expenditure R'000 | Variance R'000 | Expenditure as % of final appropriation % | Final appropriation R'000 | Actual expenditure R'000 |
| 1.1 Minister | 1,019 | 346 | - | 1,365 | 1,364 | 1 | 99.9 | 952 | 952 |
| Current expenditure | | | | | | | | | |
| 1.2 Deputy Minister | 828 | 173 | - | 1,001 | 1,000 | 1 | 99.9 | 774 | 773 |
| Current expenditure | | | | | | | | | |
| 1.3 Management | 35,667 | 8,198 | 2,496 | 46,361 | 46,163 | 198 | 99.6 | 42,693 | 40,959 |
| Current expenditure | | | | | | | | | |
| Transfers and subsidies | 28 | 400 | 397 | 825 | 824 | 1 | 99.9 | 1,264 | 1,256 |
| Capital expenditure | 821 | - | - | 821 | 568 | 253 | 69.2 | 1,455 | 1,446 |
| 1.4 Corporate Services | 103,920 | (3,515) | 2,609 | 103,014 | 102,953 | 61 | 99.9 | 91,233 | 88,452 |
| Current expenditure | | | | | | | | | |
| Transfers and subsidies | 1,025 | (400) | 60 | 685 | 676 | 9 | 98.7 | 1,475 | 1,447 |
| Capital expenditure | 2,762 | (7) | - | 2,755 | 2,427 | 328 | 88.1 | 19,013 | 5,857 |
| 1.5 Property Management | 53,231 | (5,202) | - | 48,029 | 47,582 | 447 | 99.1 | 43,357 | 36,316 |
| Current expenditure | | | | | | | | | |
| Capital expenditure | 100 | 7 | - | 107 | 106 | 1 | 99.1 | 145 | 144 |
| Total appropriation per Programme 1 | 199,401 | - | 5,562 | 204,963 | 203,663 | 1,300 | 99.4 | 202,361 | 177,602 |
| Economic classification | 2008/09 | | | | | | 2007/08 | | |
| | Adjusted appropriation R'000 | Shifting of funds R'000 | Virement R'000 | Final appropriation R'000 | Actual expenditure R'000 | Variance R'000 | Expenditure as % of final appropriation % | Final appropriation R'000 | Actual expenditure R'000 |
| Current expenditure | 66,041 | - | 3,791 | 69,832 | 69,819 | 13 | 100.0 | 64,631 | 61,073 |
| Compensation of employees | 128,624 | - | 1,314 | 129,938 | 129,128 | 810 | 99.4 | 114,378 | 106,250 |
| Goods and services | - | - | - | - | 115 | (115) | - | - | 129 |
| Financial transactions in assets and liabilities | - | - | - | - | - | - | - | - | - |
| Transfers and subsidies | 225 | - | 60 | 285 | 284 | 1 | 99.6 | 270 | 243 |
| Departmental agencies and accounts | 28 | - | 8 | 36 | 36 | - | 100.0 | 73 | 65 |
| Public corporations and private enterprises | 800 | - | 389 | 1,189 | 1,180 | 9 | 99.2 | 2,396 | 2,395 |
| Households | - | - | - | - | - | - | - | - | - |
| Capital expenditure | 3,683 | - | - | 3,683 | 3,101 | 582 | 84.2 | 19,122 | 7,447 |
| Machinery and equipment | - | - | - | - | - | - | - | 1,491 | - |
| Software and other intangible assets | - | - | - | - | - | - | - | - | - |
| Total appropriation per economic classification | 199,401 | - | 5,562 | 204,963 | 203,663 | 1,300 | 99.4 | 202,361 | 177,602 |



NATIONAL TREASURY VOTE 7

APPROPRIATION STATEMENT - DETAIL PER PROGRAMME 2: PUBLIC FINANCE AND BUDGET MANAGEMENT for the year ended 31 March 2009

| Programme per subprogramme | 2008/09 | | | | | 2007/08 | | | |
|--|---------------------------------|----------------------------|-------------------|------------------------------|-----------------------------|-------------------|--|------------------------------|-----------------------------|
| | Adjusted appropriation R'000 | Shifting of funds R'000 | Virement R'000 | Final appropriation R'000 | Actual expenditure R'000 | Variance R'000 | Expenditure as % of final appropriation % | Final appropriation R'000 | Actual expenditure R'000 |
| 2.1 Public Finance | | | | | | | | | |
| Current expenditure | 33,929 | (1,309) | - | 32,620 | 32,538 | 82 | 99.7 | 33,288 | 31,240 |
| Transfers and subsidies | 456 | - | - | 456 | 456 | - | 100.0 | - | - |
| Capital expenditure | 386 | 67 | - | 453 | 451 | 2 | 99.6 | 415 | 366 |
| 2.2 Budget Management | | | | | | | | | |
| Current expenditure | 34,152 | 3,806 | - | 37,958 | 37,904 | 54 | 99.9 | 30,842 | 29,701 |
| Capital expenditure | 305 | 186 | - | 491 | 487 | 4 | 99.2 | 417 | 197 |
| 2.3 Intergovernmental Relations | | | | | | | | | |
| Current expenditure | 36,983 | (2,154) | 1,134 | 35,963 | 35,771 | 192 | 99.5 | 32,748 | 30,027 |
| Capital expenditure | 309 | (99) | 192 | 402 | 400 | 2 | 99.5 | 436 | 409 |
| 2.4 Technical and Management Support | | | | | | | | | |
| Current expenditure | 96,872 | (343) | 13,843 | 110,372 | 115,479 | (5,107) | 104.6 | 118,926 | 113,669 |
| Transfers and subsidies | 23,000 | - | 3,000 | 26,000 | 20,000 | 6,000 | 76.9 | 6,000 | 6,000 |
| Capital expenditure | 727 | (154) | - | 573 | 570 | 3 | 99.5 | 618 | 388 |
| Total appropriation per Programme 2 | 227,119 | - | 18,169 | 245,288 | 244,056 | 1,232 | 99.5 | 223,690 | 211,997 |
| Economic classification | | | | | | | | | |
| Current expenditure | | | | | | | | | |
| Compensation of employees | 102,728 | - | 4,620 | 107,348 | 107,328 | 20 | 100.0 | 95,793 | 89,738 |
| Goods and services | 99,208 | - | 10,357 | 109,565 | 114,339 | (4,774) | 104.4 | 120,011 | 114,891 |
| Financial transactions in assets and liabilities | - | - | - | - | 25 | (25) | - | - | 8 |
| Transfers and subsidies | | | | | | | | | |
| Departmental agencies and accounts | 23,000 | - | 3,000 | 26,000 | 20,000 | 6,000 | 76.9 | 6,000 | 6,000 |
| Universities and technicians | 456 | - | - | 456 | 456 | - | 100.0 | - | - |
| Capital expenditure | | | | | | | | | |
| Machinery and equipment | 1,727 | - | 192 | 1,919 | 1,908 | 11 | 99.4 | 1,853 | 1,360 |
| Software and other intangible assets | - | - | - | - | - | - | - | 33 | - |
| Total appropriation per economic classification | 227,119 | - | 18,169 | 245,288 | 244,056 | 1,232 | 99.5 | 223,690 | 211,997 |



NATIONAL TREASURY VOTE 7

 APPROPRIATION STATEMENT - DETAIL PER PROGRAMME 5: FINANCIAL ACCOUNTING AND REPORTING
 for the year ended 31 March 2009

| Programme per subprogramme | 2008/09 | | | | | | 2007/08 | | |
|--|---------------------------------|----------------------------|-------------------|------------------------------|-----------------------------|-------------------|--|------------------------------|-----------------------------|
| | Adjusted appropriation R'000 | Shifting of funds R'000 | Virement R'000 | Final appropriation R'000 | Actual expenditure R'000 | Variance R'000 | Expenditure as % of final appropriation % | Final appropriation R'000 | Actual expenditure R'000 |
| 5.1 Financial Reporting for National Accounts | | | | | | | | | |
| Current expenditure | 37,233 | 3,263 | (1,418) | 39,078 | 38,989 | 89 | 99.8 | 39,495 | 39,175 |
| Transfers and subsidies | 27,669 | - | - | 27,669 | 27,669 | - | 100.0 | 23,638 | 23,638 |
| Capital expenditure | 671 | - | (15) | 656 | 490 | 166 | 74.7 | 993 | 160 |
| 5.2 Financial Management Improvement | | | | | | | | | |
| Current expenditure | 36,679 | (3,263) | (4,155) | 29,261 | 29,237 | 24 | 99.9 | 12,817 | 11,849 |
| Capital expenditure | 160 | - | (51) | 109 | 87 | 22 | 79.8 | 1,334 | 71 |
| 5.3 Investment of Public Monies | | | | | | | | | |
| Transfers and subsidies | 1 | - | - | 1 | - | 1 | - | 1 | - |
| 5.4 Service Charges (Commercial Banks) | | | | | | | | | |
| Current expenditure | 200 | - | (112) | 88 | 87 | 1 | 98.9 | 67 | 66 |
| 5.5 Audit Statutory Bodies | | | | | | | | | |
| Transfers and subsidies | 106,545 | - | - | 106,545 | 106,428 | 117 | 99.9 | 23,800 | 23,800 |
| 5.6 Contingent Liabilities: Reinsurance Liabilities | | | | | | | | | |
| Transfers and subsidies | 1 | - | - | 1 | - | 1 | - | 1 | 1 |
| Total appropriation per Programme 5 | 209,159 | - | (5,751) | 203,408 | 202,987 | 421 | 99.8 | 102,146 | 98,760 |
| Economic classification | | | | | | | | | |
| Current expenditure | | | | | | | | | |
| Compensation of employees | 29,849 | 810 | - | 30,659 | 30,656 | 3 | 100.0 | 23,634 | 22,492 |
| Goods and services | 44,263 | (810) | (5,685) | 37,768 | 37,649 | 119 | 99.7 | 28,745 | 28,598 |
| Financial transactions in assets and liabilities | - | - | - | - | 8 | (8) | - | - | - |
| Transfers and subsidies | | | | | | | | | |
| Departmental agencies and accounts | 134,216 | - | - | 134,216 | 134,097 | 119 | 99.9 | 47,140 | 47,139 |
| Non-profit institutions | - | - | - | - | - | - | - | 300 | 300 |
| Capital expenditure | | | | | | | | | |
| Machinery and equipment | 831 | - | (66) | 765 | 577 | 188 | 75.4 | 2,309 | 231 |
| Software and other intangible assets | - | - | - | - | - | - | - | 18 | - |
| Total appropriation per economic classification | 209,159 | - | (5,751) | 203,408 | 202,987 | 421 | 99.8 | 102,146 | 98,760 |



NATIONAL TREASURY VOTE 7

APPROPRIATION STATEMENT - DETAIL PER PROGRAMME 6: ECONOMIC POLICY AND INTERNATIONAL RELATIONS for the year ended 31 March 2009

| Programme per subprogramme | 2008/09 | | | | | 2007/08 | | | | |
|--|---------------------------------|----------------------------|-------------------|------------------------------|-----------------------------|-------------------|--|------------------------------|-----------------------------|--|
| | Adjusted appropriation R'000 | Shifting of funds R'000 | Virement R'000 | Final appropriation R'000 | Actual expenditure R'000 | Variance R'000 | Expenditure as % of final appropriation % | Final appropriation R'000 | Actual expenditure R'000 | |
| 6.1 Management and Research | | | | | | | | | | |
| Current expenditure | 13,853 | (950) | (1,419) | 11,484 | 11,085 | 399 | 96.5 | 8,937 | 8,475 | |
| Transfers and subsidies | 5,000 | - | - | 5,000 | 5,000 | - | 100.0 | 5,285 | 2,285 | |
| Capital expenditure | 141 | (97) | - | 44 | 44 | - | 100.0 | 64 | 63 | |
| 6.2 Financial Sector Policy | | | | | | | | | | |
| Current expenditure | 22,234 | (1,921) | (919) | 19,394 | 19,290 | 104 | 99.5 | 16,577 | 15,940 | |
| Capital expenditure | 72 | 76 | - | 148 | 146 | 2 | 98.6 | 147 | 146 | |
| 6.3 Tax Policy | | | | | | | | | | |
| Current expenditure | 14,291 | 1,514 | (357) | 15,448 | 15,403 | 45 | 99.7 | 12,699 | 12,294 | |
| Capital expenditure | 156 | (9) | - | 147 | 145 | 2 | 98.6 | 119 | 118 | |
| 6.4 International Economics | | | | | | | | | | |
| Current expenditure | 15,833 | 2,828 | - | 18,661 | 18,614 | 47 | 99.7 | 14,255 | 12,945 | |
| Capital expenditure | 245 | (31) | - | 214 | 212 | 2 | 99.1 | 199 | 198 | |
| 6.5 Economic Policy | | | | | | | | | | |
| Current expenditure | 21,854 | (1,471) | (359) | 20,024 | 19,963 | 61 | 99.7 | 50,620 | 40,524 | |
| Capital expenditure | 123 | 61 | 210 | 394 | 392 | 2 | 99.5 | 206 | 206 | |
| Total appropriation per Programme 6 | 93,802 | - | (2,844) | 90,958 | 90,294 | 664 | 99.3 | 109,108 | 93,194 | |
| Economic classification | | | | | | | | | | |
| | | | | | | | | | | |
| 2008/09 | | | | | | | | | | |
| 2007/08 | | | | | | | | | | |
| Current expenditure | | | | | | | | | | |
| Compensation of employees | 45,655 | - | 697 | 46,352 | 46,346 | 6 | 100.0 | 39,394 | 37,092 | |
| Goods and services | 42,410 | - | (3,751) | 38,659 | 38,007 | 652 | 98.3 | 63,694 | 53,083 | |
| Financial transactions in assets and liabilities | - | - | - | - | 2 | (2) | - | - | 3 | |
| Transfers and subsidies | | | | | | | | | | |
| Universities and technicians | 5,000 | - | - | 5,000 | 5,000 | - | 100.0 | 5,285 | 2,285 | |
| Capital expenditure | 737 | - | 210 | 947 | 939 | 8 | 99.2 | 735 | 731 | |
| Machinery and equipment | | | | | | | | | | |
| Total appropriation per economic classification | 93,802 | - | (2,844) | 90,958 | 90,294 | 664 | 99.3 | 109,108 | 93,194 | |



NATIONAL TREASURY VOTE 7

APPROPRIATION STATEMENT - DETAIL PER PROGRAMME 7: PROVINCIAL AND LOCAL GOVERNMENT TRANSFERS
 for the year ended 31 March 2009

| Programme per subprogramme | 2008/09 | | | | | | 2007/08 | | |
|---|---------------------------------|----------------------------|-------------------|------------------------------|-----------------------------|-------------------|--|------------------------------|-----------------------------|
| | Adjusted appropriation R'000 | Shifting of funds R'000 | Virement R'000 | Final appropriation R'000 | Actual expenditure R'000 | Variance R'000 | Expenditure as % of final appropriation % | Final appropriation R'000 | Actual expenditure R'000 |
| 7.1 Provincial Infrastructure Grant | 7,384,487 | - | - | 7,384,487 | 7,384,487 | - | 100.0 | 6,414,025 | 6,276,244 |
| Transfers and subsidies | | | | | | | | | |
| 7.2 Local Government Financial Management and Restructuring Grants | 180,000 | - | - | 180,000 | 180,000 | - | 100.0 | 675,250 | 675,250 |
| Transfers and subsidies | | | | | | | | | |
| 7.3 Neighbourhood Development Partnership Grant | 373,540 | - | - | 373,540 | 261,557 | 111,983 | 70.0 | 295,000 | 41,242 |
| Transfers and subsidies | | | | | | | | | |
| Total appropriation per Programme 7 | 7,938,027 | - | - | 7,938,027 | 7,826,044 | 111,983 | 98.6 | 7,384,275 | 6,992,736 |
| | | | | | | | | | |
| Economic classification | 2008/09 | | | | | | 2007/08 | | |
| | Adjusted appropriation R'000 | Shifting of funds R'000 | Virement R'000 | Final appropriation R'000 | Actual expenditure R'000 | Variance R'000 | Expenditure as % of final appropriation % | Final appropriation R'000 | Actual expenditure R'000 |
| Transfers and subsidies | 7,853,006 | - | - | 7,853,006 | 7,745,944 | 107,062 | 98.6 | 7,384,275 | 6,992,736 |
| Provinces and municipalities | | | | | | | | | |
| Departmental agencies and accounts | 85,021 | - | - | 85,021 | 80,100 | 4,921 | 94.2 | - | - |
| Total appropriation per economic classification | 7,938,027 | - | - | 7,938,027 | 7,826,044 | 111,983 | 98.6 | 7,384,275 | 6,992,736 |



NATIONAL TREASURY VOTE 7

APPROPRIATION STATEMENT - DETAIL PER PROGRAMME 8: CIVIL AND MILITARY PENSIONS, CONTRIBUTIONS TO FUNDS AND OTHER BEBENITS for the year ended 31 March 2009

| Programme per subprogramme | 2008/09 | | | | | | 2007/08 | | |
|--|---------------------------------|----------------------------|-------------------|------------------------------|-----------------------------|-------------------|--|------------------------------|-----------------------------|
| | Adjusted appropriation R'000 | Shifting of funds R'000 | Virement R'000 | Final appropriation R'000 | Actual expenditure R'000 | Variance R'000 | Expenditure as % of final appropriation % | Final appropriation R'000 | Actual expenditure R'000 |
| 8.1 Civil Pensions and Contributions to Funds | 31,409 | (1,800) | (14,000) | 15,609 | 15,014 | 595 | 96.2 | 1,359,628 | 1,364,215 |
| Current expenditure | 2,126,161 | 232 | 14,000 | 2,140,393 | 2,158,758 | (18,365) | 100.9 | 718,036 | 663,219 |
| 8.2 Military Pensions and Other Benefits | 1,458 | 1,800 | - | 3,258 | 3,204 | 54 | 98.3 | 2,449 | 2,448 |
| Current expenditure | 154,660 | (232) | - | 154,428 | 154,286 | 142 | 99.9 | 158,195 | 146,944 |
| Total appropriation per Programme 8 | 2,313,688 | - | - | 2,313,688 | 2,331,262 | (17,574) | 100.8 | 2,238,308 | 2,176,826 |

| Economic classification | 2008/09 | | | | | | 2007/08 | | |
|--|---------------------------------|----------------------------|-------------------|------------------------------|-----------------------------|-------------------|--|------------------------------|-----------------------------|
| | Adjusted appropriation R'000 | Shifting of funds R'000 | Virement R'000 | Final appropriation R'000 | Actual expenditure R'000 | Variance R'000 | Expenditure as % of final appropriation % | Final appropriation R'000 | Actual expenditure R'000 |
| Current expenditure | - | - | - | - | - | - | - | 1,336,745 | 1,336,745 |
| Compensation of employees | 32,867 | - | (14,000) | 18,867 | 17,913 | 954 | 94.9 | 25,330 | 25,330 |
| Goods and services | - | - | - | - | 305 | (305) | - | - | 4,588 |
| Financial transactions in assets and liabilities | - | - | - | - | - | - | - | - | - |
| Transfers and subsidies | 2,638 | - | - | 2,638 | 2,690 | (52) | 102.0 | 3,428 | 2,075 |
| Foreign governments and international organisations | 68 | - | - | 68 | 68 | - | - | 127 | 127 |
| Non-profit institutions | 2,278,115 | - | 14,000 | 2,292,115 | 2,310,354 | (18,239) | 100.8 | 872,676 | 807,961 |
| Households | - | - | - | - | - | - | - | - | - |
| Total appropriation per economic classification | 2,313,688 | - | - | 2,313,688 | 2,331,262 | (17,574) | 100.8 | 2,238,308 | 2,176,826 |



NATIONAL TREASURY VOTE 7

 APPROPRIATION STATEMENT - DETAIL PER PROGRAMME 9: FISCAL TRANSFERS
 for the year ended 31 March 2009

| Programme per subprogramme | 2008/09 | | | | | | 2007/08 | | |
|--|---------------------------------|----------------------------|-------------------|------------------------------|-----------------------------|-------------------|---|------------------------------|-----------------------------|
| | Adjusted appropriation R'000 | Shifting of funds R'000 | Virement R'000 | Final appropriation R'000 | Actual expenditure R'000 | Variance R'000 | Expenditure as % of final appropriation % | Final appropriation R'000 | Actual expenditure R'000 |
| 9.1 Domestic Budgetary Transfers | 19,283,960 | - | - | 19,283,960 | 19,283,960 | - | 100.0 | 8,165,248 | 8,165,248 |
| 9.2 Domestic Programme Transfers | 246,809 | - | - | 246,809 | 246,809 | - | 100.0 | 278,594 | 222,297 |
| 9.3 African Integration and Support | 349,576 | - | 12,893 | 362,469 | 362,468 | 1 | 100.0 | 432,402 | 320,597 |
| 9.4 Multilateral Institutions | 170,382 | - | (1,930) | 168,452 | 161,849 | 6,603 | 96.1 | 177,428 | 163,586 |
| 9.5 International Projects | 19,800 | - | 3,695 | 23,495 | 23,494 | 1 | 100.0 | 18,734 | 17,562 |
| Total appropriation per Programme 9 | 20,070,527 | - | 14,658 | 20,085,185 | 20,078,580 | 6,605 | 100.0 | 9,072,406 | 8,889,290 |

| Economic classification | 2008/09 | | | | | | 2007/08 | | |
|--|---------------------------------|----------------------------|-------------------|------------------------------|-----------------------------|-------------------|---|------------------------------|-----------------------------|
| | Adjusted appropriation R'000 | Shifting of funds R'000 | Virement R'000 | Final appropriation R'000 | Actual expenditure R'000 | Variance R'000 | Expenditure as % of final appropriation % | Final appropriation R'000 | Actual expenditure R'000 |
| Transfers and subsidies | 9,283,960 | - | - | 9,283,960 | 9,283,960 | - | 100.0 | 8,165,248 | 8,165,248 |
| Departmental agencies and accounts | 539,758 | - | 14,658 | 554,416 | 547,811 | 6,605 | 98.8 | 628,564 | 501,745 |
| Foreign governments and international organisations | 10,246,809 | - | - | 10,246,809 | 10,246,809 | - | 100.0 | 278,594 | 222,297 |
| Public corporations and private enterprises | | | | | | | | | |
| Total appropriation per economic classification | 20,070,527 | - | 14,658 | 20,085,185 | 20,078,580 | 6,605 | 100.0 | 9,072,406 | 8,889,290 |



NATIONAL TREASURY VOTE 7

NOTES TO THE APPROPRIATION STATEMENT

for the year ended 31 March 2009

1. Details of transfers and subsidies as per Appropriation Act (after virement):

Detail of these transactions can be viewed in note 7 (transfers and subsidies) and Annexure 1 (A-J) to the Annual Financial Statements.

2. Details of specifically and exclusively appropriated amounts voted (after virement):

Detail of these transactions can be viewed in note 1 (annual appropriation) to the Annual Financial Statements.

3. Details of financial transactions in assets and liabilities

Detail of these transactions per programme can be viewed in note 6 (financial transactions in assets and liabilities) to the Annual Financial Statements.

4. Explanations of material variances from amounts voted (after virement):

| Per programme | Final appropriation | Actual expenditure | Variance | Variance as a % of final appropriation | Explanations of variances |
|---|---------------------|--------------------|----------------|--|---|
| | R'000 | R'000 | R'000 | % | |
| Programme 1: Administration | 204,963 | 203,663 | 1,300 | 0.6 | The deviation is mainly due to lower-than-anticipated payment to the Department of Public Works for the devolution of funds. |
| Programme 2: Public Finance and Budget Management | 245,288 | 244,056 | 1,232 | 0.5 | The deviation is mainly due to the non-transfer payment for the Project Development Facility trading account. |
| Programme 3: Asset and Liability Management | 63,796 | 62,503 | 1,293 | 2.0 | The deviation is due to lower-than-anticipated payment of consultants for the capital structure and distribution policy project. |
| Programme 4: Financial Management and Systems | 278,851 | 272,720 | 6,131 | 2.2 | The deviation is mainly due to the saving on the Integrated Financial Management System project. |
| Programme 5: Financial Accounting and Reporting | 203,408 | 202,987 | 421 | 0.2 | The deviation is mainly due to general operational savings. |
| Programme 6: Economic Policy and International Financial Relations | 90,958 | 90,294 | 664 | 0.7 | The deviation is mainly due to the delayed operation of the Cooperative Banking Development Agency. |
| Programme 7: Provincial and Local Government Transfers | 7,938,027 | 7,826,044 | 111,983 | 1.4 | The deviation is mainly due to the <i>neighbourhood development partnership grant</i> , as there is slower spending by the municipalities than projected in the milestone payment schedule. |
| Programme 8: Civil and Military Pensions, Contributions to Funds and Other Benefits | 2,313,688 | 2,331,262 | (17,574) | (0.1) | The deviation is mainly due to higher-than-anticipated monthly premiums for post-retirement medical benefits. |
| Programme 9: Fiscal Transfers | 20,085,185 | 20,078,580 | 6,605 | 0.0 | The deviation is mainly due to lower-than-anticipated purchase of shares from the African Development Bank and the African Development Fund. |
| Total per programme | 31,424,164 | 31,312,109 | 112,055 | 0.4 | |



NATIONAL TREASURY VOTE 7

NOTES TO THE APPROPRIATION STATEMENT (CONTINUED)
 for the year ended 31 March 2009

| Per economic classification | Final appropriation R'000 | Actual expenditure R'000 | Variance R'000 | Variance as a % of final appropriation % |
|---|---------------------------------|--------------------------------|-------------------|---|
| Current expenditure | 928,634 | 923,957 | 4,677 | |
| Compensation of employees | 321,057 | 321,000 | 57 | 0.0 |
| Good and services | 607,577 | 602,501 | 5,076 | 0.8 |
| Financial transactions in assets and liabilities | - | 456 | (456) | 0.0 |
| Transfers and subsidies | 30,485,215 | 30,378,721 | 106,494 | |
| Provinces and municipalities | 7,853,006 | 7,745,944 | 107,062 | 1.4 |
| Departmental agencies and accounts | 9,529,482 | 9,518,441 | 11,041 | 0.1 |
| Universities and technikons | 5,456 | 5,456 | - | |
| Public corporations and private enterprises | 557,054 | 550,501 | 6,553 | 1.2 |
| Foreign governments and international organisations | 10,246,845 | 10,246,845 | - | 0.0 |
| Non-profit institutions | 68 | - | 68 | 100.0 |
| Households | 2,293,304 | 2,311,534 | (18,230) | (0.1) |
| Capital expenditure | 10,315 | 9,431 | 884 | |
| Machinery and equipment | 10,315 | 9,431 | 884 | 8.6 |
| Total per programme | 31,424,164 | 31,312,109 | 112,055 | 0.4 |



NATIONAL TREASURY VOTE 7

STATEMENT OF FINANCIAL PERFORMANCE as at 31 March 2009

| | Note | 2008/09 R'000 | 2007/08 R'000 |
|---|------|-------------------|-------------------|
| REVENUE | | | |
| Annual appropriation | 1 | 31,424,164 | 19,748,367 |
| Departmental revenue | 2 | 5,270,354 | 5,095,776 |
| Aid assistance | 3 | 50,486 | 12,805 |
| TOTAL REVENUE | | 36,745,004 | 24,856,948 |
| EXPENDITURE | | | |
| Current expenditure | | 965,060 | 2,213,803 |
| Compensation of employees | 4 | 321,000 | 1,609,485 |
| Goods and services | 5 | 602,501 | 588,296 |
| Financial transactions in assets and liabilities | 6 | 456 | 4,734 |
| Aid assistance | 3 | 41,103 | 11,288 |
| Transfers and subsidies | | 30,378,721 | 16,750,615 |
| Transfers and subsidies | 7 | 30,378,721 | 16,750,615 |
| Expenditure for capital assets | | 10,052 | 13,204 |
| Tangible capital assets | 8 | 10,052 | 13,204 |
| TOTAL EXPENDITURE | | 31,353,833 | 18,977,622 |
| SURPLUS FOR THE YEAR | | 5,391,171 | 5,879,326 |
| Reconciliation of net surplus for the year | | | |
| Voted funds | 14 | 112,055 | 782,199 |
| Departmental revenue | 15 | 5,270,354 | 5,095,776 |
| Aid assistance | | 8,762 | 1,351 |
| SURPLUS FOR THE YEAR | | 5,391,171 | 5,879,326 |



NATIONAL TREASURY VOTE 7

STATEMENT ON FINANCIAL POSITION

for the year ended 31 March 2009

| | Note | 2008/09 R'000 | 2007/08 R'000 |
|---|------|-------------------|------------------|
| ASSETS | | | |
| Current assets | | 146,511 | 806,407 |
| Cash and cash equivalents | 9 | - | 791,809 |
| Prepayments and advances | 10 | 982 | 280 |
| Receivables | 11 | 144,603 | 12,780 |
| Aid assistance receivable | 3 | 926 | 1,538 |
| Non-current assets | | 10,200,001 | 200,001 |
| Investments | 12 | 200,001 | 200,001 |
| Loans | 13 | 10,000,000 | - |
| TOTAL ASSETS | | 10,346,512 | 1,006,408 |
| LIABILITIES | | | |
| Current liabilities | | 146,283 | 806,309 |
| Voted funds to be surrendered to the National Revenue Fund | 14 | 112,055 | 782,199 |
| Cash and cash equivalents | 9 | 13,024 | - |
| Departmental revenue to be surrendered to the National Revenue Fund | 15 | 1,753 | 9,593 |
| Payables | 16 | 8,791 | 11,999 |
| Aid assistance unutilised | 3 | 10,660 | 2,518 |
| TOTAL LIABILITIES | | 146,283 | 806,309 |
| NET ASSETS | | 10,200,229 | 200,099 |
| Represented by: | | | |
| Capitalisation reserve | 12 | 200,001 | 200,001 |
| Recoverable revenue | | 10,000,228 | 98 |
| TOTAL | | 10,200,229 | 200,099 |



NATIONAL TREASURY VOTE 7

STATEMENT OF CHANGE IN NET ASSETS for the year ended 31 March 2009

| | <i>Note</i> | 2008/09 R'000 | 2007/08 R'000 |
|--|-------------|-----------------------|-----------------------|
| Capitalisation reserves | | | |
| Opening balance | | 200,001 | 200,001 |
| Closing balance capitalisation reserves | | <u>200,001</u> | <u>200,001</u> |
| Recoverable revenue | | | |
| Opening balance | | 98 | 41 |
| Transfers: | | 130 | 57 |
| Irrecoverable amounts written off | | (1) | (1) |
| Debts recovered (included in departmental revenue) | | (219) | (85) |
| Debts raised | | 350 | 143 |
| Closing balance recoverable revenue | | <u>228</u> | <u>98</u> |
| TOTAL NET ASSETS | | <u><u>200,229</u></u> | <u><u>200,099</u></u> |

NATIONAL TREASURY VOTE 7

CASH FLOW STATEMENT
for the year ended 31 March 2009

| | Note | 2008/09 R'000 | 2007/08 R'000 |
|--|------|---------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts | | 36,625,675 | 24,855,263 |
| Annual appropriated funds received | 1 | 31,424,164 | 19,748,367 |
| Departmental revenue received | 2 | 5,151,025 | 5,094,091 |
| Aid assistance received | 3 | 50,486 | 12,805 |
| Net (increase)/decrease in working capital | | (135,733) | 9,268 |
| Surrendered appropriated funds received | | (8) | (22) |
| Surrendered to National Revenue Fund | | (6,060,393) | (5,655,282) |
| Current expenditure | | (965,060) | (2,213,803) |
| Transfers and subsidies paid | | (30,378,721) | (16,750,615) |
| Net cash flow available from operating activities | 17 | (914,240) | 244,809 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Capital expenditure | 8 | (10,052) | (13,204) |
| Proceeds from sale of capital assets | 2.3 | 324 | - |
| Increase in loans | | (10,000,000) | - |
| Net cash flows from investing activities | | (10,009,728) | (13,204) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Dividends received | 2.2 | 119,005 | 1,685 |
| Increase in net assets | | 10,000,130 | 57 |
| Net cash flows from financing activities | | 10,119,135 | 1,742 |
| Net increase/(decrease) in cash and cash equivalents | | (804,833) | 233,347 |
| Cash and cash equivalents at the beginning of the period | | 791,809 | 558,462 |
| Cash and cash equivalents at end of period | 9,18 | (13,024) | 791,809 |



NATIONAL TREASURY VOTE 7

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2009

1. Annual Appropriation

| Programme description | Final appropriation | Actual funds received | Funds not requested/ not received | Appropriation received |
|---|---------------------|-----------------------|--------------------------------------|------------------------|
| | 2008/09 | 2008/09 | 2008/09 | 2007/08 |
| | R'000 | R'000 | R'000 | R'000 |
| Administration | 204,963 | 204,963 | - | 202,361 |
| Public Finance and Budget Management | 245,288 | 245,288 | - | 223,690 |
| Asset and Liability Management | 63,796 | 63,796 | - | 75,953 |
| Financial Management and Systems | 278,851 | 278,851 | - | 340,120 |
| Financial Accounting and Reporting | 203,408 | 203,408 | - | 102,146 |
| Economic Policy and International Financial Relations | 90,958 | 90,958 | - | 109,108 |
| Provincial and Local Government Transfers | 7,938,027 | 7,938,027 | - | 7,384,275 |
| Civil and Military Pensions, Contributions to Funds and Other Benefits | 2,313,688 | 2,313,688 | - | 2,238,308 |
| Fiscal Transfers | 20,085,185 | 20,085,185 | - | 9,072,406 |
| Total appropriation | 31,424,164 | 31,424,164 | - | 19,748,367 |

2. Departmental revenue

| | Note | 2008/09 R'000 | 2007/08 R'000 |
|---|------|------------------|------------------|
| Sales of goods and services other than capital assets | 2.1 | 49,280 | 45,215 |
| Interest and dividends | 2.2 | 4,953,175 | 4,884,243 |
| Sales of capital assets | 2.3 | 324 | - |
| Financial transactions in assets and liabilities | 2.4 | 267,575 | 166,318 |
| Departmental revenue collected | | 5,270,354 | 5,095,776 |

2.1 Sales of goods and services other than capital assets

| | | |
|--|---------------|---------------|
| Sales by market establishment | 86 | 85 |
| Other sales | 49,187 | 45,130 |
| Sales of scrap, waste and other used current goods | 7 | - |
| Total sales of goods and services other than capital assets | 49,280 | 45,215 |

2.2 Interest and dividends

| | | |
|-------------------------------------|------------------|------------------|
| Interest | 4,834,170 | 4,882,558 |
| Dividends | 119,005 | 1,685 |
| Total interest and dividends | 4,953,175 | 4,884,243 |

2.3 Sale of capital assets (tangible capital assets)

| | | | |
|---|------|------------|----------|
| Machinery and equipment | 28.3 | 324 | - |
| Total sale of capital assets (tangible capital assets) | | 324 | - |

2.4 Financial transactions in assets and liabilities ²

| | | |
|---|----------------|----------------|
| Receivables | 212 | 66 |
| Other receipts including recoverable revenue | 267,363 | 166,252 |
| Total financial transactions in assets and liabilities | 267,575 | 166,318 |

² Financial transactions were reclassified for the 2008/09 financial year.



NATIONAL TREASURY VOTE 7

NOTES TO THE ANNUAL FINANCIAL STATEMENT (CONTINUED)

for the year ended 31 March 2009

| 3. | Aid assistance | Note | 2008/09 R'000 | 2007/08 R'000 |
|-----|---|------|------------------|------------------|
| 3.1 | Aid assistance received in cash from RDP | | | |
| | Foreign | | | |
| | Opening balance | | 980 | (371) |
| | Revenue | | 50,486 | 12,805 |
| | Expenditure | | (41,724) | (11,454) |
| | Current | | (41,103) | (11,288) |
| | Capital | | (621) | (166) |
| | Surrendered to the RDP | | (8) | - |
| | Closing balance | | 9,734 | 980 |
| 3.2 | Aid assistance received in cash from other sources | | | |
| | Local | | | |
| | Opening balance | | - | 22 |
| | Surrendered to the donor | | - | (22) |
| | Closing balance | | - | - |
| 3.3 | Total assistance | | | |
| | Opening balance | | 980 | (349) |
| | Revenue | | 50,486 | 12,805 |
| | Expenditure | | (41,724) | (11,454) |
| | Current | | (41,103) | (11,288) |
| | Capital | | (621) | (166) |
| | Transfers | | - | - |
| | Surrendered to the RDP/donor | | (8) | (22) |
| | Closing balance | | 9,734 | 980 |
| 3.4 | Analysis of balance | | | |
| | Aid assistance receivable | | (926) | (1,538) |
| | RDP | | (926) | (1,538) |
| | Aid assistance unutilised | | 2,849 | 2,518 |
| | RDP | | 2,849 | 2,496 |
| | Other sources | | - | 22 |
| | Aid assistance repayable | | 7,811 | - |
| | RDP | | 7,811 | - |
| | Closing balance | | 9,734 | 980 |
| 4. | Compensation of employees | | | |
| 4.1 | Salaries | | | |
| | Basic salary | | 203,843 | 170,573 |
| | Performance award | | 19,615 | 18,522 |
| | Service based ³ | | 1,326 | 1,062 |
| | Compensative/circumstantial | | 1,503 | 2,183 |
| | Other non-pensionable allowances | | 63,274 | 53,039 |
| | Total salaries | | 289,561 | 245,379 |

³ Due to item additions on SCoA within compensation of employees, expenditure has been reclassified.



NATIONAL TREASURY VOTE 7

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2009

| 4.2 Social contributions | | 2008/09 | 2007/08 |
|---|------|----------------|------------------|
| Employer contributions | Note | R'000 | R'000 |
| Pension | | 24,293 | 21,084 |
| Medical ⁴ | | 7,120 | 1,342,999 |
| Bargaining council | | 26 | 23 |
| Total social contributions | | 31,439 | 1,364,106 |
| Total compensation of employees | | 321,000 | 1,609,485 |
| Average number of employees | | 861 | 796 |
| ⁴ Post-retirement medical benefits were reclassified as household transfers as from 1 April 2008. Kindly refer to Annexure 1J. | | | |
| 5. Goods and services | | | |
| Administrative fees | | 14,975 | 235 |
| Advertising | | 4,451 | 3,268 |
| Assets less than R5 000 | 5.1 | 1,058 | 1,542 |
| Bursaries (employees) | | 2,189 | 1,203 |
| Catering | | 2,506 | 2,557 |
| Communication | | 5,473 | 6,164 |
| Computer services | 5.2 | 252,693 | 245,108 |
| Consultants, contractors and agency/outsourced services | 5.3 | 184,466 | 196,226 |
| Entertainment | | 248 | 310 |
| Audit cost - external | 5.4 | 7,579 | 9,453 |
| Inventory | 5.5 | 16,612 | 15,531 |
| Maintenance, repairs and running costs | | - | 2,467 |
| Operating leases | | 24,789 | 25,614 |
| Owned and leasehold property expenditure | 5.6 | 8,715 | 4,311 |
| Travel and subsistence | 5.7 | 43,914 | 38,705 |
| Venues and facilities | | 17,427 | 17,583 |
| Training and staff development | | 9,910 | 12,415 |
| Other operating expenditure | 5.8 | 5,496 | 5,604 |
| Total goods and services | | 602,501 | 588,296 |
| 5.1 Assets less than R5 000 | | | |
| Machinery and equipment | | 1,058 | 1,542 |
| Total assets less than R5 000 | | 1,058 | 1,542 |
| 5.2 Computer services | | | |
| SITA computer services | | 44,327 | 88,559 |
| External computer service providers | | 208,366 | 156,549 |
| Total computer services | | 252,693 | 245,108 |
| 5.3 Consultants, contractors and agency/outsourced services ⁵ | | | |
| Business and advisory services | | 135,581 | 175,055 |
| Legal costs | | 12,324 | 11,521 |
| Contractors | | 3,710 | - |
| Agency and support/outsourced services | | 32,851 | 9,650 |
| Total consultants, contractors and agency/outsourced services | | 184,466 | 196,226 |

⁵ Due to item additions on SCoA within goods and services, expenditure have been reclassified.



NATIONAL TREASURY VOTE 7

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
 for the year ended 31 March 2009

| | | 2008/09 | 2007/08 |
|---|-------------|---------------|---------------|
| | <i>Note</i> | R'000 | R'000 |
| 5.4 Audit cost - external | | | |
| Regularity audits | | 6,620 | 5,629 |
| Performance audits | | 550 | 3,431 |
| Forensic audits | | 409 | 393 |
| Total audit cost - external | | 7,579 | 9,453 |
| 5.5 Inventory | | | |
| Food and food supplies | | 654 | 532 |
| Fuel, oil and gas | | 802 | 196 |
| Other consumable materials | | 795 | 777 |
| Maintenance material | | 52 | 1,217 |
| Stationery and printing | | 14,309 | 12,809 |
| Total inventory | | 16,612 | 15,531 |
| 5.6 Owned and leasehold property expenses | | | |
| Municipal services | | 8,656 | 4,300 |
| Other | | 59 | 11 |
| Total owned and leasehold property expenses | | 8,715 | 4,311 |
| 5.7 Travel and subsistence | | | |
| Local | | 22,071 | 24,307 |
| Foreign | | 21,843 | 14,398 |
| Total travel and subsistence | | 43,914 | 38,705 |
| 5.8 Other operating expenditure | | | |
| Professional bodies, membership and subscription fees | | 4,054 | 4,751 |
| Resettlement costs | | 1,039 | 680 |
| Other | | 403 | 173 |
| Total other operating expenditure | | 5,496 | 5,604 |
| 6. Financial transactions in assets and liabilities | | | |
| Other material losses written off | 6.1 | 148 | 146 |
| Debts written off | 6.2 | 308 | 4,588 |
| Total financial transactions in assets and liabilities | | 456 | 4,734 |
| 6.1 Other material losses written off | | | |
| Accident damage | | 19 | 7 |
| State guarantees | | - | 76 |
| Miscellaneous | | 129 | 63 |
| Total other material losses written off | | 148 | 146 |
| 6.2 Debts written off | | | |
| Civil and military pensions (bad debts) | | 304 | 4,588 |
| Staff debt written off | | 4 | - |
| Total debts written off | | 308 | 4,588 |



NATIONAL TREASURY VOTE 7

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2009

| | | 2008/09 | | 2007/08 | | |
|------------|---|-------------|---------------------------|---------------------------|-------------------------------|----------------|
| | | Note | R'000 | R'000 | R'000 | |
| 7. | Transfers | | | | | |
| | Provinces and municipalities | | 7,745,944 | | 6,992,736 | |
| | Conditional grants (infrastructure) paid to provinces | Annex 1A | 7,384,487 | | 6,276,244 | |
| | Conditional grants (financial management) paid to municipalities | Annex 1B | 180,000 | | 145,250 | |
| | Conditional grants (restructuring) paid to municipalities | Annex 1C | - | | 530,000 | |
| | In-kind conditional grants to municipalities | Annex 1D | 181,457 | | 41,242 | |
| | Departmental agencies and accounts | Annex 1E | 9,518,441 | | 8,218,629 | |
| | Universities and technikons | Annex 1F | 5,456 | | 2,285 | |
| | Public corporations and private enterprises | Annex 1G | 10,246,845 | | 222,362 | |
| | Foreign governments and international organisations | Annex 1H | 550,501 | | 503,820 | |
| | Non-profit institutions | Annex 1I | - | | 127 | |
| | Households | Annex 1J | 2,311,534 | | 810,656 | |
| | Total transfers | | 30,378,721 | | 16,750,615 | |
| 8. | Expenditure for capital assets | | | | | |
| | Machinery and equipment | 28.1 | 10,052 | | 13,204 | |
| | Total expenditure for capital assets | | 10,052 | | 13,204 | |
| 8.1 | Analysis of funds utilised to acquire capital assets - 08/09 | | Voted funds | Aid assistance | Total | |
| | | | R'000 | R'000 | R'000 | |
| | Machinery and equipment | | 9,431 | 621 | 10,052 | |
| | Total machinery and equipment | | 9,431 | 621 | 10,052 | |
| 8.2 | Analysis of funds utilised to acquire capital assets - 07/08 | | Voted funds | Aid assistance | Total | |
| | | | R'000 | R'000 | R'000 | |
| | Machinery and equipment | | 13,038 | 166 | 13,204 | |
| | Total assets acquired | | 13,038 | 166 | 13,204 | |
| 9. | Cash and cash equivalents | | | | | |
| | Consolidated Paymaster General account | | (14,734) | | 770,321 | |
| | Cash on hand | | 21 | | 21 | |
| | Cash with commercial banks (local) | | 1,689 | | 21,467 | |
| | Total cash and cash equivalents | | (13,024) | | 791,809 | |
| 10. | Prepayments and advances | | | | | |
| | Travel and subsistence | | 117 | | 154 | |
| | Prepayments | | 865 | | 126 | |
| | Total prepayments and advances | | 982 | | 280 | |
| 11. | Receivables | | 2008/09 | | | 2007/08 |
| | | | Less than one year | One to three years | Older than three years | Total |
| | | | R'000 | R'000 | R'000 | R'000 |
| | Description | Note | | | | R'000 |
| | Claims recoverable | Annex 4 | 132,588 | 132 | 1,126 | 133,846 |
| | Households and non-profit institutions | 11.1 | 1,703 | 1,367 | 4,879 | 7,949 |
| | Staff debt | 11.2 | 474 | 55 | 49 | 578 |
| | Other debtors | 11.3 | 1,733 | 304 | 193 | 2,230 |
| | Total | | 136,498 | 1,858 | 6,247 | 144,603 |
| | | | | | | 12,780 |



NATIONAL TREASURY VOTE 7

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2009

| | Note | 2008/09 R'000 | 2007/08 R'000 |
|--|---------------|-------------------|------------------|
| 11.1 Households and non-profit institutions | | | |
| Civil and military pensions debt | | - | 65 |
| Civil and military pensions - other departments | | 133 | - |
| Civil and military pensions - disallowances | | 5,684 | 5,976 |
| Special pensions - disallowances | | 2,132 | 1,917 |
| Total claims recoverable households and non-profit institutions | | 7,949 | 7,958 |
| 11.2 Staff debt | | | |
| Departmental debts | | 515 | 305 |
| Other staff debts | | 63 | 73 |
| Total staff debt | | 578 | 378 |
| 11.3 Other debtors | | | |
| Theft and losses | | 465 | 462 |
| Value added tax (SARS) | | 1,681 | 1,110 |
| Miscellaneous | | 84 | 18 |
| Total other debtors | | 2,230 | 1,590 |
| 12. Investment (non-current shares) | | | |
| Development Bank of Southern Africa | Annex 2A & 2B | 200,000 | 200,000 |
| Public Investment Corporation Limited | Annex 2A & 2B | 1 | 1 |
| SASRIA ⁶ | Annex 2A & 2B | - | - |
| Total investments | | 200,001 | 200,001 |
| ⁶ Total shareholding in SASRIA Limited amounts to R1. Kindly refer to Annexure 2A for more details. | | | |
| 13. Loans | | | |
| Public corporations | | 10,000,000 | - |
| Total | | 10,000,000 | - |
| Analysis of balance | | | |
| Opening balance | | - | - |
| New issues | | 10,000,000 | - |
| Repayments | | - | - |
| Write-offs | | - | - |
| Closing balance | | 10,000,000 | - |
| 14. Voted funds to be surrendered to the Revenue Fund | | | |
| Opening balance | | 782,199 | 561,204 |
| Transfer from Statement of Financial Performance | | 112,055 | 782,199 |
| Paid during the year | | (782,199) | (561,204) |
| Closing balance | | 112,055 | 782,199 |
| 15. Departmental revenue to be surrendered to the Revenue Fund | | | |
| Opening balance | | 9,593 | 7,895 |
| Transfer from Statement of Financial Performance | | 5,270,354 | 5,095,776 |
| Paid during the year | | (5,278,194) | (5,094,078) |
| Closing balance | | 1,753 | 9,593 |



NATIONAL TREASURY VOTE 7

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2009

| | | | | 2008/09 | 2007/08 |
|---|---|------|--------------|------------------|----------------|
| | | | | R'000 | R'000 |
| 16. | Description | Note | 30 Days | 30+ Days | Total |
| 16. Payables | | | | | |
| | Advances received | 16.1 | - | - | 2 |
| | Clearing accounts | 16.2 | 70 | - | 40 |
| | Other payables | 16.3 | 2,474 | 6,247 | 11,957 |
| | Total payables | | 2,544 | 6,247 | 11,999 |
| 16.1 Advances received | | | | | |
| | Pension administration | | | | 2 |
| | Total advances received | | | | 2 |
| 16.2 Clearing accounts | | | | | |
| | Receivable interest | | | 26 | 16 |
| | Income tax | | | 27 | 24 |
| | ACB recalls | | | 16 | - |
| | Pension fund | | | 1 | - |
| | Total clearing accounts | | | 70 | 40 |
| 16.3 Other payables | | | | | |
| | Civil and military pensions | | | 6,308 | 9,830 |
| | Special pensions | | | 2,251 | 1,920 |
| | Other | | | 162 | 207 |
| | Total other payables | | | 8,721 | 11,957 |
| 17. Net cash flow available from operating activities | | | | | |
| | Net surplus as per Statement of Financial Performance | | | 5,391,171 | 5,879,326 |
| | Add back non-cash/cash movements not deemed operating activities | | | (6,305,411) | (5,634,517) |
| | (Increase)/decrease in receivables - current | | | (131,823) | 3,923 |
| | (Increase)/decrease in prepayments and advances | | | (702) | 157 |
| | Increase/(decrease) in payables - current | | | (3,208) | 5,188 |
| | Proceeds from sale of capital assets | | | (324) | - |
| | Expenditure on capital assets | | | 10,052 | 13,204 |
| | Surrender to National Revenue Fund | | | (6,060,393) | (5,655,282) |
| | Surrendered to RDP Fund | 3.3 | | (8) | (22) |
| | Dividends | 2.2 | | (119,005) | (1,685) |
| | Net cash flow generated by operating activities | | | (914,240) | 244,809 |
| 18. Reconciliation of cash and cash equivalents for cash flow purposes | | | | | |
| | Consolidated Paymaster General account | | | (14,734) | 770,321 |
| | Cash on hand | | | 21 | 21 |
| | Cash with commercial banks | | | 1,689 | 21,467 |
| | Total reconciliation of cash and cash equivalents for cash flow purposes | | | (13,024) | 791,809 |



NATIONAL TREASURY VOTE 7

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2009

| | | | | 2008/09 | 2007/08 |
|------------|--|------------------------|-----------------|-------------------|-------------------|
| | | | | R'000 | R'000 |
| 19. | Contingent liabilities | <i>Note</i> | | | |
| | Liable to | Nature | | | |
| | Motor vehicle guarantees | Employees | <i>Annex 3A</i> | 205 | 508 |
| | Housing loan guarantees | Employees | <i>Annex 3A</i> | 243 | 437 |
| | Other guarantees | | <i>Annex 3A</i> | 12,695,832 | 13,508,018 |
| | Local guarantees | Financial institutions | <i>Annex 3A</i> | 269,177 | 979,627 |
| | Local guaranteed interest | Financial institutions | <i>Annex 3A</i> | 78,694 | 73,696 |
| | Foreign guarantees | Financial institutions | <i>Annex 3A</i> | 12,290,574 | 12,378,766 |
| | Foreign guaranteed interest | Financial institutions | <i>Annex 3A</i> | 57,387 | 75,929 |
| | Claims against the department | | <i>Annex 3B</i> | 226,616 | 670 |
| | Other | | <i>Annex 3B</i> | 49,661 | 41,331 |
| | Total contingent liabilities | | | 12,972,557 | 13,550,964 |
| 20. | Commitments | | | | |
| | Current expenditure | | | 183 | 413 |
| | Capital expenditure | | | 10 | 22 |
| | Total commitments | | | 193 | 435 |
| 21. | Accruals | | | 2008/09 | 2007/08 |
| | Listed by economic classification | 30 Days | 30+ Days | Total | Total |
| | Compensation of employees | 135 | - | 135 | 19,514 |
| | Goods and services | 2,648 | 15,449 | 18,097 | 16,865 |
| | Transfers and subsidies | 17,427 | 31,798 | 49,225 | 21,780 |
| | Machinery and equipment | 8 | - | 8 | - |
| | Total accruals per economic classification | 20,218 | 47,247 | 67,465 | 58,159 |
| | Listed by programme level | | | | |
| | Administration | | | 3,110 | 1,693 |
| | Public Finance and Budget Management | | | 2,679 | 1,093 |
| | Asset and Liability Management | | | 534 | 246 |
| | Financial Management and Systems | | | 8,599 | 10,301 |
| | Financial Accounting and Reporting | | | 812 | 1,084 |
| | Economic Policy and International Financial Relations | | | 2,506 | 1,409 |
| | Civil and Military Pensions, Contributions to Funds and Other Benefits | | | 49,225 | 42,333 |
| | Total accruals per programme | | | 67,465 | 58,159 |
| 22. | Employee benefits | | | | |
| | Leave entitlement ⁷ | | | 11,248 | 7,815 |
| | Thirteenth cheque | | | 6,519 | 5,109 |
| | Performance awards | | | 21,000 | 20,000 |
| | Capped leave commitments | | | 14,300 | 13,326 |
| | Total employee benefits | | | 53,067 | 42,345 |

⁷ The difference of R3 905 from the previous year's amount for leave entitlement is due to the fact that only the amount for previous cycle leave was disclosed.



NATIONAL TREASURY VOTE 7

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2009

| | | | |
|---|--------------------------------|----------------|----------------|
| 23. Lease commitments | | 2008/09 | 2007/08 |
| | Machinery and equipment | Total | Total |
| Operating leases expenditure | | | |
| Not later than 1 year | 96 | 96 | 311 |
| Later than 1 year and not later than 5 years | 1,263 | 1,263 | 1,465 |
| Total lease commitments | 1,359 | 1,359 | 1,776 |
| | | 2008/09 | 2007/08 |
| 24. Receivables for the departmental revenue | | R'000 | R'000 |
| Sales of goods and services other than capital assets | | - | 3,599 |
| Interest and dividends | | 86,214 | 389,317 |
| Financial transactions in assets and liabilities | | 807 | 930 |
| Total receivables for the departmental revenue | | 87,021 | 393,846 |
| 25. Irregular expenditure | | | |
| Reconciliation of irregular expenditure | | | |
| Opening balance | | 176 | 176 |
| Irregular expenditure awaiting condonation | | 176 | 176 |
| Analysis of awaiting condonation per age classification | | | |
| Prior years (current expenditure) | | 176 | 176 |
| Total irregular expenditure | | 176 | 176 |
| 26. Key management personnel | No. of Individuals | | |
| Political office bearers ⁸ | 3 | 3,056 | 2,164 |
| Officials: | | | |
| Level 15 to 16 | 13 | 11,985 | 13,434 |
| Level 14 (incl. CFO if at a lower level) | 60 | 40,105 | 33,709 |
| Total key management personnel | | 55,146 | 49,307 |
| ⁸ The department had two Deputy Ministers during the financial year under review. Mr. J Moleketi resigned on 24 September 2008 and Mr. N Nene commenced duty on 5 November 2008. | | | |
| 27. Provisions | Note | | |
| Potential irrecoverable debts | 27.1 | 4,425 | 4,387 |
| Other provisions | 27.2 | 462,781 | 503,422 |
| Total provisions and write-offs | | 467,206 | 507,809 |
| 27.1 Potential irrecoverable debts | | | |
| Households and non-profit institutions | | 4,106 | 4,277 |
| Staff debts | | 87 | 9 |
| Other debtors | | 232 | 101 |
| Total potential irrecoverable debts | | 4,425 | 4,387 |
| 27.2 Other provisions | | | |
| Special pensions | | 460,354 | 503,179 |
| Military pensions | | 190 | 137 |
| Injury on duty | | 2,237 | 106 |
| Total other provisions | | 462,781 | 503,422 |



NATIONAL TREASURY VOTE 7

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS
(CONTINUED)
for the year ended 31 March 2009

28. Movable tangible capital assets**28.1 Movement in movable tangible capital assets per Asset Register for the year ended 31 March 2009**

| Description | Opening balance | Current year adjustments to prior year balances | Additions | Disposals | Closing balance |
|--|-----------------|---|---------------|-----------------|-----------------|
| | R'000 | R'000 | R'000 | R'000 | R'000 |
| Transport assets | 3,221 | - | 93 | (826) | 2,488 |
| Computer equipment | 45,398 | 829 | 9,233 | (10,163) | 45,297 |
| Furniture and office equipment | 11,189 | 2,433 | 657 | (13) | 14,266 |
| Other machinery and equipment | 3,369 | -719 | 162 | (79) | 2,733 |
| Total movable tangible capital assets | 63,177 | 2,543 | 10,145 | (11,081) | 64,784 |

28.2 Additions to movable tangible capital assets per Asset Register for the year ended 31 March 2009

| Description | Cash purchases | Non-cash additions at fair value | Received current, not paid (paid current year, received prior year) | Total |
|---|----------------|----------------------------------|---|---------------|
| | R'000 | R'000 | R'000 | R'000 |
| Transport assets | - | 93 | - | 93 |
| Computer equipment | 9,233 | - | - | 9,233 |
| Furniture and office equipment | 657 | - | - | 657 |
| Other machinery and equipment | 162 | - | - | 162 |
| Total additions to movable tangible capital assets | 10,052 | 93 | - | 10,145 |

28.3 Disposals of movable tangible capital assets per Asset Register for the year ended 31 March 2009

| Description | Sold for cash | Transfer out or destroyed or scrapped | Total disposals | Cash received actual |
|--|---------------|---------------------------------------|-----------------|----------------------|
| | R'000 | R'000 | R'000 | R'000 |
| Transport assets | 826 | - | 826 | 324 |
| Computer equipment | - | 10,163 | 10,163 | - |
| Furniture and office equipment | - | 13 | 13 | - |
| Other machinery and equipment | - | 79 | 79 | - |
| Total disposal of movable tangible capital assets | 826 | 10,255 | 11,081 | 324 |

28.4 Movement in movable tangible capital assets per Asset Register for the year ended 31 March 2008

| Description | Opening balance restated | Additions | Disposals | Closing balance |
|--|--------------------------|---------------|-------------|-----------------|
| | R'000 | R'000 | R'000 | R'000 |
| Transport assets | 1,984 | 1,237 | - | 3,221 |
| Computer equipment | 37,248 | 12,030 | - | 49,278 |
| Furniture and office equipment | 30,650 | 3,570 | (43) | 34,177 |
| Other machinery and equipment | 4,188 | 795 | - | 4,983 |
| Total movable tangible capital assets | 74,070 | 17,632 | (43) | 91,659 |



NATIONAL TREASURY VOTE 7

DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2009

29. Minor assets for the year ended 31 March 2009

29.1 Movement in movable tangible capital assets per Asset Register for the year ended 31 March 2009

| Description | Opening balance | Current year adjustments to prior year balances | Additions | Disposals | Closing balance |
|-----------------------------------|-----------------|---|--------------|--------------|-----------------|
| | R'000 | R'000 | R'000 | R'000 | R'000 |
| Computer equipment | 3,880 | 472 | 579 | (843) | 4,088 |
| Furniture and office equipment | 22,988 | 1,315 | 486 | (108) | 24,681 |
| Other machinery and equipment | 1,614 | 76 | 43 | (43) | 1,690 |
| Total movable minor assets | 28,482 | 1,863 | 1,108 | (994) | 30,459 |

| 29.2 Minor assets for the department | Machinery and equipment | Total |
|--------------------------------------|-------------------------|---------------|
| | R'000 | R'000 |
| Minor assets | 30,459 | 30,459 |
| Total minor assets | 30,459 | 30,459 |
| Number of minor assets | 20 | 20 |
| Total number of minor assets | 20 | 20 |

| 30. Analysis of opening balance | Tangible capital assets | Minor assets | Total |
|---------------------------------|-------------------------|---------------|---------------|
| | R'000 | R'000 | R'000 |
| Transport assets | 3,221 | - | 3,221 |
| Computer equipment | 45,398 | 3,880 | 49,278 |
| Furniture and office equipment | 11,189 | 22,988 | 34,177 |
| Other machinery and equipment | 3,369 | 1,614 | 4,983 |
| Total opening balance | 63,177 | 28,482 | 91,659 |

NATIONAL TREASURY VOTE 7

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2009

ANNEXURE 1A

STATEMENT OF CONDITIONAL GRANTS (INFRASTRUCTURE) PAID TO PROVINCES AS AT 31 MARCH 2009

| Province | Grant allocation | | | | Transfer | | Spent | | | 2007/08 R'000 |
|--|----------------------------------|----------|----------------|--------------------|--------------------|---|--------------------------------------|--|--|------------------|
| | Division of Revenue Act | Rolovers | Adjustments | Total available | Actual transfer | % of available funds transferred | Amount received by province | Amount spent by province ¹⁰ | % of available funds spent by province | |
| | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 | % | |
| Eastern Cape | 1,317,909 | - | - | 1,317,909 | 1,317,909 | 100.0 | 1,317,909 | 1,172,123 | 88.9 | 1,123,343 |
| Free State | 569,278 | - | - | 569,278 | 569,278 | 100.0 | 569,278 | 552,867 | 97.1 | 509,978 |
| Gauteng | 606,206 | - | - | 606,206 | 606,206 | 100.0 | 606,206 | 366,398 | 60.4 | 524,238 |
| KwaZulu-Natal | 1,560,290 | - | - | 1,560,290 | 1,560,290 | 100.0 | 1,560,290 | 1,560,290 | 100.0 | 1,298,792 |
| Limpopo | 1,076,297 | - | - | 1,076,297 | 1,076,297 | 100.0 | 1,076,297 | 1,057,689 | 98.3 | 918,470 |
| Mpumalanga ⁹ | 572,244 | - | 137,780 | 710,024 | 710,024 | 100.0 | 710,024 | 442,702 | 62.4 | 382,148 |
| Northern Cape | 390,161 | - | - | 390,161 | 390,161 | 100.0 | 390,161 | 390,161 | 100.0 | 351,318 |
| North West | 641,035 | - | - | 641,035 | 641,035 | 100.0 | 641,035 | 639,928 | 100.0 | 756,113 |
| Western Cape | 513,287 | - | - | 513,287 | 513,287 | 100.0 | 513,287 | 513,287 | 100.0 | 411,844 |
| Total conditional grants to provinces | 7,246,707 | - | 137,780 | 7,384,487 | 7,384,487 | 100.0 | 7,384,487 | 6,695,445 | | 6,276,244 |

⁹ Virement of funds from the National Treasury for infrastructure in Mpumalanga effected as part of the 2008 Adjusted Estimates of National Expenditure.

¹⁰ The amounts reflecting in the spent column are preliminary figures.



NATIONAL TREASURY VOTE 7
ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2009

ANNEXURE 1B
STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES AS AT 31 MARCH 2009

| Municipality | Grant allocation | | | Transfer | | Spent | | | 2007/08 Actual transfer R'000 | |
|---------------------------------|----------------------------------|--------------------|----------------------|--------------------------|--------------------------|---------------------------------------|--|---------------------------------------|-------------------------------------|---|
| | Division of Revenue Act R'000 | Rollovers R'000 | Adjustments R'000 | Total available R'000 | Actual transfer R'000 | % of available funds transferred % | Amount received by municipality R'000 | Amount spent by municipality R'000 | | % of available funds spent by municipality % |
| IKaai Garib | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 | 500 |
| IKheis | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 62.0 | 500 |
| Abaqulusi | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 | 250 |
| Aganang | 750 | - | - | 750 | 750 | 100.0 | 750 | 750 | 33.9 | 500 |
| Albert Luthuli | 1,250 | - | - | 1,250 | 1,250 | 100.0 | 1,250 | 1,250 | 51.0 | 500 |
| Alfred Nzo | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 91.8 | 500 |
| Amahlati | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 30.6 | 500 |
| Amajuba | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 30.4 | 500 |
| Amatole | 750 | - | - | 750 | 750 | 100.0 | 750 | 750 | 67.5 | 500 |
| Ba-Phalaborwa | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 85.2 | 500 |
| Baviaans | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 | 500 |
| Beaufort West | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 68.8 | 250 |
| Bela-Bela | 1,000 | - | - | 1,000 | 1,000 | 100.0 | 1,000 | 1,000 | 63.9 | 500 |
| Bergivier | 750 | - | - | 750 | 750 | 100.0 | 750 | 750 | 55.6 | 500 |
| Bitou | 1,250 | - | - | 1,250 | 1,250 | 100.0 | 1,250 | 1,250 | 100.0 | 250 |
| Blouberg | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 67.8 | 500 |
| Blue Crane Route | 250 | - | - | 250 | 250 | 100.0 | 250 | 250 | 99.6 | 500 |
| Bojanala Platinum | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 47.4 | 250 |
| Bophirima | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 42.8 | 500 |
| Breede Rivier Winelands | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 80.4 | 500 |
| Breede Valley | 250 | - | - | 250 | 250 | 100.0 | 250 | 250 | 26.8 | 250 |
| Buffalo City | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 46.4 | 500 |
| Bushbuckridge | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 36.8 | 250 |
| Subtotal carried forward | 13,750 | - | - | 13,750 | 13,750 | | 13,750 | 8,972 | | 10,000 |

NATIONAL TREASURY VOTE 7

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2009

ANNEXURE 1B (continued)

STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES AS AT 31 MARCH 2009

| Municipality | Grant allocation | | | Transfer | | Spent | | | 2007/08 Actual transfer R'000 |
|---------------------------------|----------------------------------|--------------------|----------------------|--------------------------|--------------------------|---|--|---------------------------------------|-------------------------------------|
| | Division of Revenue Act R'000 | Rollovers R'000 | Adjustments R'000 | Total available R'000 | Actual transfer R'000 | % of available funds transferred R'000 | Amount received by municipality R'000 | Amount spent by municipality R'000 | |
| Balance brought forward | 13,750 | - | - | 13,750 | 13,750 | 100.0 | 13,750 | 8,972 | 10,000 |
| Cacadu | 750 | - | - | 750 | 750 | 100.0 | 750 | 640 | 85.3 |
| Camdeboo | 1,750 | - | - | 1,750 | 1,750 | 100.0 | 1,750 | 128 | 7.3 |
| Cape Agulhas | 500 | - | - | 500 | 500 | 100.0 | 500 | 172 | 34.4 |
| Cape Town | 750 | - | - | 750 | 750 | 100.0 | 750 | 655 | 87.3 |
| Cape Winelands | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 |
| Capricorn | 500 | - | - | 500 | 500 | 100.0 | 500 | 263 | 52.6 |
| Cederberg | 750 | - | - | 750 | 750 | 100.0 | 750 | 7 | 0.09 |
| Ngakamodiri Molema (Central) | 500 | - | - | 500 | 500 | 100.0 | 500 | 394 | 78.8 |
| Central Karoo | 750 | - | - | 750 | 750 | 100.0 | 750 | 460 | 61.3 |
| Chris Hani | 750 | - | - | 750 | 750 | 100.0 | 750 | 336 | 44.8 |
| Dannhauser | 1,250 | - | - | 1,250 | 1,250 | 100.0 | 1,250 | 609 | 48.7 |
| Delmas | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 |
| Dihlabeng | 500 | - | - | 500 | 500 | 100.0 | 500 | 302 | 60.4 |
| Dikgatlong | 500 | - | - | 500 | 500 | 100.0 | 500 | 331 | 66.2 |
| Dipaleseng | 500 | - | - | 500 | 500 | 100.0 | 500 | 284 | 56.8 |
| Ditsobotla | 1,500 | - | - | 1,500 | 1,500 | 100.0 | 1,500 | 127 | 8.5 |
| Dr JS Moroka | 1,250 | - | - | 1,250 | 1,250 | 100.0 | 1,250 | 553 | 44.2 |
| Drakenstein | 250 | - | - | 250 | 250 | 100.0 | 250 | 250 | 100.0 |
| Eden | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 |
| Edumbe | 500 | - | - | 500 | 500 | 100.0 | 500 | 158 | 31.6 |
| Ehlanzeni | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 |
| Ekurhuleni Metro | 750 | - | - | 750 | 750 | 100.0 | 750 | 750 | 100.0 |
| Subtotal carried forward | 29,750 | - | - | 29,750 | 29,750 | | 29,750 | 17,391 | 21,000 |



NATIONAL TREASURY VOTE 7

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2009

ANNEXURE 1B (continued)

STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES AS AT 31 MARCH 2009

| Municipality | Grant allocation | | | Transfer | | Spent | | | 2007/08 Actual transfer R'000 |
|---------------------------------|----------------------------------|--------------------|----------------------|--------------------------|--------------------------|---|--|---------------------------------------|-------------------------------------|
| | Division of Revenue Act R'000 | Rollovers R'000 | Adjustments R'000 | Total available R'000 | Actual transfer R'000 | % of available funds transferred R'000 | Amount received by municipality R'000 | Amount spent by municipality R'000 | |
| Balance brought forward | 29,750 | - | - | 29,750 | 29,750 | 100.0 | 29,750 | 17,391 | 21,000 |
| Elundini | 250 | - | - | 250 | 250 | 100.0 | 250 | 250 | 500 |
| Emadlangeni | 250 | - | - | 250 | 250 | 100.0 | 250 | 174 | 250 |
| Emakhazeni | 1,500 | - | - | 1,500 | 1,500 | 100.0 | 1,500 | 870 | 1,500 |
| Emalahleni (Eastern Cape) | 500 | - | - | 500 | 500 | 100.0 | 500 | 452 | 250 |
| Emalahleni (Mpumalanga) | 1,500 | - | - | 1,500 | 1,500 | 100.0 | 1,500 | 854 | 1,500 |
| Emfuleni | 500 | - | - | 500 | 500 | 100.0 | 500 | 300 | 500 |
| Emnambithi (Ladysmith) | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 500 |
| Emthanjeni | 500 | - | - | 500 | 500 | 100.0 | 500 | 350 | 500 |
| Endumeni | 500 | - | - | 500 | 500 | 100.0 | 500 | 375 | 500 |
| Engcobo | 1,500 | - | - | 1,500 | 1,500 | 100.0 | 1,500 | 764 | 1,500 |
| Ethekwini | 750 | - | - | 750 | 750 | 100.0 | 750 | 750 | 500 |
| Ezinqoleni | 250 | - | - | 250 | 250 | 100.0 | 250 | 250 | 250 |
| Fetakgomo | 500 | - | - | 500 | 500 | 100.0 | 500 | 256 | 500 |
| Fezile Dabi | 250 | - | - | 250 | 250 | 100.0 | 250 | 181 | 500 |
| Frances Baard | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 500 |
| Gamagara | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 500 |
| Gariep | 500 | - | - | 500 | 500 | 100.0 | 500 | 378 | 500 |
| Ga-Segonyana | 500 | - | - | 500 | 500 | 100.0 | 500 | 220 | 250 |
| George | 750 | - | - | 750 | 750 | 100.0 | 750 | 750 | 250 |
| Gert Sibande | 500 | - | - | 500 | 500 | 100.0 | 500 | 450 | 500 |
| Govan Mbeki | 500 | - | - | 500 | 500 | 100.0 | 500 | 185 | 500 |
| Great Kei | 1,500 | - | - | 1,500 | 1,500 | 100.0 | 1,500 | 1,500 | 1,500 |
| Greater Giyani | 500 | - | - | 500 | 500 | 100.0 | 500 | 311 | 500 |
| Subtotal carried forward | 44,750 | - | - | 44,750 | 44,750 | 100.0 | 44,750 | 28,511 | 35,250 |

NATIONAL TREASURY VOTE 7

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2009

ANNEXURE 1B (continued)

STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES AS AT 31 MARCH 2009

| Municipality | Grant allocation | | | Transfer | | Spent | | 2007/08 R'000 | | |
|---------------------------------|----------------------------------|--------------------|----------------------|--------------------------|--------------------------|---|--|------------------|---------------------------------------|---|
| | Division of Revenue Act R'000 | Rollovers R'000 | Adjustments R'000 | Total available R'000 | Actual transfer R'000 | % of available funds transferred R'000 | Amount received by municipality R'000 | | Amount spent by municipality R'000 | % of available funds spent by municipality R'000 |
| Balance brought forward | 44,750 | - | - | 44,750 | 44,750 | | 44,750 | 28,511 | | 35,250 |
| Greater Kokstad | 1,250 | - | - | 1,250 | 1,250 | 100.0 | 1,250 | 949 | 75.9 | 500 |
| Greater Letaba | 500 | - | - | 500 | 500 | 100.0 | 500 | 227 | 45.4 | 500 |
| Greater Marble Hall | 500 | - | - | 500 | 500 | 100.0 | 500 | 241 | 48.2 | 500 |
| Greater Sekhukhune | 500 | - | - | 500 | 500 | 100.0 | 500 | 329 | 65.8 | 500 |
| Greater Taung | 500 | - | - | 500 | 500 | 100.0 | 500 | 232 | 46.4 | 500 |
| Greater Tubatse | 500 | - | - | 500 | 500 | 100.0 | 500 | 264 | 52.8 | 250 |
| Greater Tzaneen | 500 | - | - | 500 | 500 | 100.0 | 500 | 470 | 94.0 | 500 |
| Hantam | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 | 500 |
| Hessequa | 500 | - | - | 500 | 500 | 100.0 | 500 | 388 | 77.6 | 500 |
| Hibiscus Coast | 500 | - | - | 500 | 500 | 100.0 | 500 | 302 | 60.4 | 500 |
| Hlabisa | 500 | - | - | 500 | 500 | 100.0 | 500 | 206 | 41.2 | 500 |
| Ikwezi | 750 | - | - | 750 | 750 | 100.0 | 750 | 530 | 70.7 | 500 |
| iLembe | 500 | - | - | 500 | 500 | 100.0 | 500 | 155 | 31.0 | 500 |
| Imbabazane | 250 | - | - | 250 | 250 | 100.0 | 250 | 250 | 100.0 | 500 |
| Impendle | 500 | - | - | 500 | 500 | 100.0 | 500 | 251 | 50.2 | 250 |
| Indaka | 250 | - | - | 250 | 250 | 100.0 | 250 | 132 | 52.8 | 250 |
| Ingwe | 250 | - | - | 250 | 250 | 100.0 | 250 | 250 | 100.0 | 500 |
| Inkwanca | 500 | - | - | 500 | 500 | 100.0 | 500 | 148 | 29.6 | 250 |
| Intsika Yethu | 250 | - | - | 250 | 250 | 100.0 | 250 | 221 | 88.4 | 250 |
| Inxuba Ye Themba | 500 | - | - | 500 | 500 | 100.0 | 500 | 473 | 94.6 | 500 |
| Johannesburg | 750 | - | - | 750 | 750 | 100.0 | 750 | 17 | 2.3 | 500 |
| Jozini | 500 | - | - | 500 | 500 | 100.0 | 500 | 92 | 18.4 | 500 |
| Kagisano | 500 | - | - | 500 | 500 | 100.0 | 500 | 164 | 32.8 | 500 |
| Subtotal carried forward | 56,500 | - | - | 56,500 | 56,500 | | 56,500 | 35,302 | | 45,500 |



NATIONAL TREASURY VOTE 7

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2009

ANNEXURE 1B (continued)

STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES AS AT 31 MARCH 2009

| Municipality | Grant allocation | | | Transfer | | Spent | | | 2007/08 R'000 | |
|---------------------------------|----------------------------------|--------------------|----------------------|--------------------------|--------------------------|---|--|---------------------------------------|------------------|---|
| | Division of Revenue Act R'000 | Rollovers R'000 | Adjustments R'000 | Total available R'000 | Actual transfer R'000 | % of available funds transferred R'000 | Amount received by municipality R'000 | Amount spent by municipality R'000 | | % of available funds spent by municipality R'000 |
| Balance brought forward | 56,500 | - | - | 56,500 | 56,500 | | 56,500 | 35,302 | | 45,500 |
| Kamiesberg | 500 | - | - | 500 | 500 | 100.0 | 500 | 360 | 72.0 | 500 |
| Kannaland | 250 | - | - | 250 | 250 | 100.0 | 250 | 250 | 100.0 | 500 |
| Kareeberg | 250 | - | - | 250 | 250 | 100.0 | 250 | 250 | 100.0 | 500 |
| Pixley Ka Seme Dist Mun | | | | | | | | | | |
| (Karoo) | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 | 500 |
| Karoo Hoogland | 1,250 | - | - | 1,250 | 1,250 | 100.0 | 1,250 | 591 | 47.3 | 500 |
| Kgalagadi | 500 | - | - | 500 | 500 | 100.0 | 500 | 316 | 63.2 | 500 |
| Kgatelopele | 500 | - | - | 500 | 500 | 100.0 | 500 | 201 | 40.2 | 500 |
| Kgetlennivier | 1,500 | - | - | 1,500 | 1,500 | 100.0 | 1,500 | 1,500 | 100.0 | 2,000 |
| Khai-Ma | 1,250 | - | - | 1,250 | 1,250 | 100.0 | 1,250 | 405 | 32.4 | 500 |
| //Khara Hais | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 | 500 |
| King Sabata Dalindyebo | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 | 500 |
| Knysna | 750 | - | - | 750 | 750 | 100.0 | 750 | 265 | 35.3 | 500 |
| Kopanong | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 | 500 |
| Kouga | 750 | - | - | 750 | 750 | 100.0 | 750 | 750 | 100.0 | 500 |
| Koukamma | 1,250 | - | - | 1,250 | 1,250 | 100.0 | 1,250 | 1,109 | 88.7 | 500 |
| Kungwini | 500 | - | - | 500 | 500 | 100.0 | 500 | 389 | 77.8 | 500 |
| Kwa Sani | 1,750 | - | - | 1,750 | 1,750 | 100.0 | 1,750 | 945 | 54.0 | 500 |
| Kwa Dukuza | 500 | - | - | 500 | 500 | 100.0 | 500 | 251 | 50.2 | 500 |
| Laingsburg | 500 | - | - | 500 | 500 | 100.0 | 500 | 445 | 89.0 | 250 |
| Lejweleputswa | 500 | - | - | 500 | 500 | 100.0 | 500 | 429 | 85.8 | 500 |
| Lekwa | 500 | - | - | 500 | 500 | 100.0 | 500 | 169 | 33.8 | 500 |
| Lekwa-Temane | 500 | - | - | 500 | 500 | 100.0 | 500 | 268 | 53.6 | 250 |
| Subtotal carried forward | 72,000 | - | - | 72,000 | 72,000 | | 72,000 | 46,195 | | 57,500 |

NATIONAL TREASURY VOTE 7

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2009

ANNEXURE 1B (continued)

STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES AS AT 31 MARCH 2009

| Municipality | Grant allocation | | | Transfer | | Spent | | | 2007/08 | |
|--|----------------------------------|--------------------|----------------------|--------------------------|--------------------------|---|--|---------------------------------------|---|--------------------------|
| | Division of Revenue Act R'000 | Rollovers R'000 | Adjustments R'000 | Total available R'000 | Actual transfer R'000 | % of available funds transferred R'000 | Amount received by municipality R'000 | Amount spent by municipality R'000 | % of available funds spent by municipality R'000 | Actual transfer R'000 |
| Balance brought forward | 72,000 | - | - | 72,000 | 72,000 | | 72,000 | 46,195 | | 57,500 |
| Lepelle-Nkumpi | 1,250 | - | - | 1,250 | 1,250 | 100.0 | 1,250 | 525 | 42.0 | 500 |
| Lephalale | 1,000 | - | - | 1,000 | 1,000 | 100.0 | 1,000 | 257 | 25.7 | 500 |
| Lesedi | 1,250 | - | - | 1,250 | 1,250 | 100.0 | 1,250 | 923 | 73.8 | 500 |
| Letsemeng | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 | 500 |
| Lukhanji | 500 | - | - | 500 | 500 | 100.0 | 500 | 168 | 33.6 | 750 |
| M Elias Motsaedi (Greater Groblersdal) | 250 | - | - | 250 | 250 | 100.0 | 250 | 250 | 100.0 | 500 |
| Madiheng | 500 | - | - | 500 | 500 | 100.0 | 500 | 162 | 32.4 | 250 |
| Mafikeng | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 | 500 |
| Mafube | 500 | - | - | 500 | 500 | 100.0 | 500 | 312 | 62.4 | 500 |
| Magareng | 500 | - | - | 500 | 500 | 100.0 | 500 | 394 | 78.8 | 500 |
| Makana | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 | 500 |
| Makhado | 500 | - | - | 500 | 500 | 100.0 | 500 | 228 | 45.6 | 500 |
| Makhudutamaga | 2,000 | - | - | 2,000 | 2,000 | 100.0 | 2,000 | 722 | 36.1 | 500 |
| Maletswai | 1,500 | - | - | 1,500 | 1,500 | 100.0 | 1,500 | 904 | 60.3 | 1,500 |
| Matlosana (Klerkdrorp) | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 | 500 |
| Maluti-A-Phofung | 500 | - | - | 500 | 500 | 100.0 | 500 | 296 | 59.2 | 500 |
| Mamusa | 1,000 | - | - | 1,000 | 1,000 | 100.0 | 1,000 | 75 | 7.5 | 500 |
| Mandeni | 500 | - | - | 500 | 500 | 100.0 | 500 | 469 | 93.8 | 500 |
| Mangaung | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 | 500 |
| Mantsopa | 1,250 | - | - | 1,250 | 1,250 | 100.0 | 1,250 | 373 | 29.8 | 500 |
| Maphumulo | 500 | - | - | 500 | 500 | 100.0 | 500 | 124 | 24.8 | 500 |
| Maquassi Hill | 1,500 | - | - | 1,500 | 1,500 | 100.0 | 1,500 | 517 | 34.5 | 1,000 |
| Subtotal carried forward | 89,500 | - | - | 89,500 | 89,500 | | 89,500 | 55,394 | | 70,000 |



NATIONAL TREASURY VOTE 7

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2009

ANNEXURE 1B (continued)

STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES AS AT 31 MARCH 2009

| Municipality | Grant allocation | | | Transfer | | Spent | | | 2007/08 | |
|---------------------------------|----------------------------------|--------------------|----------------------|--------------------------|--------------------------|---|--|---------------------------------------|---|--------------------------|
| | Division of Revenue Act R'000 | Rollovers R'000 | Adjustments R'000 | Total available R'000 | Actual transfer R'000 | % of available funds transferred R'000 | Amount received by municipality R'000 | Amount spent by municipality R'000 | % of available funds spent by municipality R'000 | Actual transfer R'000 |
| Balance brought forward | 89,500 | - | - | 89,500 | 89,500 | | 89,500 | 55,394 | | 70,000 |
| Maruleng | 500 | - | - | 500 | 500 | 100.0 | 500 | 396 | 79.2 | 500 |
| Masilonyana | 1,250 | - | - | 1,250 | 1,250 | 100.0 | 1,250 | 1,198 | 95.8 | 500 |
| Matatiele | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 | 500 |
| Matjabeng | 500 | - | - | 500 | 500 | 100.0 | 500 | 1 | 0.2 | 500 |
| Matzikama | 500 | - | - | 500 | 500 | 100.0 | 500 | 256 | 51.2 | 500 |
| Mbhashe | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 | 500 |
| Mbizana | 500 | - | - | 500 | 500 | 100.0 | 500 | 103 | 20.6 | 250 |
| Mbombela | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 | 500 |
| Mbonambi | 500 | - | - | 500 | 500 | 100.0 | 500 | 225 | 45.0 | 500 |
| Merafong City | 500 | - | - | 500 | 500 | 100.0 | 500 | 51 | 10.2 | 500 |
| Metsimaholo | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 | 500 |
| Metsweding | 500 | - | - | 500 | 500 | 100.0 | 500 | 288 | 57.6 | 500 |
| Mhlonito | 500 | - | - | 500 | 500 | 100.0 | 500 | 288 | 57.6 | 500 |
| Midvaal | 500 | - | - | 500 | 500 | 100.0 | 500 | 106 | 21.2 | 500 |
| Mier | 500 | - | - | 500 | 500 | 100.0 | 500 | 256 | 51.2 | 500 |
| Mkhambathini | 2,000 | - | - | 2,000 | 2,000 | 100.0 | 2,000 | 115 | 5.8 | 500 |
| Mkhondo | 500 | - | - | 500 | 500 | 100.0 | 500 | 471 | 94.2 | 500 |
| Mnquma | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 | 500 |
| Modimolle | 1,250 | - | - | 1,250 | 1,250 | 100.0 | 1,250 | 916 | 73.3 | 500 |
| Mogalakwena | 500 | - | - | 500 | 500 | 100.0 | 500 | 292 | 58.4 | 500 |
| Mogale City | 500 | - | - | 500 | 500 | 100.0 | 500 | 446 | 89.2 | 500 |
| Mohokare | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 | 500 |
| Molemole | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 | 500 |
| Subtotal carried forward | 104,000 | - | - | 104,000 | 104,000 | | 104,000 | 64,302 | | 81,250 |

NATIONAL TREASURY VOTE 7

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2009

ANNEXURE 1B (continued)

STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES AS AT 31 MARCH 2009

| Municipality | Grant allocation | | | Transfer | | Spent | | | 2007/08 Actual transfer R'000 |
|---------------------------------|----------------------------------|--------------------|----------------------|--------------------------|--------------------------|---|--|---------------------------------------|-------------------------------------|
| | Division of Revenue Act R'000 | Rollovers R'000 | Adjustments R'000 | Total available R'000 | Actual transfer R'000 | % of available funds transferred R'000 | Amount received by municipality R'000 | Amount spent by municipality R'000 | |
| Balance brought forward | 104,000 | - | - | 104,000 | 104,000 | 100.0 | 104,000 | 64,302 | 81,250 |
| Molopo | 500 | - | - | 500 | 500 | 100.0 | 500 | 350 | 70.0 |
| Mooi Mpotana | 250 | - | - | 250 | 250 | 100.0 | 250 | 52 | 20.8 |
| Mookgopong | 1,000 | - | - | 1,000 | 1,000 | 100.0 | 1,000 | 758 | 75.8 |
| Mopani | 250 | - | - | 250 | 250 | 100.0 | 250 | 250 | 100.0 |
| Moghaka | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 |
| Moretele | 500 | - | - | 500 | 500 | 100.0 | 500 | 239 | 47.8 |
| Moses Kotane | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 |
| Moshaweng | 500 | - | - | 500 | 500 | 100.0 | 500 | 452 | 90.4 |
| Mossel Bay | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 |
| Motheo | 500 | - | - | 500 | 500 | 100.0 | 500 | 215 | 43.0 |
| Msinga | 500 | - | - | 500 | 500 | 100.0 | 500 | 93 | 18.6 |
| Msukaligwa | 500 | - | - | 500 | 500 | 100.0 | 500 | 396 | 79.2 |
| Msunduzi | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 |
| Mthonjaneni | 500 | - | - | 500 | 500 | 100.0 | 500 | 161 | 32.2 |
| Mtubatuba | 1,250 | - | - | 1,250 | 1,250 | 100.0 | 1,250 | 205 | 16.4 |
| Musina | 1,250 | - | - | 1,250 | 1,250 | 100.0 | 1,250 | 331 | 26.5 |
| Mutale | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 |
| Nala | 500 | - | - | 500 | 500 | 100.0 | 500 | 211 | 42.2 |
| Naledi (Free State) | 500 | - | - | 500 | 500 | 100.0 | 500 | 153 | 30.6 |
| Naledi (North West) | 500 | - | - | 500 | 500 | 100.0 | 500 | 22 | 4.4 |
| Nama Khoi | 500 | - | - | 500 | 500 | 100.0 | 500 | 480 | 96.0 |
| Namakwa | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 |
| Ndlambe | 3,000 | - | - | 3,000 | 3,000 | 100.0 | 3,000 | 2,288 | 76.3 |
| Subtotal carried forward | 119,500 | - | - | 119,500 | 119,500 | | 119,500 | 73,958 | 93,000 |



NATIONAL TREASURY VOTE 7

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2009

ANNEXURE 1B (continued)

STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES AS AT 31 MARCH 2009

| Municipality | Grant allocation | | | Transfer | | Spent | | | 2007/08 Actual transfer R'000 | |
|---------------------------------|----------------------------------|--------------------|----------------------|--------------------------|--------------------------|---|--|---------------------------------------|-------------------------------------|---|
| | Division of Revenue Act R'000 | Rollovers R'000 | Adjustments R'000 | Total available R'000 | Actual transfer R'000 | % of available funds transferred R'000 | Amount received by municipality R'000 | Amount spent by municipality R'000 | | % of available funds spent by municipality R'000 |
| Balance brought forward | 119,500 | - | - | 119,500 | 119,500 | | 119,500 | 73,958 | | 93,000 |
| Ndwedwe | 500 | - | - | 500 | 500 | 100.0 | 500 | 220 | 44.0 | 500 |
| Nelson Mandela Bay | 750 | - | - | 750 | 750 | 100.0 | 750 | 183 | 24.4 | 500 |
| Newcastle | 500 | - | - | 500 | 500 | 100.0 | 500 | 402 | 80.4 | 500 |
| Ngqushwa | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 | 500 |
| Ngwathe | 500 | - | - | 500 | 500 | 100.0 | 500 | 83 | 16.6 | 500 |
| Nkandla | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 | 500 |
| Nkangala | 500 | - | - | 500 | 500 | 100.0 | 500 | 141 | 28.2 | 500 |
| Nketoana | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 | 500 |
| Nikomazi | 500 | - | - | 500 | 500 | 100.0 | 500 | 364 | 72.8 | 500 |
| Nikonkobe | 500 | - | - | 500 | 500 | 100.0 | 500 | 326 | 65.2 | 500 |
| Nokeng Tsa Taemane | 1,250 | - | - | 1,250 | 1,250 | 100.0 | 1,250 | 545 | 43.6 | 500 |
| Nongoma | 500 | - | - | 500 | 500 | 100.0 | 500 | 87 | 17.4 | 500 |
| Nquthu | 500 | - | - | 500 | 500 | 100.0 | 500 | 381 | 76.2 | 250 |
| Ntbankulu | 500 | - | - | 500 | 500 | 100.0 | 500 | 211 | 42.2 | 500 |
| Ntambanana | 500 | - | - | 500 | 500 | 100.0 | 500 | 174 | 34.8 | 250 |
| Nxuba | 500 | - | - | 500 | 500 | 100.0 | 500 | 267 | 53.4 | 500 |
| Nyandeni | 500 | - | - | 500 | 500 | 100.0 | 500 | 355 | 71.0 | 500 |
| OR Tambo | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 | 500 |
| Okhahlamba | 250 | - | - | 250 | 250 | 100.0 | 250 | 100 | 40.0 | 250 |
| Oudtshoorn | 500 | - | - | 500 | 500 | 100.0 | 500 | 253 | 50.6 | 500 |
| Overberg | 500 | - | - | 500 | 500 | 100.0 | 500 | 193 | 38.6 | 500 |
| Overstrand | 500 | - | - | 500 | 500 | 100.0 | 500 | 201 | 40.2 | 500 |
| Phokwane | 500 | - | - | 500 | 500 | 100.0 | 500 | 135 | 27.0 | 500 |
| Subtotal carried forward | 131,750 | - | - | 131,750 | 131,750 | | 131,750 | 80,579 | | 103,750 |

NATIONAL TREASURY VOTE 7

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2009

ANNEXURE 1B (continued)

STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES AS AT 31 MARCH 2009

| Municipality | Grant allocation | | | Transfer | | Spent | | | 2007/08 R'000 | |
|---------------------------------|----------------------------------|--------------------|----------------------|--------------------------|--------------------------|---|--|---------------------------------------|------------------|---|
| | Division of Revenue Act R'000 | Rollovers R'000 | Adjustments R'000 | Total available R'000 | Actual transfer R'000 | % of available funds transferred R'000 | Amount received by municipality R'000 | Amount spent by municipality R'000 | | % of available funds spent by municipality R'000 |
| Balance brought forward | 131,750 | - | - | 131,750 | 131,750 | | 131,750 | 80,579 | | 103,750 |
| Phumelela | 1,250 | - | - | 1,250 | 1,250 | 100.0 | 1,250 | 1,038 | 83.0 | 500 |
| Polokwane | 500 | - | - | 500 | 500 | 100.0 | 500 | 265 | 53.0 | 500 |
| Port St John | 250 | - | - | 250 | 250 | 100.0 | 250 | 250 | 100.0 | 500 |
| Tlokwe (Potchefstroom) | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 | 2,000 |
| Prince Albert | 500 | - | - | 500 | 500 | 100.0 | 500 | 45 | 9.0 | 250 |
| Quakeni | 250 | - | - | 250 | 250 | 100.0 | 250 | 132 | 52.8 | 250 |
| Ramontshere Molloa | 1,500 | - | - | 1,500 | 1,500 | 100.0 | 1,500 | 220 | 14.7 | 1,000 |
| Randfontein | 500 | - | - | 500 | 500 | 100.0 | 500 | 77 | 15.4 | 500 |
| Ratlou | 1,000 | - | - | 1,000 | 1,000 | 100.0 | 1,000 | 380 | 38.0 | 2,000 |
| Renosterberg | 500 | - | - | 500 | 500 | 100.0 | 500 | 469 | 93.8 | 500 |
| Richmond | 250 | - | - | 250 | 250 | 100.0 | 250 | 250 | 100.0 | 250 |
| Richtersveld | 500 | - | - | 500 | 500 | 100.0 | 500 | 385 | 77.0 | 500 |
| Rustenburg | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 | 250 |
| Sakhisizwe | 1,250 | - | - | 1,250 | 1,250 | 100.0 | 1,250 | 483 | 38.6 | 500 |
| Saidanha Bay | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 | 250 |
| Sedibeng | 500 | - | - | 500 | 500 | 100.0 | 500 | 8 | 1.6 | 500 |
| Pixley Ka Seme (Mpumalanga) | 250 | - | - | 250 | 250 | 100.0 | 250 | 148 | 59.2 | 250 |
| Senqu | 500 | - | - | 500 | 500 | 100.0 | 500 | 327 | 65.4 | 250 |
| Setsofo | 500 | - | - | 500 | 500 | 100.0 | 500 | 273 | 54.6 | 500 |
| Sisonke | 250 | - | - | 250 | 250 | 100.0 | 250 | 205 | 82.0 | 500 |
| Siyancuma | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 | 500 |
| Siyanda | 500 | - | - | 500 | 500 | 100.0 | 500 | 470 | 94.0 | 500 |
| Siyathemba | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 | 500 |
| Subtotal carried forward | 145,000 | - | - | 145,000 | 145,000 | | 145,000 | 88,504 | | 117,000 |



NATIONAL TREASURY VOTE 7
ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2009

ANNEXURE 1B (continued)

STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES AS AT 31 MARCH 2009

| Municipality | Grant allocation | | | Transfer | | Spent | | | 2007/08 | |
|---------------------------------|-------------------------|-----------|-------------|-----------------|-----------------|----------------------------------|---------------------------------|------------------------------|--|-----------------|
| | Division of Revenue Act | Rollovers | Adjustments | Total available | Actual transfer | % of available funds transferred | Amount received by municipality | Amount spent by municipality | % of available funds spent by municipality | Actual transfer |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Balance brought forward | 145,000 | - | - | 145,000 | 145,000 | | 145,000 | 88,504 | | 117,000 |
| Sol Plaatjie | 750 | - | - | 750 | 750 | 100.0 | 750 | 194 | 25.9 | 500 |
| Southern District | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 | 500 |
| Stellenbosch | 250 | - | - | 250 | 250 | 100.0 | 250 | 250 | 100.0 | 250 |
| Steve Tshwete | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 | 500 |
| Sunday's River Valley | 2,500 | - | - | 2,500 | 2,500 | 100.0 | 2,500 | 1,118 | 44.7 | 1,500 |
| Swartland | 500 | - | - | 500 | 500 | 100.0 | 500 | 313 | 62.6 | 250 |
| Swellendam | 1,250 | - | - | 1,250 | 1,250 | 100.0 | 1,250 | 744 | 59.5 | 500 |
| Thaba Chweu | 250 | - | - | 250 | 250 | 100.0 | 250 | 160 | 64.0 | 250 |
| Thabazimbi | 500 | - | - | 500 | 500 | 100.0 | 500 | 328 | 65.6 | 500 |
| Thabo Mofutsanyane | 500 | - | - | 500 | 500 | 100.0 | 500 | 222 | 44.4 | 500 |
| The Big 5 False Bay | 500 | - | - | 500 | 500 | 100.0 | 500 | 323 | 64.6 | 500 |
| Theewaterskloof | 500 | - | - | 500 | 500 | 100.0 | 500 | 361 | 72.2 | 500 |
| Thembeilille | 500 | - | - | 500 | 500 | 100.0 | 500 | 319 | 63.8 | 500 |
| Thembisile | 1,500 | - | - | 1,500 | 1,500 | 100.0 | 1,500 | 434 | 28.9 | 1,000 |
| Thulamela | 500 | - | - | 500 | 500 | 100.0 | 500 | 162 | 32.4 | 500 |
| Tokologo | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 | 500 |
| Tsantsabane | 500 | - | - | 500 | 500 | 100.0 | 500 | 394 | 78.8 | 500 |
| Tshwane | 750 | - | - | 750 | 750 | 100.0 | 750 | 539 | 71.9 | 500 |
| Tsolwana | 1,250 | - | - | 1,250 | 1,250 | 100.0 | 1,250 | 814 | 65.1 | 250 |
| Tswaing | 1,250 | - | - | 1,250 | 1,250 | 100.0 | 1,250 | 131 | 10.5 | 500 |
| Tswelopele | 250 | - | - | 250 | 250 | 100.0 | 250 | 250 | 100.0 | 500 |
| Ukhlebezwe | 500 | - | - | 500 | 500 | 100.0 | 500 | 113 | 22.6 | 250 |
| Ubuntu | 500 | - | - | 500 | 500 | 100.0 | 500 | 296 | 59.2 | 500 |
| Subtotal carried forward | 161,500 | - | - | 161,500 | 161,500 | | 161,500 | 97,469 | | 128,750 |

NATIONAL TREASURY VOTE 7

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2009

ANNEXURE 1B (continued)

STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES AS AT 31 MARCH 2009

| Municipality | Grant allocation | | | Transfer | | Spent | | | 2007/08 R'000 | |
|---------------------------------|----------------------------------|--------------------|----------------------|--------------------------|--------------------------|---|--|---------------------------------------|------------------|---|
| | Division of Revenue Act R'000 | Rollovers R'000 | Adjustments R'000 | Total available R'000 | Actual transfer R'000 | % of available funds transferred R'000 | Amount received by municipality R'000 | Amount spent by municipality R'000 | | % of available funds spent by municipality R'000 |
| Balance brought forward | 161,500 | | | 161,500 | 161,500 | | 161,500 | 97,469 | | 128,750 |
| Ugu | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 | 500 |
| Ukhahlamba | 750 | - | - | 750 | 750 | 100.0 | 750 | 748 | 100.0 | 500 |
| Ulundi | 500 | - | - | 500 | 500 | 100.0 | 500 | 63 | 12.6 | 500 |
| Umdoni | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 | 500 |
| Umgungundlovu | 500 | - | - | 500 | 500 | 100.0 | 500 | 380 | 76.0 | 500 |
| Umhlabuyalinga | 250 | - | - | 250 | 250 | 100.0 | 250 | 87 | 34.8 | 500 |
| Umhlatuze | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 | 500 |
| Umjindi | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 | 500 |
| Umkhanyakude | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 | 500 |
| Umlazi | 500 | - | - | 500 | 500 | 100.0 | 500 | 380 | 76.0 | 500 |
| Umgeni | 500 | - | - | 500 | 500 | 100.0 | 500 | 76 | 15.2 | 500 |
| Umshwathi | 2,000 | - | - | 2,000 | 2,000 | 100.0 | 2,000 | 344 | 17.2 | 500 |
| Umsobomvu | 250 | - | - | 250 | 250 | 100.0 | 250 | 250 | 100.0 | 500 |
| Umtshezi | 500 | - | - | 500 | 500 | 100.0 | 500 | 361 | 72.2 | 500 |
| Umuziwabantu | 500 | - | - | 500 | 500 | 100.0 | 500 | 171 | 34.2 | 500 |
| Umvoti | 500 | - | - | 500 | 500 | 100.0 | 500 | 235 | 47.0 | 500 |
| Umzimkhulu | 250 | - | - | 250 | 250 | 100.0 | 250 | 250 | 100.0 | 500 |
| Umzimvubu | 500 | - | - | 500 | 500 | 100.0 | 500 | 220 | 44.0 | 500 |
| Umzinyathi | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 | 500 |
| Umkhanyakude | 250 | - | - | 250 | 250 | 100.0 | 250 | 128 | 51.2 | 500 |
| Uphongolo | 500 | - | - | 500 | 500 | 100.0 | 500 | 457 | 91.4 | 500 |
| Uthukela | 250 | - | - | 250 | 250 | 100.0 | 250 | 250 | 100.0 | 500 |
| Uthungulu | 500 | - | - | 500 | 500 | 100.0 | 500 | 398 | 79.6 | 500 |
| Subtotal carried forward | 173,500 | - | - | 173,500 | 173,500 | | 173,500 | 105,267 | | 140,250 |



NATIONAL TREASURY VOTE 7
ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2009

ANNEXURE 1B (continued)

STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES AS AT 31 MARCH 2009

| Municipality | Grant allocation | | | Transfer | | Spent | | | 2007/08 Actual transfer R'000 |
|---|----------------------------------|--------------------|----------------------|--------------------------|--------------------------|---|--|---------------------------------------|-------------------------------------|
| | Division of Revenue Act R'000 | Rollovers R'000 | Adjustments R'000 | Total available R'000 | Actual transfer R'000 | % of available funds transferred R'000 | Amount received by municipality R'000 | Amount spent by municipality R'000 | |
| Balance brought forward | 173,500 | | | 173,500 | 173,500 | R'000 | 173,500 | 105,267 | 140,250 |
| Ventersdorp | 1,250 | - | - | 1,250 | 1,250 | 100.0 | 1,250 | 579 | 46.3 |
| Vhembe | 500 | - | - | 500 | 500 | 100.0 | 500 | 157 | 31.4 |
| Vulamehlo | 500 | - | - | 500 | 500 | 100.0 | 500 | 182 | 36.4 |
| Waterberg | 500 | - | - | 500 | 500 | 100.0 | 500 | 152 | 30.4 |
| West Coast | 500 | - | - | 500 | 500 | 100.0 | 500 | 347 | 69.4 |
| West Rand | 500 | - | - | 500 | 500 | 100.0 | 500 | 236 | 47.2 |
| Westonaria | 500 | - | - | 500 | 500 | 100.0 | 500 | 500 | 100.0 |
| Witzenberg | 1,250 | - | - | 1,250 | 1,250 | 100.0 | 1,250 | 111 | 8.9 |
| Xhariep | 500 | - | - | 500 | 500 | 100.0 | 500 | 302 | 60.4 |
| Zululand | 500 | - | - | 500 | 500 | 100.0 | 500 | 354 | 70.8 |
| Total conditional grants to municipalities | 180,000 | - | - | 180,000 | 180,000 | | 180,000 | 108,187 | 145,250 |

NATIONAL TREASURY VOTE 7

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2009

ANNEXURE 1C

STATEMENT OF CONDITIONAL GRANTS (RESTRUCTURING) PAID TO MUNICIPALITIES AS AT 31 MARCH 2009

| Municipality | Grant allocation | | | | Transfer | | Spent | | | 2007/08 |
|---|-------------------------|-----------|-------------|-----------------|-----------------|----------------------------------|---------------------------------|------------------------------|--|-----------------|
| | Division of Revenue Act | Rollovers | Adjustments | Total available | Actual transfer | % of available funds transferred | Amount received by municipality | Amount spent by municipality | % of available funds spent by municipality | Actual transfer |
| | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 | % | R'000 |
| Cape Town | - | - | - | - | - | - | - | - | - | 180,000 |
| Ethekwini | - | - | - | - | - | - | - | - | - | 100,000 |
| Nelson Mandela Bay | - | - | - | - | - | - | - | - | - | 100,000 |
| Tshwane | - | - | - | - | - | - | - | - | - | 150,000 |
| Total conditional grants to municipalities | - | - | - | - | - | - | - | - | - | 530,000 |



NATIONAL TREASURY VOTE 7
ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
 for the year ended 31 March 2009

ANNEXURE 1D
STATEMENT OF IN-KIND CONDITIONAL GRANTS PAID TO MUNICIPALITIES AS AT 31 MARCH 2009

| Institution | Grant allocation | | | Transfer | | 2007/08 Actual transfer R'000 |
|---|-------------------------------------|--------------------|----------------------|--------------------------|--------------------------|-------------------------------------|
| | Division of Revenue Act R'000 | Rollovers R'000 | Adjustments R'000 | Total available R'000 | Actual transfer R'000 | |
| Neighbourhood development partnership grant | 288,519 | - | - | 288,519 | 181,457 | 41,242 |
| Total in-kind conditional grants to institutions | 288,519 | - | - | 288,519 | 181,457 | 41,242 |

NATIONAL TREASURY VOTE 7

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2009

| Departmental agency | Transfer allocation | | | | Transfer | | 2007/08 R'000 |
|---|----------------------------------|-----------|--------------|--------------------|------------------|---|------------------|
| | Adjusted Appropriation Act | Rollovers | Adjustments | Total available | Actual transfer | % of available funds transferred | |
| | R'000 | R'000 | R'000 | R'000 | R'000 | % | |
| Accounting Standards Board | 7,411 | - | - | 7,411 | 7,411 | 100.0 | 6,243 |
| Audit Statutory Bodies | 106,547 | - | - | 106,547 | 106,428 | 99.9 | 23,800 |
| Financial and Fiscal Commission | 26,125 | - | - | 26,125 | 26,125 | 100.0 | 27,497 |
| Financial Intelligence Centre | 111,474 | - | - | 111,474 | 111,474 | 100.0 | 42,480 |
| Finance, accounting, management consulting and other financial services | 225 | - | 60 | 285 | 284 | 99.6 | 243 |
| Independent Regulatory Board for Auditors | 20,258 | - | - | 20,258 | 20,258 | 100.0 | 17,095 |
| Neighbourhood development partnership grant ¹¹ | 85,021 | - | - | 85,021 | 80,100 | 94.2 | - |
| Project Development Facility | 6,000 | - | - | 6,000 | - | - | 6,000 |
| Secret Services | 2,843,583 | - | - | 2,843,583 | 2,843,583 | 100.0 | 2,584,240 |
| South African Revenue Service | 6,302,778 | - | - | 6,302,778 | 6,302,778 | 100.0 | 5,511,031 |
| Technical Assistance Unit trading account | 17,000 | - | 3,000 | 20,000 | 20,000 | 100.0 | - |
| Total transfers to departmental agencies | 9,526,422 | - | 3,060 | 9,529,482 | 9,518,441 | 100.0 | 8,218,629 |

¹¹ The amount of R80 100 for the neighbourhood development partnership was transferred to the Project Development Facility.



NATIONAL TREASURY VOTE 7
ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2009

ANNEXURE 1F
STATEMENT OF TRANSFERS TO UNIVERSITIES AS AT 31 MARCH 2009

| University | Transfer allocation | | | | Transfer | | | 2007/08 Actual transferred R'000 |
|--|----------------------------|-----------|-------------|-----------------|-----------------|------------------------|----------------------------------|--|
| | Adjusted Appropriation Act | Rollovers | Adjustments | Total available | Actual transfer | Amount not transferred | % of available funds transferred | |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | % | |
| University of Cape Town ¹² | 5,000 | - | - | 5,000 | 5,000 | - | 2,000 | |
| University of Pretoria ¹³ | 456 | - | - | 456 | 456 | - | 285 | |
| Total transfers to universities | 5,456 | - | - | 5,456 | 5,456 | - | 2,285 | |

¹² The transfer made to the University of Cape Town was for the Economic Research South Africa initiative to fund local economic research.

¹³ The transfer made to the University of Pretoria was for the conference of the International Institute of Public Finance.

NATIONAL TREASURY VOTE 7

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2009

ANNEXURE 1G

STATEMENT OF TRANSFERS TO PUBLIC CORPORATIONS AND PRIVATE ENTERPRISES AS AT 31 MARCH 2009

| | Transfer allocation | | | | Expenditure | | | 2007/08 Actual transfer R'000 | |
|---|-------------------------------------|--------------------|----------------------|--------------------------|--------------------------|---------------------------------------|-------------------|-------------------------------------|------------------|
| | Adjusted Appropriation Act R'000 | Rollovers R'000 | Adjustments R'000 | Total available R'000 | Actual transfer R'000 | % of available funds transferred % | Capital R'000 | | Current R'000 |
| | | | | | | | | | |
| Public corporation/private enterprise | | | | | | | | | |
| Development Bank of Southern Africa (Siyenza Manje) | 246,809 | - | - | 246,809 | 246,809 | 100.0 | - | 246,809 | |
| Development Bank of Southern Africa (financial management grant) | - | - | - | - | - | - | - | - | |
| Eskom | 10,000,000 | - | - | 10,000,000 | 10,000,000 | 100.0 | 10,000,000 | - | |
| Insurance (departmental vehicles) | 36 | - | - | 36 | 36 | 100.0 | - | 36 | |
| Total transfers to public corporations and private enterprises | 10,246,845 | - | - | 10,246,845 | 10,246,845 | | 10,000,000 | 246,845 | |
| | | | | | | | | 222,362 | |



NATIONAL TREASURY VOTE 7
ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2009

ANNEXURE 1H

STATEMENT OF TRANSFERS TO FOREIGN GOVERNMENTS AND INTERNATIONAL ORGANISATIONS AS AT 31 MARCH 2009

| Foreign government / international organisation | Transfer allocation | | | | Expenditure | | 2007/08 |
|---|----------------------------|-----------|---------------|-----------------|-----------------|----------------------------------|-----------------|
| | Adjusted Appropriation Act | Rollovers | Adjustments | Total available | Actual transfer | % of available funds transferred | Actual transfer |
| | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 |
| African Development Bank | 102,382 | - | (1,930) | 100,452 | 93,849 | 93.4 | 76,945 |
| Commonwealth Fund for Technical Cooperation | 3,500 | - | 159 | 3,659 | 3,659 | 100.0 | 3,434 |
| Financial and technical support | 1,803 | - | (1,803) | - | - | - | - |
| Global Alliance for Vaccines and Immunisation ¹⁴ | 8,000 | - | 1,618 | 9,618 | 9,618 | 100.0 | 7,363 |
| Investment Climate Facility | 8,300 | - | 1,918 | 10,218 | 10,217 | 100.0 | 6,765 |
| Lesotho, Namibia and Swaziland | 342,773 | - | 19,696 | 362,469 | 362,468 | 100.0 | 320,597 |
| Regional integration | 5,000 | - | (5,000) | - | - | - | - |
| United Kingdom tax | 2,638 | - | - | 2,638 | 2,690 | 102.0 | 2,075 |
| World Bank group (International Development Association) ¹⁵ | 68,000 | - | - | 68,000 | 68,000 | 100.0 | 86,641 |
| Total transfers to foreign governments and international organisations | 542,396 | - | 14,658 | 557,054 | 550,501 | | 503,820 |

¹⁴ South Africa has committed to contribute US\$1 million per year to the International Finance Facility for Immunisation through GAVI. The R10 million is the third contribution.

¹⁵ This was for commitment for the 15th replenishment cycle of the International Development Association.

NATIONAL TREASURY VOTE 7

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2009

ANNEXURE 11 STATEMENT OF TRANSFERS TO NON-PROFIT INSTITUTIONS AS AT 31 MARCH 2009

| | Transfer allocation | | | | Expenditure | | 2007/08 |
|---|----------------------------|-----------|-------------|-----------------|-----------------|----------------------------------|------------|
| | Adjusted Appropriation Act | Rollovers | Adjustments | Total available | Actual transfer | % of available funds transferred | |
| | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 |
| Non-profit institution | | | | | | | |
| SA Legion | 68 | - | - | 68 | - | - | 127 |
| Total transfers to non-profit institutions | 68 | - | - | 68 | - | - | 127 |



NATIONAL TREASURY VOTE 7
ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2009

ANNEXURE 1J
STATEMENT OF TRANSFERS TO HOUSEHOLDS AS AT 31 MARCH 2009

| Households | Transfer allocation | | | | Expenditure | |
|--|----------------------------|-----------|---------------|------------------|------------------|----------------------------------|
| | Adjusted Appropriation Act | Rollovers | Adjustments | Total available | Actual transfer | % of available funds transferred |
| | R'000 | R'000 | R'000 | R'000 | R'000 | % |
| Post-retirement medical scheme contributions ¹⁶ | 1,403,016 | - | 14,000 | 1,417,016 | 1,423,032 | 100.4 |
| Injury on duty | 344,200 | - | - | 344,200 | 349,322 | 101.5 |
| Medical benefits - ex-service men | 38,731 | - | (975) | 37,756 | 37,756 | 100.0 |
| Other benefits | 99,387 | - | 789 | 100,176 | 107,277 | 107.1 |
| SA Citizen Force | 96,887 | - | - | 96,887 | 96,886 | 100.0 |
| Social assistance (bursaries) | 800 | - | (400) | 400 | 392 | 98.0 |
| Special pensions | 296,869 | - | - | 296,869 | 296,869 | 100.0 |
| Total transfers to households | 2,279,890 | - | 13,414 | 2,293,304 | 2,311,534 | 810,656 |

¹⁶ These medical contributions were previously classified under compensation of employees but have been reclassified since 1 April 2009 as household transfers.

NATIONAL TREASURY VOTE 7

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2009ANNEXURE 1K
STATEMENT OF FOREIGN AID ASSISTANCE RECEIVED IN CASH AS AT 31 MARCH 2009

| Name of donor | Purpose | Opening balance R'000 | Revenue R'000 | Expenditure R'000 | Surrendered to RDP R'000 | Closing balance R'000 |
|--|---|--------------------------|------------------|----------------------|-----------------------------|--------------------------|
| Foreign aid assistance received in cash | | | | | | |
| Canada - Capacity Building Technical Assistance Facility (CBTAF) | Contributes to improved service delivery for poor and vulnerable populations in South African government Programme of Action | (542) | 35,761 | (33,274) | - | 1,945 |
| European Union - European Programme for Reconstruction and Development Support Facility (EPRD) | Provides the necessary funds and organisational infrastructure to accelerate the realisation of projects and programmes via the contracting of expertise for the rapid execution of high-quality programme preparation, research, studies, audit, monitoring and evaluation relating to all aspects of the EPRD (covering both government and non-government organisations) and its linkages to the Trade and Development Cooperation Agreement and Cotonou Agreement | 152 | - | - | - | 152 |
| European Union - Financial Management Improvement Programme (FMIP) | Strengthening government's capacity in improved financial management through supporting policy development, capacity building and strengthening public financial management at provincial and municipal level | - | 4,533 | (3,387) | - | 1,146 |
| European Union - International Development Cooperation Support Programme | Strengthening governance capacity in coordinating and managing donor assistance to South Africa in line with the country's development priorities | 23 | - | (7) | - | 16 |
| European Union - Official Development Assistance (ODA) | Contribute towards enhanced capacity development and promote economic development, good governance, and social progress and rising living standards | 1,307 | 8,835 | (4,495) | - | 5,647 |
| European Union - Technical Assistance Unit (TAU) | TAU is a support facility within National Treasury that provides technical and management support to programmes and projects in government institutions through the application of relevant expertise and knowledge management to improve the quality of spending in the public sector | (996) | 70 | - | - | (926) |
| Ireland - Collaborative African Budget Reform Initiative (CABRI) | Financing of annual budget reform seminar | 977 | - | (561) | - | 416 |
| Japan - Japan Development Corporation Information System (JDC) | To establish and operationalise a management information system for development assistance to South Africa | 51 | - | - | - | 51 |
| Sweden - Swedish International Development Agency (SIDA) - CABRI | Financing of annual budget reform seminar | 8 | 1,287 | - | (8) | 1,287 |
| Total foreign aid assistance received in cash | | 980 | 50,486 | (41,724) | (8) | 9,734 |



NATIONAL TREASURY VOTE 7
ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2009

| ANNEXURE 1L STATEMENT OF LOCAL AND FOREIGN AID ASSISTANCE RECEIVED IN KIND AS AT 31 MARCH 2009 | | 2008/09 | 2007/08 |
|---|--|---------------|---------------|
| Name of donor | Purpose | R'000 | R'000 |
| Foreign aid assistance received in kind | | | |
| Department for International Development (DFID) | Support for the implementation of MFMA | 4,978 | 3,519 |
| Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) | Technical advisor to support the implementation of MFMA | 2,996 | 3,355 |
| Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) ¹⁷ | Provide assistance with the implementation of 2010 FIFA World Cup projects | 21,196 | - |
| European Commission | Supporting the strengthening of public financial management in South Africa | 4,503 | - |
| National Treasury | Provide financial management support to the Collaborative African Budget Reform Initiative | 1,022 | - |
| Public Private Partnership Infrastructure Advisory Facility | Funding of Municipal Guidelines consultants | - | 2,839 |
| United Nations Development Programme (UNDP) (Sustainable Human Development Facility) | Technical assistance to the International Development Cooperation support programme | - | 360 |
| United States Agency for International Development | Rural land studies | - | 1,262 |
| United States Agency for International Development | Primary school nutrition survey | - | 988 |
| United States Agency for International Development | Black Economic Empowerment review | - | 130 |
| United States Agency for International Development | Housing tax incentives | - | 185 |
| United States Agency for International Development | Computable general equilibrium (CGE) model workshop with the University of Cape Town | - | 113 |
| United States Agency for International Development | Strengthening the impact of pro-poor policy (SIPP) reference panel | - | 78 |
| United States Agency for International Development | Labour markets, vulnerability and social protection (PLAAS) | - | 525 |
| United States Agency for International Development | Economic advisors (Flatters) | - | 365 |
| United States Agency for International Development | Research | - | 300 |
| United States Agency for International Development | Limited scope grant agreement | 76 | 377 |
| Total foreign aid assistance received in kind | | 34,771 | 14,396 |

¹⁷ Exchange rate of R12.83 on €1,652,259.00 as on 31/03/2009 was utilised.

NATIONAL TREASURY VOTE 7

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2009

ANNEXURE 1M

STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS MADE AND REMISSIONS, REFUNDS AND PAYMENTS MADE AS AN ACT OF GRACE AS AT 31 MARCH 2009

| Nature of gifts | 2008/09 | 2007/08 |
|--|----------|------------|
| | R'000 | R'000 |
| Corporate/departmental gifts granted to employees and others | - | 122 |
| Total gifts granted | - | 122 |



NATIONAL TREASURY VOTE 7
ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2009

ANNEXURE ZA

STATEMENT OF INVESTMENTS IN AND AMOUNTS OWING BY/TO NATIONAL/PROVINCIAL PUBLIC ENTITIES AS AT 31 MARCH 2009

| Name of entity | Schedule type | % held 08/09 | % held 07/08 | Number of shares held | | Cost of investment | | Net asset value of investment | | Profit/(loss) for the year | | Losses guaranteed |
|--|----------------|--------------|--------------|-----------------------|---------|--------------------|-------------------|-------------------------------|------------------|----------------------------|---------|-------------------|
| | | | | 2008/09 | 2007/08 | 2008/09 | 2007/08 | 2008/09 | 2007/08 | 2008/09 | 2007/08 | |
| | | | | | | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | Yes/No |
| National/provincial public entities | | | | | | | | | | | | |
| Accounting Standards Board | Schedule 3A | - | - | - | - | - | 330 | 418 | (88) | (44) | | No |
| Development Bank of Southern Africa | Schedule 2 | 100 | 100 | 200,000 | 200,000 | 200,000 | 17,411,701 | 15,790,425 | 1,602,514 | 1,278,847 | | No |
| Financial and Fiscal Commission | Other | - | - | - | - | - | 280 | 751 | (471) | 1,542 | | No |
| Financial Intelligence Centre | Schedule 3A | - | - | - | - | - | 32,722 | 16,600 | 161,459 | 15,937 | | No |
| Financial Services Board | Schedule 3A | - | - | - | - | - | 205,186 | 170,970 | 17,211 | 35,153 | | No |
| Independent Regulatory Board for Auditors | Schedule 3A | - | - | - | - | - | 12,736 | 12,830 | (173) | 3,338 | | No |
| Land Bank | Schedule 2 | - | - | - | - | - | 2,371,941 | 2,429,192 | 238,110 | 17,541 | | Yes |
| Public Investment Corporation Ltd | Schedule 3B | 100 | 100 | 100 | 100 | 1 | 398,410 | 268,030 | 161,229 | 154,067 | | No |
| South African Revenue Service | Schedule 3A | - | - | - | - | - | 1,030,506 | 1,950,193 | 356,619 | 236,180 | | No |
| SASRIA Limited | Schedule 3B | 100 | 100 | 1 | 1 | - | 2,673,550 | 2,338,903 | 334,647 | 289,174 | | Yes |
| Social Responsibility Investment Portfolio | Not applicable | 1 | 1 | - | - | - | 517,358 | 2,444,900 | - | - | | No |
| Total investments | | | | | | 200,001 | 24,654,720 | 25,423,212 | 2,871,057 | 2,031,735 | | |

The 2008/09 figures/amounts disclosed in this schedule are preliminary figures and are unaudited

NATIONAL TREASURY VOTE 7

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2009ANNEXURE 2B
STATEMENT OF INVESTMENTS IN AND AMOUNTS OWING BY/TO ENTITIES AS AT 31 MARCH 2009

| Name of public entity | Nature of business | Cost of investment | | Net asset value of investment | | Amounts owing to entities | | Amounts owing by entities | |
|--|--|--------------------|----------------|-------------------------------|-------------------|---------------------------|----------|---------------------------|----------|
| | | R'000 | | R'000 | | R'000 | | R'000 | |
| | | 2008/09 | 2007/08 | 2008/09 | 2007/08 | 2008/09 | 2007/08 | 2008/09 | 2007/08 |
| Accounting Standards Board | Determine standards of generally recognised accounting practice | - | - | 330 | 418 | - | - | - | - |
| Development Bank of Southern Africa | Promote, facilitate and by funding mobilise socioeconomic development in Southern Africa while promoting efficiency, fairness, transparency and responsibility | 200,000 | 200,000 | 17,411,701 | 15,790,425 | - | - | - | - |
| Financial and Fiscal Commission | Assist and maintain the balance between fiscal decentralisation and the unitary state | - | - | 280 | 751 | - | - | - | - |
| Financial Intelligence Centre | To assist in the identification of the proceeds of unlawful activities and the combating of money laundering activities | - | - | 32,722 | 16,600 | - | - | - | - |
| Financial Services Board | Supervise compliance with laws regulating financial institutions and the matters connected therewith | - | - | 205,186 | 170,970 | - | - | - | - |
| Independent Regulatory Board for Auditors | Registration of public accountants and auditors and for the regulation of the training of public accountants and auditors | - | - | 12,736 | 12,830 | - | - | - | - |
| Land Bank | Facilitate access to ownership of land for the development of farming enterprises and agricultural purposes for historically disadvantaged people | - | - | 2,371,941 | 2,429,192 | - | - | - | - |
| Public Investment Corporation Limited | Invests funds on behalf of the South African public sector | 1 | 1 | 398,410 | 268,030 | - | - | - | - |
| South African Revenue Service | Efficient and effective collection of revenue | - | - | 1,030,506 | 1,950,193 | - | - | - | - |
| SASRIA Limited | Short-term insurance | - | - | 2,673,550 | 2,338,903 | - | - | - | - |
| Social Responsibility Investment Portfolio | To facilitate black economic empowerment transactions and redress the inequalities of the past | - | - | 517,358 | 2,444,900 | - | - | - | - |
| Total investments | | 200,001 | 200,001 | 24,654,720 | 25,423,212 | - | - | - | - |

The 2008/09 figures/amounts disclosed in this schedule are preliminary figures and are unaudited.



NATIONAL TREASURY VOTE 7
ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2009

ANNEXURE 3A
STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2009 - LOCAL

| Guarantor institution | Guarantee in respect of | Original guaranteed capital amount | Opening balance 1 April 2008 | Guarantee drawdowns during the year | Guarantee repayments/cancelled/reduced/released during the year | Revaluations | Closing balance 31 March 2009 | Guaranteed interest for year ended 31 March 2009 | Realised losses not recoverable i.e. claims paid out |
|---------------------------------------|-------------------------|------------------------------------|------------------------------|-------------------------------------|---|--------------|-------------------------------|--|--|
| | | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Motor vehicles | | | | | | | | | |
| Standard Bank Vehicle Finance | Employees | 749 | 508 | - | 303 | - | 205 | - | - |
| Total motor vehicle guarantees | | 749 | 508 | - | 303 | - | 205 | - | - |
| Housing | | | | | | | | | |
| ABSA | Employee | 70 | 70 | - | - | - | 70 | - | - |
| First National Bank | Employee | 132 | 132 | 35 | 132 | - | 35 | - | - |
| Nedbank | Employee | 112 | 112 | - | 37 | - | 75 | - | - |
| Standard Bank | Employee | 124 | 123 | - | 60 | - | 63 | - | - |
| Total housing guarantees | | 438 | 437 | 35 | 229 | - | 243 | - | - |

NATIONAL TREASURY VOTE 7

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2009

ANNEXURE 3A (continued)

STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2009 - LOCAL

| Guaranteed institution | Guarantee in respect of | Original guaranteed capital amount | Opening balance 1 April 2008 | Guarantee drawdowns during the year | Guarantee repayments/cancelled/reduced/released during the year | Revaluations | Closing balance 31 March 2009 | Guaranteed interest for year ended 31 March 2009 | Realised losses not recoverable i.e. claims paid out |
|-------------------------------------|---|------------------------------------|------------------------------|-------------------------------------|---|--------------|-------------------------------|--|--|
| | | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Other local guarantees | | | | | | | | | |
| Development Bank of Southern Africa | Former regional authorities (former Ciskei) | 114,406 | 13,371 | - | 2,584 | - | 10,787 | 6,312 | - |
| Development Bank of Southern Africa | Former regional authorities (former Transkei) | 139,459 | 2,475 | - | 1,047 | - | 1,428 | 42 | - |
| Development Bank of Southern Africa | Former regional authorities (former KwaZulu) | 226,676 | 293 | - | 192 | - | 101 | 10 | - |
| Development Bank of Southern Africa | Former regional authorities (former Kangwane) | 61,176 | 4,111 | - | 349 | - | 3,762 | 557 | - |
| Development Bank of Southern Africa | Former regional authorities (former Kwandebele) | 55,989 | 16,610 | - | 41 | - | 16,569 | 5,179 | - |
| Development Bank of Southern Africa | Former regional authorities (former Bophuthatswana) | 288,369 | 93,213 | - | 4,305 | - | 88,908 | 66,057 | - |
| Development Bank of Southern Africa | Former regional authorities (former Venda) | 98,526 | 7,821 | - | 2,346 | - | 5,475 | 537 | - |
| South African Reserve Bank | Saambou Bank Ltd | 7,872,262 | 841,733 | - | 699,586 | - | 142,147 | - | - |
| Total other local guarantees | | 8,856,863 | 979,627 | - | 710,450 | - | 269,177 | 78,694 | - |
| Total local guarantees | | 8,858,050 | 980,572 | 35 | 710,982 | - | 269,625 | 78,694 | - |



NATIONAL TREASURY VOTE 7

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2009

ANNEXURE 3A (continued)

STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2009 - FOREIGN

| Guarantor institution | Guarantee in respect of | | Original guaranteed capital amount | Opening balance 1 April 2008 | Guarantee drawdowns during the year | Guarantee repayments/cancelled/reduced/released during the year | Revaluations | Closing balance 31 March 2009 | Guaranteed interest for year ended 31 March 2009 | Realised losses not recoverable i.e. claims paid out |
|--|---------------------------------|-------|------------------------------------|------------------------------|-------------------------------------|---|----------------|-------------------------------|--|--|
| | R'000 | R'000 | | | | | | | | |
| Development Bank of Southern Africa | Chiao Tung Bank Co. Ltd | | 77,318 | 30,019 | - | 5,885 | 5,190 | 29,324 | 46 | - |
| Development Bank of Southern Africa | Agence Francaise de Development | | 192,670 | 135,098 | - | 14,171 | (2,361) | 118,566 | 1,752 | - |
| Development Bank of Southern Africa | Kreditanstalt fur Wierderaufbau | | 369,501 | 374,240 | - | 18,603 | (4,612) | 351,025 | 1,775 | - |
| Development Bank of Southern Africa | African Development Bank | | 500,000 | 251,401 | - | 41,900 | - | 209,501 | 5,196 | - |
| Development Bank of Southern Africa | African Development Bank | | 664,650 | 255,150 | - | 60,445 | 37,923 | 232,628 | 1,731 | - |
| Development Bank of Southern Africa | Nordic Investment Bank | | 94,950 | 40,500 | - | 8,613 | 6,093 | 37,980 | 136 | - |
| Development Bank of Southern Africa | Nordic Investment Bank | | 94,950 | 33,353 | - | 10,159 | 4,732 | 27,926 | 170 | - |
| Development Bank of Southern Africa | Nordic Investment Bank | | 94,950 | 42,882 | - | 10,159 | 6,374 | 39,097 | 238 | - |
| Development Bank of Southern Africa | Kreditanstalt fur Wierderaufbau | | 184,163 | 186,526 | - | - | (2,362) | 184,164 | 931 | - |
| Development Bank of Southern Africa | European Investment Bank | | 200,000 | 200,000 | - | - | - | 200,000 | 15,458 | - |
| Development Bank of Southern Africa | European Investment Bank | | 100,000 | 100,000 | - | 100,000 | - | - | - | - |
| Development Bank of Southern Africa | European Investment Bank | | 100,000 | 100,000 | - | - | - | 100,000 | 11,942 | - |
| Development Bank of Southern Africa | European Investment Bank | | 151,815 | 94,190 | - | 13,073 | 15,493 | 96,610 | 79 | - |
| Development Bank of Southern Africa | European Investment Bank | | 474,750 | 273,517 | - | 50,616 | 44,285 | 267,186 | 217 | - |
| Development Bank of Southern Africa | Kreditanstalt fur Wierderaufbau | | 174,214 | 176,449 | - | - | (2,235) | 174,214 | 881 | - |
| Development Bank of Southern Africa | Eurobonds | | 8,500,000 | 8,500,000 | - | - | - | 8,500,000 | 10,875 | - |
| Development Bank of Southern Africa | European Investment Bank | | 759,600 | 480,462 | - | 56,156 | 79,617 | 503,923 | 419 | - |
| Development Bank of Southern Africa | Agence Francaise de Development | | 216,753 | 36,589 | - | 34,541 | (2,048) | - | - | - |
| Development Bank of Southern Africa | Kreditanstalt fur Wierderaufbau | | 161,547 | 160,005 | - | - | (2,026) | 157,979 | 799 | - |
| Development Bank of Southern Africa | African Development Bank | | 949,500 | 810,000 | - | 50,675 | 142,700 | 902,025 | 3,941 | - |
| Development Bank of Southern Africa | Kreditanstalt fur Wierderaufbau | | 158,428 | 98,385 | - | - | 1,156 | 158,426 | 801 | - |
| Total foreign guarantees¹⁶ | | | 14,219,759 | 12,378,766 | 58,885 | 474,996 | 327,919 | 12,290,574 | 57,387 | - |
| Total financial guarantees | | | 23,077,809 | 13,359,338 | 58,920 | 1,185,978 | 327,919 | 12,560,199 | 136,081 | - |

NATIONAL TREASURY VOTE 7

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2009ANNEXURE 3B
STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2009

| Nature of liability | Opening balance 1 April 2008 | Liabilities incurred during the year | Liabilities paid/cancelled/ reduced during the year | Liabilities recoverable (provide details hereunder) | Closing balance 31 March 2009 |
|--|---------------------------------|--|--|--|-------------------------------------|
| | R'000 | R'000 | R'000 | R'000 | R'000 |
| Claims against the department | | | | | |
| Arrears rental claim | - | 425 | - | - | 425 |
| RCS levies claim | - | 178,000 | - | - | 178,000 |
| SARB guarantee claim | - | 35,336 | - | - | 35,336 |
| Tender-related claims | 670 | 11,849 | 670 | - | 11,849 |
| Theft and losses claim ¹⁹ | - | 1,006 | - | - | 1,006 |
| Total claims against the department | 670 | 226,616 | 670 | - | 226,616 |
| Other | | | | | |
| Outstanding life certificates | 41,331 | 8,330 | - | - | 49,661 |
| Total other liabilities | 41,331 | 8,330 | - | - | 49,661 |
| Total of contingent liabilities | 42,001 | 234,946 | 670 | - | 276,277 |

¹⁹ Exchange rate of R9,72 on \$103 493,75 as on 31 March 2009 was utilised.



NATIONAL TREASURY VOTE 7
ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2009

ANNEXURE 4
CLAIMS RECOVERABLE AS AT 31 MARCH 2009

| Government entity | Confirmed balance outstanding | | Unconfirmed balance outstanding | | Total | |
|---------------------------------|-------------------------------|------------------------|---------------------------------|------------------------|------------------------|------------------------|
| | 31 March 2009 R'000 | 31 March 2008 R'000 | 31 March 2009 R'000 | 31 March 2008 R'000 | 31 March 2009 R'000 | 31 March 2008 R'000 |
| Department | | | | | | |
| Eastern Cape | - | 43 | - | - | - | 43 |
| Gauteng | - | 354 | 67 | 26 | 67 | 380 |
| KwaZulu-Natal | - | 264 | 1,108 | - | 1,108 | 264 |
| Limpopo | - | - | - | 30 | - | 30 |
| Northern Cape | 29 | - | - | - | 29 | - |
| North West | - | - | 165 | - | 165 | - |
| Western Cape | 35 | 35 | 125,074 | - | 125,109 | 35 |
| National departments | 67 | 76 | 6,820 | 946 | 6,887 | 1,022 |
| Foreign governments | - | - | 481 | 1,080 | 481 | 1,080 |
| Total claims recoverable | 131 | 772 | 133,715 | 2,082 | 133,846 | 2,854 |



**PROJECT DEVELOPMENT
FACILITY (PDF):**

**A TRADING ENTITY MANAGED
BY THE PPP UNIT OF NATIONAL
TREASURY**

Annual Financial Statements
for the year ended 31 March 2009



PPP

unit

Project
Development
Facility





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REPORT OF THE AUDITOR-GENERAL

TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE PROJECT DEVELOPMENT FACILITY for the year ended 31 March 2009

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Project Development Facility which comprise the statement of financial position as at 31 March 2009, and the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 187 to 208.

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice (SA statements of GAAP) and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant



REPORT OF THE AUDITOR-GENERAL

TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE PROJECT DEVELOPMENT FACILITY (CONTINUED) for the year ended 31 March 2009

to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion the financial statements present fairly, in all material respects, the financial position of the Project Development Facility as at 31 March 2009 and its financial performance and its cash flows for the year then ended, in accordance with South African Statements of Generally Accepted Accounting Practice (SA statements of GAAP) and in the manner required by the PFMA.

Emphasis of matter

Without qualifying my opinion, I draw attention to the following matter:

Fruitless and wasteful expenditure

8. As disclosed in note 24 to the financial statements, fruitless and wasteful expenditure to the amount of R101 408 was incurred, as proper controls over interbank transfers were not in place.

Other matters

I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Non-compliance with applicable legislation

Treasury Regulations

9. Certain creditor payments were made more than 30 days after the invoice date:
TR 19.2.1 and TR 8.2.3: "Unless determined otherwise in a contract or other



REPORT OF THE AUDITOR-GENERAL

TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE PROJECT DEVELOPMENT FACILITY (CONTINUED) for the year ended 31 March 2009

agreement, all payments due to creditors must be made within 30 days from receipt of an invoice or, in the case of civil claims, from the date of settlement or court judgment.”

Governance framework

10. The governance principles that impact the auditor’s opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management, and are reflected in the key governance responsibilities addressed below:

Key governance responsibilities

11. The PFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

| No. | Matter | Yes | No |
|-----|---|-----|----|
| | Clear trail of supporting documentation that is easily available and provided in a timely manner | | |
| 1. | No significant difficulties were experienced during the audit concerning delays or the availability of requested information. | X | |
| | Quality of financial statements and related management information | | |
| 2. | The financial statements were not subject to any material amendments resulting from the audit. | | X |
| 3. | The annual report was submitted for consideration prior to the tabling of the auditor’s report. | n/a | |
| | Timeliness of financial statements and management information | | |
| 4. | The annual financial statements were submitted for auditing as per the legislated deadlines (section 40 of the PFMA). | X | |
| | Availability of key officials during audit | | |
| 5. | Key officials were available throughout the audit process. | X | |



REPORT OF THE AUDITOR-GENERAL

TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE PROJECT DEVELOPMENT FACILITY (CONTINUED)

for the year ended 31 March 2009

| No. | Matter | Yes | No |
|-----|--|-----|----|
| | Development and compliance with risk management, effective internal control and governance practices | | |
| 6. | Audit committee | | |
| | <ul style="list-style-type: none"> The trading entity had an audit committee in operation throughout the financial year. | X | |
| | <ul style="list-style-type: none"> The audit committee operates in accordance with approved, written terms of reference. | X | |
| | <ul style="list-style-type: none"> The audit committee substantially fulfilled its responsibilities for the year, as set out in section 77 of the PFMA and Treasury Regulation 3.1.10 | X | |
| 7. | Internal audit | | |
| | <ul style="list-style-type: none"> The trading entity had an internal audit function in operation throughout the financial year. | X | |
| | <ul style="list-style-type: none"> The internal audit function operates in terms of an approved internal audit plan. | X | |
| | <ul style="list-style-type: none"> The internal audit function substantially fulfilled its responsibilities for the year, as set out in Treasury Regulation 3.2 | X | |
| 8. | There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management. | X | |
| 9. | There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations. | X | |
| 10. | The information systems were appropriate to facilitate the preparation of the financial statements. | X | |
| 11. | A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in Treasury Regulation 3.2 | | X |
| 12. | Powers and duties have been assigned, as set out in section 44 of the PFMA. | X | |
| | Follow-up of audit findings | | |
| 13. | The prior year audit findings have been substantially addressed. | X | |
| 14. | SCOPA resolutions have been substantially implemented. | n/a | |
| | Issues relating to the reporting of performance information | | |
| 15. | The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete. | n/a | |
| 16. | Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information. | n/a | |
| 17. | A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the Project Development Facility against its mandate, predetermined objectives, outputs, indicators and targets (Treasury Regulations 5.1, 5.2 and 6.1). | n/a | |
| 18. | There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance. | n/a | |



REPORT OF THE AUDITOR-GENERAL

TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE PROJECT DEVELOPMENT FACILITY (CONTINUED) for the year ended 31 March 2009

As noted in the table above, numerous material changes were made to the financial statements submitted for auditing. This was due to numerous accounting and disclosure errors made by the accounting consultants in the preparation of the financial statements. Management requested the consultants to prepare the financial statements in accordance with the relevant framework. All these errors were rectified. Additionally, the trading entity has a governance document that details certain risk areas within the entity. These risks were inadequately addressed during the year. Management indicated that the procedures in terms of the governance document will be reviewed to re-address all risk areas.

APPRECIATION

12. The assistance rendered by the staff of the Project Development Facility during the audit is sincerely appreciated.

Auditor-General

Pretoria
31 July 2009



A U D I T O R - G E N E R A L
S O U T H A F R I C A

Auditing to build public confidence



PROJECT DEVELOPMENT FACILITY (PDF)

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 March 2009

| | Notes | 2009 R | 2008 R |
|--------------------------------|-------|------------------------|------------------------|
| | | <hr/> | <hr/> |
| Revenue | 10 | 81 099 780 | 6 000 000 |
| Project expenses | | (81 025 720) | (8 419 135) |
| Gross profit/(loss) | | <hr/> 74 060 | <hr/> (2 419 135) |
| Other income | 11 | 5 887 374 | 6 910 632 |
| Administration expenses | 12 | 519 511 | 24 012 |
| Finance cost | | <hr/> 100 832 | <hr/> - |
| Net profit for the year | | <hr/> 5 341 091 | <hr/> 4 467 485 |



PROJECT DEVELOPMENT FACILITY (PDF)

STATEMENT OF CHANGES IN EQUITY
as at 31 March 2009

| | Accumulated surplus |
|---------------------------------|--------------------------------|
| | R |
| Balance at 1 April 2007 | 72 071 095 |
| Net profit for the year | 4 467 485 |
| Balance at 1 April 2008 | <u>76 538 580</u> |
| Net profit for the year | 5 341 091 |
| Balance at 31 March 2009 | <u>81 879 671</u> |



PROJECT DEVELOPMENT FACILITY (PDF)

STATEMENT OF CASH FLOWS for the year ended 31 March 2009

| | Notes | 2009 | 2008 |
|--|-------|-------------------------|-------------------------|
| | | R | R |
| | | <hr/> | <hr/> |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash received from government and other sources | | 82 211 000 | 8 456 060 |
| Cash paid to suppliers | | (74 970 482) | (3 364 952) |
| Cash generated from operations | 16 | <hr/> 7 240 518 | <hr/> 5 091 108 |
| Interest income received | 17 | 6 158 071 | 6 225 241 |
| | | <hr/> | <hr/> |
| Net cash from operating activities | | <hr/> 13 398 589 | <hr/> 11 316 349 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | | |
| Cash and cash equivalents at beginning of the year | 14 | 81 048 786 | 69 732 437 |
| | | <hr/> | <hr/> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 14 | <hr/> 94 447 375 | <hr/> 81 048 786 |

PROJECT DEVELOPMENT FACILITY (PDF)

ACCOUNTING POLICIES for the year ended 31 March 2009

The Annual Financial Statements have been prepared in accordance with Statements of Generally Accepted Accounting Practice and the Public Finance Management Act (1 of 1999) (PFMA) as amended.

The following are the principal accounting policies of the entity which are, in all material aspects, consistent with those applied in the previous year, except as otherwise indicated:

1. Basis of preparation of financial statements

The financial statements have been prepared on the historical cost basis. These financial statements are presented in South African rand since that is the currency in which the majority of the entity's transactions are denominated.

2. Revenue recognition

Grants

The grants received from the National Treasury and World Bank (US grant) are conditional grants which are recognised when it is probable that future economic benefits will flow to the entity and when the amount can be measured reliably.

The US grant is recognised as revenue to the extent that there is no further obligation arising from the receipt of the transfer payment.

The National Treasury grant is recognised in full in the year it is received. An annual application is made to the National Treasury not to surrender the surplus.

3. Financial instruments

Financial instruments are initially recognised when the entity becomes a party to the contractual provisions of the relevant instrument, and are initially measured at fair value. Subsequent to initial recognition, these instruments are measured as set out below.

Receivables

Receivables are stated at amortised cost, which, due to their short-term nature, closely approximate their fair value.



PROJECT DEVELOPMENT FACILITY (PDF)

ACCOUNTING POLICIES (CONTINUED) for the year ended 31 March 2009

Cash and cash equivalents

Cash and cash equivalents are stated at amortised cost, which, due to their short-term nature, closely approximate their fair value.

Cash and cash equivalents comprise cash at bank.

Payables

Payables are stated at amortised cost, which, due to their short-term nature, closely approximate their fair value.

Offsetting

Financial assets and financial liabilities have not been offset in the Statement of Financial Position.

4. Interest income

Interest income is recognised on a time-proportionate basis using the effective interest rate method.

5. Foreign exchange

Grants received in a foreign currency are translated into South African Rand at the foreign exchange rate prevailing on the date of receipt.

6. Going concern

The entity is financially dependent on the grant it receives from the National Treasury. On the basis that the grant has been listed in the Estimates of National Expenditure, management believes that the entity will continue to be a going concern in the year ahead. For this reason, management continues to prepare the Annual Financial Statements on a going-concern basis.

7. Public-sector practices and policies

7.1 Interrelationship with other government entities

The entity operates as a trading entity of the National Treasury, within the South African government environment. In line with prevailing

PROJECT DEVELOPMENT FACILITY (PDF)

ACCOUNTING POLICIES (CONTINUED) for the year ended 31 March 2009

government practices, the entity is not obliged to pay for certain expenditure such as office space and utilisation of moveable assets.

7.2 Public Finance Management Act reporting requirements

Section 40(3) (b)

No material losses occurred during the current financial year due to criminal conduct nor any unauthorised expenditure or irregular expenditure.

8. Standards and interpretations early adopted

The following standard, mandatory for the entity's accounting periods commencing on or after 1 January 2009, has been early adopted by the entity:

- IAS 1 – Presentation of Financial Statements Comprehensive Revision Including Requiring a Statement of Comprehensive Income:

The changes made to IAS 1 are to require information in financial statements to be aggregated on the basis of shared characteristics and to introduce a Statement of Comprehensive Income. The revision includes changes in titles of financial statements to reflect their function more clearly. The revised standard will affect the disclosures in the Annual Report. The application of the IAS 1 has changed the presentation of the Annual Financial Statements as follows:

- Statement of Financial Position (balance sheet)
- Statement of Comprehensive Income (income statement)
- Statement of Changes in Equity
- Statement of Cash Flows (cash flow statement).

There were no other material changes or reclassification of items included in the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows that were necessitated by the early adoption of IAS 1. Consequently, the comparatives have not been restated.

9. Risk management

The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity.



PROJECT DEVELOPMENT FACILITY (PDF)

ACCOUNTING POLICIES (CONTINUED) for the year ended 31 March 2009

While operating risk cannot be fully eliminated, management endeavours to minimise it by ensuring that the appropriate infrastructure, controls, systems and ethics are applied throughout the entity and managed within predetermined procedures and constraints.

9.1 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, and outstanding receivables and committed transactions. Only highly reputable financial institutions are used.

9.2 Liquidity risk

Liquidity risk is the risk that the entity will not be able to meet its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the National Treasury's finance department, which has built an appropriate liquidity risk management framework for the management of the National Treasury's short-, medium- and long-term funding and liquidity management requirements.

9.3 Interest rate risk

The entity has limited exposure to interest risk. The entity's cash and cash equivalents are subject to interest rate risk for the portion of interest received.

As the entity acquires finance from the National Treasury's finance department and does not have borrowed funds, it does not have major exposure to credit, liquidity, interest and market risk.



PROJECT DEVELOPMENT FACILITY (PDF)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2009

| | 2009 | 2008 |
|--|-----------------------------|-----------------------------|
| | R | R |
| | <u> </u> | <u> </u> |
| 13. Trade and other receivables | | |
| - Accrued interest receivable | <u>343 813</u> | <u>614 510</u> |
| <p>Total receivables consist of interest accrued from the bank due to the positive material bank balance. There are no trade receivables at 31 March 2009.</p> | | |
| 14. Cash and cash equivalents | | |
| PDF bank balance | (52 577 019) | 31 113 474 |
| NDPG bank balance | 145 913 174 | 49 935 312 |
| US grant bank balance | <u>1 111 220</u> | <u>-</u> |
| | <u>94 447 375</u> | <u>81 048 786</u> |
| 15. Trade and other payables | | |
| Trade accounts payable | 10 296 357 | 3 620 776 |
| Interdepartmental debt | - | 1 503 940 |
| Revenue Fund | <u>1 503 940</u> | <u>-</u> |
| | <u>11 800 297</u> | <u>5 124 716</u> |

The average credit period on purchases is 30 days from invoice date. No interest is charged on the trade payables. The department has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

The interdepartmental debt comprises over-recovery of project reimbursement. However, the amount could not be repaid to the Eastern Cape Department of Health and was therefore reversed to income. The amount was then recognised as an expense as it was owed to the Revenue Fund.



PROJECT DEVELOPMENT FACILITY (PDF)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2009

| | 2009 | 2008 |
|--|-------------------------|-------------------------|
| | R | R |
| 16. Reconciliation of net profit for the year to cash generated from operations | | |
| Net profit for the year | 5 341 090 | 4 467 485 |
| Net finance income | <u>(5 887 373)</u> | <u>(6 414 571)</u> |
| Operating cash flows before working capital changes | (546 283) | (1 947 086) |
| Working capital changes: | 7 786 801 | 7 038 194 |
| - Increase in trade and other payables | 6 675 581 | 5 078 194 |
| - Decrease in other receivables | - | 1 960 000 |
| - Increase in deferred revenue | 1 111 220 | |
| Cash generated from operations | <u>7 240 518</u> | <u>5 091 108</u> |
| 17. Interest income received | | |
| Accrued interest income at beginning of year | 614 510 | 425 180 |
| Net finance income received per income statement | 5 887 374 | 6 414 571 |
| Accrued net finance income at the end of the year | (343 813) | (614 510) |
| Interest income received | <u>6 158 071</u> | <u>6 225 241</u> |



PROJECT DEVELOPMENT FACILITY (PDF)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2009

| | 2009 | 2008 |
|--|------------------------|----------------|
| | R | R |
| | <hr/> | <hr/> |
| 18. Deferred revenue | | |
| Balance as at 1 April 2008 | - | - |
| Grant received in the current year | 2 111 000 | - |
| Revenue recognised in the current year | 999 780 | - |
| Balance at 31 March 2009 | <hr/> <u>1 111 220</u> | <hr/> <u>-</u> |

19. Contingent liabilities

Contingent liabilities are made up of:

| | |
|---------------------|---------------|
| Accumulated surplus | R 81 879 670 |
| NDPG projects | R 442 271 603 |
| PDF projects | R 27 366 713 |

The accumulated surplus is retained for the funding of transaction advisors' costs associated with the establishment of selected PPP and NDPG projects approved for funding during the course of the entity's normal course of operations. The entity has obtained permission from National Treasury to retain the accumulated profit from the 2008 financial year. The entity is in the process of requesting permission from National Treasury to retain the 2009 surplus.

Funding is disbursed upon the successful achievement of predefined milestones and Treasury approvals. The entity has no control over the performance/non-performance of the party it enters into agreement with, and therefore no control over whether or when milestones are met. The project agreement is not an irrevocable contract as a key condition for performance of the entity (i.e. payment of agreed funds) is fully dependent upon the external party's performance.

Management has therefore interpreted the net commitment balance (funding amount per contract less any disbursements made to the project upon reaching the milestones) for both the PDF and NDPG projects to be contingent liabilities.



PROJECT DEVELOPMENT FACILITY (PDF)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2009

19. Contingent liabilities (continued)

Movement on PDF and NDPG projects identified for funding during the period:

NEIGHBOURHOOD DEVELOPMENT PROJECT GRANT

| # | PROJECT NUMBER | PROJECT NAME & DESCRIPTION | NDPG FUNDING AMOUNT | CUMULATIVE EXPENDITURE AS AT 31 MARCH 2008 | EXPENDITURE FOR THE YEAR ENDING 31 MARCH 2009 | FUTURE REMAINING COMMITMENTS |
|---|----------------|---|---------------------|--|---|------------------------------|
| 1 | NDPG1-077 | Eyabantu Community Neighbourhood Centre | 2 000 000 | 63 333 | 747 500 | 1 189 167 |
| 2 | NDPG1-043 | Mpophomeni Multi Service Centre | 1 000 000 | - | 817 031 | 182 969 |
| 3 | NDPG1-169 | KwaMashu Town Centre Redevelopment | 2 000 000 | 228 000 | 515 280 | 1 256 720 |
| 4 | NDPG1-092 | Ndwedwe Township Development | 5 350 000 | 636 815 | 1 440 539 | 3 272 646 |
| 5 | NDPG1-183 | Motherwell Sustainable Community Development - Social Economic and Demographic Survey | 2 500 000 | 1 291 135 | 482 397 | 726 468 |
| 6 | NDPG1-103 | Masifunde Node Initiative | 2 000 000 | 743 722 | 145 131 | 1 111 147 |
| 7 | NDPG1-242 | Bara Central Development | 8 340 000 | 499 964 | 131 100 | 7 708 936 |
| 8 | NDPG2-045 | New Canada Node Station Development | 5 000 000 | 219 450 | 697 089 | 4 083 461 |
| 9 | NDPG2-097 | Secondary Property Markets | 9 000 000 | 159 600 | 1 822 777 | 7 017 623 |



PROJECT DEVELOPMENT FACILITY (PDF)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2009

19. Contingent liabilities (continued)

Movement on PDF and NDPG projects identified for funding during the period (continued):

| # | PROJECT NUMBER | PROJECT NAME & DESCRIPTION | NDPG FUNDING AMOUNT | CUMULATIVE EXPENDITURE AS AT 31 MARCH 2008 | EXPENDITURE FOR THE YEAR ENDING 31 MARCH 2009 | FUTURE REMAINING COMMITMENTS |
|----|----------------|--|---------------------|--|---|------------------------------|
| 10 | NDPG2-130 | Mpumalanga Town Centre Development | 600 000 | 239 400 | 105 336 | 255 264 |
| 11 | NDPG1-038 | Swalala Precinct Development & KwaNyamazane Renewal | 10 865 000 | - | 2 095 320 | 8 769 680 |
| 12 | NDPG1-097 | Sports Facility & Economic Hub | 500 000 | - | 440 651 | 59 349 |
| 13 | NDPG1-223 | Kliptown CBD Renewal Parking Base | 6 065 000 | 1 713 813 | 3 621 689 | 729 498 |
| 14 | NDPG1-171 | INK Urban Renewal Programme | 8 500 000 | - | 1 745 005 | 6 754 995 |
| 15 | NDPG1-243 | Orlando Ekhaya | 700 000 | 304 486 | - | 234 486 |
| 16 | NDPG2-044 | Zola Public Space and Nodal Planning | 5 000 000 | - | 513 000 | 4 487 000 |
| 17 | NDPG2-112 | Vilakazi Street Precinct | 8 500 000 | 63 384 | 5 132 217 | 3 304 399 |
| 18 | NDPG2-127 | Umlazi Malukazi Economic Development | 7 000 000 | - | 1 301 976 | 5 698 024 |
| 19 | NDPG1-066 | Development of Social, Economic & Community Nodes & Large Area Facilities for Township Residents | 2 500 000 | 315 649 | 533 735 | 1 650 616 |
| 20 | NDPG1-241 | Zeerust MPCC/TSC/Ikageleng | 3 330 000 | - | 1 778 067 | 1 551 933 |
| 21 | NDPG1-108 | Ekhrosini Livestock Market | 2 000 000 | - | 500 389 | 1 499 611 |
| 22 | NDPG1-185 | Transdo Economic Node Development | 3 150 000 | - | 1 402 877 | 1 747 123 |
| 23 | NDPG1-064 | Nkowankowa Urban Renewal | 4 800 000 | - | 1 537 945 | 3 262 055 |
| 24 | NDPG3-052 | Sundumbili Urban Development | 7 600 000 | - | 730 000 | 6 870 000 |
| 25 | NDPG3-080 | Bushbuckridge Urban Municipality | 20 000 000 | - | 5 310 789 | 14 689 211 |
| 26 | NDPG3-004 | BaPhalaborwa LM - Freedom & Memorial Precinct | 9 000 000 | - | 5 114 026 | 3 885 974 |
| 27 | NDPG1-079 | New Brighton Renewal | 800 000 | - | 155 000 | 645 000 |
| 28 | NDPG2-028 | Helenvale | 5 000 000 | - | 393 300 | 4 606 700 |
| 29 | NDPG3-083 | Emfuleni LM | 20 000 000 | - | 3 857 853 | 16 142 147 |
| 30 | NDPG2-032 | Athlone Power Station Redevelopment | 10 000 000 | - | 3 128 970 | 6 871 030 |
| 31 | NDPG3-025 | Nongoma Town Regeneration & Urban Development | 3 000 000 | - | 1 547 799 | 1 452 201 |
| 32 | NDPG3-095 | Neighbourhood Revitalisation | 10 000 000 | - | 129 310 | 9 870 690 |
| 33 | NDPG2-060 | Township Regeneration (Rhini & Others) | 3 000 000 | - | 513 000 | 2 487 000 |
| 34 | NDPG2-040 | Diepsloot South - Detailed Design & Implementation | 8 000 000 | - | 3 271 052 | 4 728 948 |
| 35 | NDPG2-102 | Stretford Station Precinct | 6 000 000 | - | 1 640 132 | 4 359 868 |



PROJECT DEVELOPMENT FACILITY (PDF)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
 for the year ended 31 March 2009
19. Contingent liabilities (continued)

Movement on PDF and NDPG projects identified for funding during the period (continued):

| # | PROJECT NUMBER | PROJECT NAME & DESCRIPTION | NDPG FUNDING AMOUNT | CUMULATIVE EXPENDITURE AS AT 31 MARCH 2008 | EXPENDITURE FOR THE YEAR ENDING 31 MARCH 2009 | FUTURE REMAINING COMMITMENTS |
|----|----------------|---|---------------------|--|---|------------------------------|
| 36 | NDPG3-090 | Thulamela Gateway | 25 000 000 | - | 7 079 804 | 17 920 196 |
| 37 | NDPG1-071 | Mining Belt Upliftment of Informal Settlement & Infra Development | 1 320 000 | - | 114 143 | 1 205 857 |
| 38 | NDPG1-072 | Rehabilitation and Urban Renewal | 1 320 000 | - | 167 395 | 1 152 605 |
| 39 | NDPG1-065 | High Street Development | 2 500 000 | - | 271 688 | 2 228 312 |
| 40 | NDPG3-027 | Township Development of Amathole District Towns | 23 500 000 | - | 1 033 898 | 22 466 102 |
| 41 | NDPG2-128 | Clermont Urban Renewal | 5 000 000 | - | 114 057 | 4 885 943 |
| 42 | NDPG2-024 | Township Restructuring | 5 000 000 | - | 499 999 | 4 500 001 |
| 43 | NDPG3-058 | Township Regeneration | 25 000 000 | - | 171 456 | 24 828 544 |
| 44 | NDPG3-029 | Greater Taung Regeneration Strategy | 10 000 000 | - | 274 315 | 9 725 685 |
| 45 | NDPG2-030 | Fountain Road Development | 1 500 000 | - | 611 471 | 888 529 |
| 46 | NDPG1-067 | Large Area Social Facilities | 6 750 000 | - | 139 946 | 6 610 054 |
| 47 | NDPG1-107 | Imbali Mixed Use Investment Node | 700 000 | - | 19 950 | 680 050 |
| 48 | NDPG3-040 | Wembezi Urban Renewal | 11 000 000 | - | 211 499 | 10 788 501 |
| 49 | NDPG1-068 | Economic & Community Node | 1 320 000 | - | - | 1 320 000 |
| 50 | NDPG1-069 | Economic & Community Node | 1 320 000 | - | - | 1 320 000 |
| 51 | NDPG1-070 | Economic & Community Node | 1 320 000 | - | - | 1 320 000 |
| 52 | NDPG1-106 | Tsosoloso Programme (Public Spaces) | 30 000 000 | - | - | 30 000 000 |
| 53 | NDGP1-176 | Bridge City | 800 000 | - | - | 800 000 |
| 54 | NDPG1-182 | Njoli Square Redevelopment | 1 600 000 | - | - | 1 600 000 |



PROJECT DEVELOPMENT FACILITY (PDF)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2009

19. Contingent liabilities (continued)

Movement on PDF and NDPG projects identified for funding during the period (continued):

| # | PROJECT NUMBER | PROJECT NAME & DESCRIPTION | NDPG FUNDING AMOUNT | CUMULATIVE EXPENDITURE AS AT 31 MARCH 2008 | EXPENDITURE FOR THE YEAR ENDING 31 MARCH 2009 | FUTURE REMAINING COMMITMENTS |
|----|----------------|---|---------------------|--|---|------------------------------|
| 55 | NDPG1-189A | MPCC/TSC (uPhongolo) | 600 000 | - | - | 600 000 |
| 56 | NDPG1-189B | Highflats: MPCC/TSC | 600 000 | - | - | 600 000 |
| 57 | NDPG1-237 | Oude Molen & Maitland Redevelopment | 2 000 000 | - | - | 2 000 000 |
| 58 | NDPG2-031 | Nyanga Transport Interchange | 2 000 000 | - | - | 2 000 000 |
| 59 | NDPG2-033 | Monwabisi Coastal Node | 3 000 000 | - | - | 3 000 000 |
| 60 | NDPG2-034 | Mitchells Plain & Lentegeur CBDs | 4 000 000 | - | - | 4 000 000 |
| 61 | NDPG2-049 | Kuyasa & Other Nodes | 10 000 000 | - | - | 10 000 000 |
| 62 | NDPG3-005 | Vogelfontein Urban Centre | 5 000 000 | - | - | 5 000 000 |
| 63 | NDPG3-020 | JBC Urban Node | 4 000 000 | - | - | 4 000 000 |
| 64 | NDPG3-035 | Township Regeneration & Investment Plan | 5 000 000 | - | - | 5 000 000 |
| 65 | NDPG3-063 | Development Planning | 26 000 000 | - | - | 26 000 000 |
| 66 | NDPG3-084 | Ikageng Neighbourhood Development Programme | 12 000 000 | - | - | 12 000 000 |
| 67 | NDPG3-044 | KwaDukuza Priority Clusters | 10 350 000 | - | - | 10 350 000 |
| 68 | NDPG3-053 | Identification & Implementation of Appropriate Community Facilities | 7 000 000 | - | - | 7 000 000 |
| 69 | NDPG3-093 | Polokwane Township Urban Renewal | 12 000 000 | - | - | 12 000 000 |
| 70 | NDPG4-010 | Invuselelo Developing Economic Spaces | 1 500 000 | - | - | 1 500 000 |
| 71 | NDPG4-025 | Metsweding Township Regeneration Programme | 5 914 000 | - | - | 5 914 000 |
| 72 | NDPG4-111 | Integrated Development Project | 14 900 000 | - | - | 14 900 000 |



PROJECT DEVELOPMENT FACILITY (PDF)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
 for the year ended 31 March 2009
19. Contingent liabilities (continued)

Movement on PDF and NDPG projects identified for funding during the period (continued):

| # | PROJECT NUMBER | PROJECT NAME & DESCRIPTION | NDPG FUNDING AMOUNT | CUMULATIVE EXPENDITURE AS AT 31 MARCH 2008 | EXPENDITURE FOR THE YEAR ENDING 31 MARCH 2009 | FUTURE REMAINING COMMITMENTS |
|----|----------------|--|---------------------|--|---|------------------------------|
| 73 | NDPG4-120.1 | Urban Renewal | 4 800 000 | - | - | 4 800 000 |
| 74 | NDPG4-120.3 | Leratong Intersection Commercial Development | 3 600 000 | - | - | 3 600 000 |
| 75 | NDPG4-135.2 | Economic Development Node & Others | 8 000 000 | - | - | 8 000 000 |
| 76 | NDPG4-127 | Commercial Development | 2 000 000 | - | - | 2 000 000 |
| 77 | NDPG4-018 | Robertson Township Initiative | 2 000 000 | - | - | 2 000 000 |
| 78 | NDPG4-029 | Urban Nodal Development | 1 500 000 | - | - | 1 500 000 |
| 79 | NDPG4-069 | Bitou Coming Together | 6 000 000 | - | - | 6 000 000 |
| 80 | NDPG4-046 | Eastern Gateway | 5 700 000 | - | - | 5 700 000 |
| 81 | NDPG4-012 | Urban Nodal Development | 2 000 000 | - | - | 2 000 000 |
| 82 | NDPG4-130.1 | Mothibstad Rural Development | 4 000 000 | - | - | 4 000 000 |
| 83 | NDPG4-130.2 | General Improvements of Town Centre & | 6 000 000 | - | - | 6 000 000 |
| 84 | NDPG4-130.3 | Township & Town Centre Upgrade | 4 000 000 | - | - | 4 000 000 |
| 85 | NDPG4-130.4 | Rural Town Centre General Upgrades | 3 000 000 | - | - | 3 000 000 |
| 86 | NDPG4-130.5 | Town Centre Upgrade | 4 000 000 | - | - | 4 000 000 |
| 87 | NDPG4-130.6 | Town Centre Upgrade | 3 000 000 | - | - | 3 000 000 |
| | | Total | 543 514 000 | 6 478 751 | 64 007 903 | 442 271 603 |

The R10 billion neighbourhood development partnership grant (NDPG) was announced by the Minister of Finance in his Budget speech on 15 February 2006. The primary focus of the grant is to stimulate and accelerate investment in poor, underserved residential neighbourhoods, such as townships, by providing technical assistance and grant financing for municipal projects that include a distinct private-sector element.



PROJECT DEVELOPMENT FACILITY (PDF)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2009

19. Contingent liabilities (continued)

Movement on PDF and NDPG projects identified for funding during the period (Continued):

| # | INSTITUTION | PROJECT NAME | PDF FUNDING COMMITTED | CUMULATIVE EXPENDITURE AS AT 31 MARCH 2008 | EXPENDITURE FOR THE YEAR ENDING 31 MARCH 2009 | FUTURE REMAINING COMMITMENTS |
|----|--|--|-----------------------|--|---|------------------------------|
| 1 | Department of Labour | ICT | 1 960 000 | 1 960 000 | - | - |
| 2 | Western Cape Department of Health | Rehabilitation Centre | 2 925 000 | 2 925 000 | - | - |
| 3 | Western Cape Department of Health | Settlers & Port Alfred Hospitals | 496 060 | 496 060 | - | - |
| 4 | KwaDukuza Municipality | Solid Waste, Roads & Parks | 725 615 | 725 615 | - | - |
| 5 | Limpopo Department of Health | Penge Hospital | 45 000 | 45 000 | - | - |
| 6 | SANDF | SAHMS | 68 400 | 68 400 | - | - |
| 7 | CapeNature | PPP Tourism Toolkit | 1 400 000 | 199 095 | 550 002 | 650 903 |
| 8 | Greater Sekhukhune District Municipality | | 600 000 | - | 213 066 | 386 934 |
| 9 | Hibiscus Coast Municipality | Phase 1 | 500 000 | - | 456 000 | 44 000 |
| 10 | Hibiscus Coast Municipality - P2 | Phase 2 | 1 793 139 | - | - | 1 793 139 |
| 11 | Madibeng Local Municipality | Water & Sanitation | 500 000 | - | - | 500 000 |
| 12 | Eastern Cape Department of Transport | Fleet Management | 3 780 394 | 260 000 | 2 430 197 | 1 090 197 |
| 13 | Western Cape Department of Health | Swellendam Hospital | 561 450 | 372 692 | - | 188 758 |
| 14 | Potchefstroom Municipality | Solid Waste Management | 1 928 975 | 158 745 | - | 1 770 230 |
| 15 | Sedibeng Local Municipality | Civic Precinct | 1 500 000 | - | 638 466 | 861 534 |
| 16 | Elundini Municipality | Solid Waste Management System | 3 000 000 | - | 269 679 | 2 730 321 |
| 17 | Department of Defence | Sea Safety Training Centre for the SA Navy | 4 000 000 | - | - | 4 000 000 |
| 18 | Western Cape Department of Transport and Public Works | Chapman's Peak | 700 000 | - | - | 700 000 |
| 19 | Thaba Chweu Municipality | Resorts/Park/Hostels | 711 018 | - | - | 711 018 |
| 20 | Greater Tubatse Municipality | Solid Waste | 3 500 000 | - | 170 000 | 3 330 000 |
| 21 | National Treasury Agreement Rollout Municipal Service and PPP Guidelines | | 999 600 | - | 999 600 | - |



PROJECT DEVELOPMENT FACILITY (PDF)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2009

19. Contingent liabilities (continued)

Movement on PDF and NDPG projects identified for funding during the period (continued):

| # | INSTITUTION | PROJECT NAME | PDF FUNDING COMMITTED | CUMULATIVE EXPENDITURE AS AT 31 MARCH 2008 | EXPENDITURE FOR THE YEAR ENDING 31 MARCH 2009 | FUTURE REMAINING COMMITMENTS |
|----|---|-------------------------------------|-----------------------|--|---|------------------------------|
| 22 | Tlokwe City Council | Waste Management | 500 000 | - | 399 000 | 101 000 |
| 23 | Provincial Department of Local Government - Gauteng | | 2 500 000 | - | - | 2 500 000 |
| 24 | Emalahleni | Development | 1 000 000 | - | - | 1 000 000 |
| 25 | BIOVAC | | 1 000 000 | - | - | 1 000 000 |
| 26 | Correctional Services | Project Officer | 750 000 | - | - | 750 000 |
| 27 | Correctional Services | Fleet Management | 2 000 000 | - | - | 2 000 000 |
| 28 | Eastern Cape Department of Health | Eastern Cape Pharmaceuticals – P049 | 4 846 436 | 3 587 757 | - | 1 258 679 |
| | TOTAL | | 44 291 087 | 10 798 364 | 6 126 010 | 27 366 713 |

20. Operating commitments

| | 2009 | 2008 |
|------------------------------------|---------|---------|
| | R | R |
| | <hr/> | <hr/> |
| Payable within the next 12 months: | | |
| - Contractual commitments | 420 000 | 228 000 |
| Payable between 2 and 5 years: | | |
| - Contractual commitments | 175 000 | 342 000 |

The entity appointed Deloitte & Touche for the outsourced financial management of the Project Development Facility.



PROJECT DEVELOPMENT FACILITY (PDF)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2009

| | 2009 | 2008 |
|---|------------|-----------|
| | R | R |
| | <hr/> | <hr/> |
| 21. Taxation | | |
| No provision is made for taxation, as the entity is exempt from taxation in terms of Section 10(1) (a) of the Income Tax Act (1962). | | |
| 22. Events after the reporting date | | |
| There were no events after balance sheet date that might have a material effect on the fair presentation of the financial statements as at 31 March 2009. | | |
| 23. Related party transactions | | |
| The entity received grants from the following related parties: | | |
| National Treasury | 80 100 000 | 6 000 000 |
| The entity owed the following amounts to related parties: | | |
| Eastern Cape Department of Health | - | 1 503 940 |
| Revenue Fund | 1 503 940 | - |
| | <hr/> | <hr/> |
| | 1 503 940 | 1 503 940 |
| | <hr/> | <hr/> |

The Eastern Cape Department of Health amount comprises the over-recovery of project reimbursement. However, the amount could not be repaid to the Eastern Cape Department of Health and was therefore reversed to income. The amount was then recognised as an expense as it was owed to the Revenue Fund.



PROJECT DEVELOPMENT FACILITY (PDF)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
 for the year ended 31 March 2009

| | 2009 | 2008 |
|---|----------------|----------|
| | R | R |
| 24. Fruitless and wasteful expenditure | | |
| Reconciliation of fruitless and wasteful expenditure | | |
| Fruitless and wasteful expenditure – relating to prior year | - | - |
| Fruitless and wasteful expenditure – relating to current year | 101 408 | - |
| Less: amounts condoned | - | - |
| Less: amounts transferred to receivables for recovery | - | - |
| Fruitless and wasteful expenditure awaiting condonation | <u>101 408</u> | <u>-</u> |
| Analysis of awaiting condonement per economic classification | | |
| Current | 101 408 | - |
| Capital | - | - |
| Transfers and subsidies | - | - |
| Total | <u>101 408</u> | <u>-</u> |



PROJECT DEVELOPMENT FACILITY (PDF)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 March 2009

| | 2009 | 2008 |
|---|---|-------------------|
| | R | R |
| 24. Fruitless and wasteful expenditure (continued) | | |
| Analysis of current year's fruitless and wasteful expenditure | | |
| Incident | Disciplinary taken/ Criminal proceedings | 2009 R |
| The fruitless and wasteful expenditure was incurred due to the timing delays in the inter-transfer of funds between PDF and NDPG bank accounts. The delay inadvertently resulted in interest expense and bank charges being charged on the PDF bank account, as disclosed in note 14. | None | |
| Interest paid | | 100 832 |
| Bank charges | | 576 |
| | | <u>101 408</u> |

No disciplinary action as a result of this loss was taken. Instead management has identified controls that will prevent this in future. The total loss is unrecoverable and has been written off in the current year.



**TECHNICAL ASSISTANCE UNIT
(TAU):**

**A TRADING ENTITY MANAGED
BY THE TAU UNIT OF NATIONAL
TREASURY**

**Annual Financial Statements
for the year ended 31 March 2009**





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REPORT OF THE AUDITOR-GENERAL

TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE TECHNICAL ASSISTANCE UNIT for the year ended 31 March 2009

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Technical Assistance Unit which comprise the statement of financial position as at 31 March 2009, and the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 215 to 227.

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice (SA statements of GAAP) and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in



REPORT OF THE AUDITOR-GENERAL

TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE TECHNICAL ASSISTANCE UNIT (CONTINUED) for the year ended 31 March 2009

order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion the financial statements present fairly, in all material respects, the financial position of the Technical Assistance Unit as at 31 March 2009 and its financial performance and its cash flows for the year then ended, in accordance with South African Statements of Generally Accepted Accounting Practice (SA statements of GAAP) and in the manner required by the PFMA.

Other matters

I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Governance framework

8. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management, and are reflected in the key governance responsibilities addressed below:

Key governance responsibilities

9. The PFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:



REPORT OF THE AUDITOR-GENERAL

TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE TECHNICAL ASSISTANCE UNIT (CONTINUED)

for the year ended 31 March 2009

| No. | Matter | Yes | No |
|-----|--|-----|----|
| | Clear trail of supporting documentation that is easily available and provided in a timely manner | | |
| 1. | No significant difficulties were experienced during the audit concerning delays or the availability of requested information. | X | |
| | Quality of financial statements and related management information | | |
| 2. | The financial statements were not subject to any material amendments resulting from the audit. | X | |
| 3. | The annual report was submitted for consideration prior to the tabling of the auditor's report. | n/a | |
| | Timeliness of financial statements and management information | | |
| 4. | The annual financial statements were submitted for auditing as per the legislated deadlines (section 40 of the PFMA). | X | |
| | Availability of key officials during audit | | |
| 5. | Key officials were available throughout the audit process. | X | |
| | Development and compliance with risk management, effective internal control and governance practices | | |
| 6. | Audit committee | | |
| | <ul style="list-style-type: none"> The trading entity had an audit committee in operation throughout the financial year. | X | |
| | <ul style="list-style-type: none"> The audit committee operates in accordance with approved, written terms of reference. | X | |
| | <ul style="list-style-type: none"> The audit committee substantially fulfilled its responsibilities for the year, as set out in section 77 of the PFMA and Treasury Regulation 3.1.10 | X | |
| 7. | Internal audit | | |
| | <ul style="list-style-type: none"> The trading entity had an internal audit function in operation throughout the financial year. | X | |
| | <ul style="list-style-type: none"> The internal audit function operates in terms of an approved internal audit plan. | X | |
| | <ul style="list-style-type: none"> The internal audit function substantially fulfilled its responsibilities for the year, as set out in Treasury Regulation 3.2 | X | |
| 8. | There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management. | X | |
| 9. | There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations. | X | |



REPORT OF THE AUDITOR-GENERAL

TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE TECHNICAL ASSISTANCE UNIT (CONTINUED)

for the year ended 31 March 2009

| No. | Matter | Yes | No |
|-----|---|-----|----|
| 10. | The information systems were appropriate to facilitate the preparation of the financial statements. | X | |
| 11. | A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in Treasury Regulation 3.2 | X | |
| 12. | Powers and duties have been assigned, as set out in section 44 of the PFMA. | X | |
| | Follow-up of audit findings | | |
| 13. | The prior year audit findings have been substantially addressed. | X | |
| 14. | SCOPA resolutions have been substantially implemented. | n/a | |
| | Issues relating to the reporting of performance information | | |
| 15. | The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete. | n/a | |
| 16. | Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information. | n/a | |
| 17. | A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the Technical Assistance Unit against its mandate, predetermined objectives, outputs, indicators and targets (Treasury Regulations 5.1, 5.2 and 6.1). | n/a | |
| 18. | There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance. | n/a | |

APPRECIATION

12. The assistance rendered by the staff of the Technical Assistance Unit during the audit is sincerely appreciated.

Auditor-General

Pretoria

31 July 2009



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence



THE TECHNICAL ASSISTANCE UNIT TRADING ENTITY

STATEMENT OF FINANCIAL POSITION as at 31 March 2009

| | Notes | 2009 R |
|-----------------------------------|-------|-------------------|
| ASSETS | | |
| Current assets | | |
| Trade receivables | 4 | 2,432,269 |
| Cash and cash equivalents | 5 | 11,397,518 |
| Total assets | | <u>13,829,787</u> |
| NET ASSETS AND LIABILITIES | | |
| Net assets | | |
| Accumulated surplus | | 7,629,562 |
| Net assets | | <u>7,629,562</u> |
| LIABILITIES | | |
| Current liabilities | | |
| Trade and other payables | 6 | 6,200,225 |
| Net assets and liabilities | | <u>13,829,787</u> |



THE TECHNICAL ASSISTANCE UNIT TRADING ENTITY

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 March 2009

| | Notes | 2009 R |
|-----------------------|-------|-------------------------|
| Revenue | 2 | 31,567,145 |
| Operating expenditure | 2 | <u>24,006,081</u> |
| Operating Surplus | | 7,561,064 |
| Interest income | | 68,498 |
| Surplus for the year | | <u><u>7,629,562</u></u> |

**THE TECHNICAL ASSISTANCE UNIT TRADING ENTITY****STATEMENT OF CHANGES IN EQUITY**
for the year ended 31 March 2009

| | Notes | 2009 |
|----------------------------|-------|------------------|
| | | R |
| Accumulated Surplus | | |
| Balance at 01 April 2008 | | - |
| Surplus for the year | | 7,629,562 |
| Balance at 31 March 2009 | | <u>7,629,562</u> |



THE TECHNICAL ASSISTANCE UNIT TRADING ENTITY

CASH FLOW STATEMENT for the year ended 31 March 2009

| | Notes | 2009 R |
|---|-------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from government and other sources | | 32,933,358 |
| Cash paid to suppliers | | <u>(21,604,338)</u> |
| Cash generated from operations | 7 | 11,329,020 |
| Interest Income | | 68,498 |
| Net cash generated from operating activities | | 11,397,518 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | |
| Cash at the beginning of the year | | - |
| TOTAL CASH AT END OF THE YEAR | 5 | <u><u>11,397,518</u></u> |



THE TECHNICAL ASSISTANCE UNIT TRADING ENTITY

ACCOUNTING POLICIES for the year ended 31 March 2009

1. Basis of preparation of financial statements

These Annual Financial Statements are presented in South African Rands. They are prepared on the historical cost basis.

The accounting policies have been consistently applied to the results, assets, liabilities and cash flow of the Trading Entity in the Annual Financial Statements.

No comparative figures have been presented as this is the first year of operations.

The Annual Financial Statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practices (SA GAAP) and the Public Finance Management Act, Act 1 of 1999 as amended.

1.1 Financial assets, investments and liabilities

Initial recognition

Financial instruments are classified, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Trade receivables

Trade and other receivables are categorised as financial assets. Loans and receivables are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial re-organisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the



THE TECHNICAL ASSISTANCE UNIT TRADING ENTITY

ACCOUNTING POLICIES (CONTINUED) for the year ended 31 March 2009

carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

Trade and other payables

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

Cash

Cash comprises cash at bank (including call deposits).

1.2 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts received or receivable. Revenue is recognised when it is probable those future economic benefits will flow to the enterprise and that these benefits can be measured reliable.

Appropriated funds

Appropriated and adjusted appropriated funds are recognised when the funds can be measured reliable on the date the appropriation becomes effective.

Investment Income

Interest income accrues on a time-proportioned basis, taking into account the principal outstanding and the effective interest rate over the period to maturity.

1.3 Provisions

Provisions are recognised when the Trading Entity has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

THE TECHNICAL ASSISTANCE UNIT TRADING ENTITY

ACCOUNTING POLICIES (CONTINUED) for the year ended 31 March 2009

1.4 Irregular and fruitless and wasteful expenditure

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with, a requirement of any applicable legislation, including the PFMA. Fruitless and wasteful expenditure means expenditure that was made in vain and could have been avoided had reasonable care been exercised. In accordance with the requirements of the PFMA, the details are included in a note to the financial statements. Any irregular, fruitless and wasteful expenditure is charged against the respective class of expenses in the period in which it occurred.

1.5 Related parties

The Technical Assistance Unit Trading Entity operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. All national departments of government and state-controlled entities are regarded as related parties in accordance with Circular 4 of 2005: Guidance on the term "state-controlled entities" in context of IAS 24 (AC 126) - Related Parties, issued by the South African Institute of Chartered Accountants.

1.6 Significant judgments, estimates and assumptions

The preparation of annual financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision on future periods if the revision affects both current and future periods.



THE TECHNICAL ASSISTANCE UNIT TRADING ENTITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2009

| | 2009 |
|---|-------------------------|
| | R |
| 2 OPERATING SURPLUS | |
| Operating surplus is arrived at after taking the following into account | |
| Revenue from: | |
| - Government grants received | 20,000,000 |
| - Cost recovery | 11,567,145 |
| | <u>31,567,145</u> |
| Expenditure for: | |
| Bank charges | 1,381 |
| Consultancy fees | 24,004,700 |
| Operating Surplus | <u><u>7,561,064</u></u> |

3 Taxation

No provision has been made for taxation as the Trading Entity is exempt from income tax in terms of section 10(1)(cA) of the Income Tax Act, 1962 (Act No 58 of 1962)

4 Trade Receivables

Gross trade receivables 2,432,269

Credit quality of trade receivables

None of the financial assets that are fully performing has been renegotiated in the current financial year.

Fair value of trade receivables

The fair value of trade receivables (at initial recognition) is equal to the invoice amounts related to these receivables.

Trade receivables

The carrying amount of trade receivables approximates their fair value. There is no foreign currency exposure at the reporting date.



THE TECHNICAL ASSISTANCE UNIT TRADING ENTITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2009

| | 2009 |
|---|-------------------|
| | R |
| 5 Cash | |
| Cash and cash equivalents consists of : | |
| Cash at bank | 119 |
| Call account | 11,397,399 |
| Financial assets | <u>11,397,518</u> |
| 6 Trade and other payables from exchange transactions | |
| Trade payables | 2,401,743 |
| Fees received in advance | 3,798,482 |
| Other accruals | - |
| | <u>6,200,225</u> |
| Creditors and accruals principally comprise amounts outstanding for service providers' services utilised and ongoing costs. | |
| The average credit period taken is less than 30 days. The Trading Entity considers that the carrying amount of trade and other payables approximate their fair value. | |
| Revenue received in advance consists of cost recovery monies received and services not rendered yet. | |
| 7 Cash generated from operations | |
| Surplus for the year | 7,629,562 |
| Adjustments for: | |
| Interest income | (68,498) |
| Changes in working capital | |
| Trade and other receivables | (2,432,269) |
| Trade and other payables | <u>6,200,225</u> |
| | <u>11,329,020</u> |
| 8 Risk management | |
| Operational Risk | |
| Operational risk is the risk of loss arising from system failure, human error or external events. When controls fail to perform, operational risk can cause damage, have legal or regulatory implications or can lead to financial loss. The Trading Entity is constantly monitoring and responding to potential risk thus managing the risk. | |



THE TECHNICAL ASSISTANCE UNIT TRADING ENTITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2009

| | | 2009 |
|--|--|------------|
| | | R |
| 8 Risk management (cont) | | |
| Categories of financial instruments | | |
| Financial assets | | |
| Trade receivables | | 2,432,269 |
| Cash | | 11,397,518 |
| | | 2,401,743 |
| Financial liabilities | | |
| Trade and other payables | | 2,401,743 |

Price risk

As the Trading Entity has no significant interest-bearing assets, the Trading Entity's income and operating cash flows are substantially independent of changes in market interest rates

| Cash flow interest rate risk | Current interest Rate | Due in less than a year | Due in 2 to 5 years |
|-------------------------------------|------------------------------|--------------------------------|----------------------------|
| Financial instruments | | | |
| Trade and other payables | 0.00% | 2,432,269 | - |
| Cash | 9.25% | 11,397,518 | - |
| Trade and other payables | 0.00% | (2,401,743) | - |

Interest rate risk

This risk is the potential financial loss as a result of adverse movement in interest rates that affects the value of bank balances. Nominal interest rate can be split into real interest rate risk and inflation risk. Interest rate risk is managed by investing funds in highly liquid call accounts, at reputable financial institutions, earning market related interest.

Market risk

No significant fluctuations in the market occurred during the year that affected the Trading Entity.

Credit Risk

Financial assets, which potentially subject the TAU Trading Entity to the risk of non-performance by counter parties, consist mainly of cash and accounts receivable.

The Trading Entity limits its treasury counter-part exposure by only dealing with well-established financial institutions approved by the National Treasury.

Trade receivables consist of other government departments.



THE TECHNICAL ASSISTANCE UNIT TRADING ENTITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2009

2009

R

8 Risk management (cont)

Liquidity Risk

The Trading Entity manages liquidity risk through proper management of working capital and proper cash flow projections.

9 Contingencies

In terms of the PFMA, all surplus funds as at the reporting date may be forfeited to National Treasury. A request to National Treasury for the retention of surplus funds to the value of R7,629,561 resulting from operations during the financial year ended 31 March 2009 will be made.

10 Commitments

10.1 Project commitments

Current commitments will be funded from this years' surplus of R7,629,561 as well as future government grants, cost recovery and donor funds.

10.2 Operating Commitments

| | |
|--|------------|
| Payable within the next 12 months | |
| - Contractual commitments | 25,897,549 |
| Payable after 12 months but before 60 months | |
| - Contractual commitments | 3,075,175 |
| Payable after 60 months | Nil |

11 Material losses through criminal conduct, irregular, fruitless and wasteful expenditure

To the best of our knowledge, no material losses through criminal conduct or irregular, fruitless and wasteful expenditure were incurred during the year ended 31 March 2009.



THE TECHNICAL ASSISTANCE UNIT TRADING ENTITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2009

2009

R

12 Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

13 Events after the reporting date

The Accounting Authority is not aware of any matter or circumstance, arising since the end of the financial year to the date of this report in respect of matters which could require adjustments to, or disclosure in, the annual financial statements.

14 Related parties

Amounts included in trade receivables regarding related parties

| | |
|--|-----------|
| Department of Foreign Affairs | 300,000 |
| Department of Health | 525,000 |
| Department of Labour | (206,801) |
| National Department of Sports and Recreation | 326,040 |
| National Treasury | 427,510 |
| The Presidency | 399,360 |
| SASSA | 661,160 |

Related - party transactions

The following transactions were carried out with related parties:

Services provided to related parties

| | |
|--|-----------|
| Department of Education | 5,174,581 |
| Department of Foreign Affairs | 300,000 |
| Department of Health | 525,000 |
| Department of Labour | 1,477,150 |
| National Department of Sports and Recreation | 326,040 |
| National Treasury | 2,473,602 |
| The Presidency | 399,360 |
| SASSA | 661,160 |
| Department of Local Government and Traditional Affairs | 101,517 |

**THE TECHNICAL ASSISTANCE UNIT TRADING ENTITY****NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**
for the year ended 31 March 2009

| | 2009 |
|---|-------------|
| | R |
| 14 Related parties (cont) | |
| Services provided by related parties | |
| National Treasury | 20,000,000 |



CONTENTS

HUMAN RESOURCES MANAGEMENT STATISTICAL REPORT



HUMAN RESOURCES MANAGEMENT STATISTICAL REPORT

1. SERVICE DELIVERY

Organisational environment

The National Treasury remains committed to implementing and reviewing employment policies focused on recruitment and the development and retention of its staff, to enable it to deliver on its mandate. The department implemented a talent management framework, rolled out a new recruitment operating model and enhanced the graduate development programme. The National Treasury places a high premium on quality and professionalism, and various plans are in place to consistently improve the working environment and competencies of our most valuable assets – our staff. The National Treasury strives to be an employer of choice and will continue to offer its staff a working environment that is supportive, valuable and dynamic.

Fiscal, budgeting and accounting reforms

A key strategic function of the National Treasury is ensuring that public funds are spent in an efficient manner that effectively contributes towards the sustainable alleviation of poverty and economic development.

Recent budget reforms have been focused to the value for money agenda. The challenging economic environment means that financing of government spending has coming under pressure. As a result, a value for money agenda is critical in ensuring that scarce resources are being allocated according to the developmental priorities outlined by government, and utilised in an efficient manner. A Comprehensive Expenditure Review will be conducted jointly with the Presidency to identify opportunities to improve the quality of spending and to free up resources to fund new government priorities.

Improving value for money also requires that we invest in stronger financial management. While there has been considerable and ongoing investment in the financial management systems of government, the capacity of practitioners to competently operate these systems is now a big challenge. In this regard, the National Treasury continues invest in building the sustainable capacity of financial practitioners in national and provincial government. A capacity building model has been developed, with key interventions including the Training Outside Public Practice (TOPP) and Standard Chart Of Accounts (SCOA) training programmes.

Economic Policy

The economic policy environment is an active area of work, ongoing research, policy analysis, data assessment, and forecasting in support of National Treasury's needs in the areas of budgeting, macroeconomic policy and factors influencing



economic growth. The global recession has required new ways of looking at economic development and a deeper perspective on international economic issues. Economic growth has remained a key area of work for the National Treasury. The changing global environment also has had serious implications for capital flows into South Africa, and the National Treasury interacts regularly with the markets to assess sentiment and consider changes to risk premia, exchange rate conditions, and bond prices. The budget process remains the central feature of work on economic policy.

Intergovernmental Relations

The characteristics of our democratic system require a well-established intergovernmental system to coordinate and efficiently implement service delivery across government and the public sector at large. The National Treasury compiles consolidated provincial budgets and quarterly expenditure reports required in terms of Section 32 of the PFMA. The National Treasury is also responsible for the consolidated reports on local government required by Section 71 of the MFMA. The quality of the municipal quarterly reports has improved significantly and coverage was extended from 43 municipalities in 2006 to 282 municipalities in the period under review. These reports provide valuable data for Parliament and provincial legislatures to exercise effective oversight over government. The department continues to improve on the quality and integrity of financial data available from provinces and local government.

Grant allocation frameworks have been refined for greater transparency and more concrete performance measures. New conditional grants to provinces were introduced, including the Ilima/Letsema projects under the Agriculture Vote. The rural and transport services infrastructure grant aimed at improving rural transport access was introduced to municipalities.

Budget reforms and stronger financial management practices are being reinforced at the local government level and the department revised the local government fiscal framework in order to provide greater financial support to poor and rural municipalities.

PFMA Implementation

The Public Finance Management Act (PFMA), 2000, is in its tenth year of implementation. There is now a widespread understanding in departments of the Act and its implications for financial management. The focus has shifted toward deepening various processes in government's system of financial management and ensuring adherence to the Act. Managing programme performance information, supply-chain management, asset management and financial reporting are key areas of this system. Although several of these systems have been designed and implemented in some areas, the impact of their implementation will only be realised over the medium term. These continuous improvements will allow government to extend the aims of transparency, efficiency and sustainability in the



use and management of financial resources, and over time realise greater value for money.

Tax Policy

Getting the optimal balance between the tax burden on taxpayers and the demands on government services is an important objective. It must be pursued in a manner that not only promotes certainty for potential and current investors, but is conducive to putting South Africa on a higher job-creating growth path and fairer distribution of wealth. Tax policy also has an important role to play in addressing challenges regarding global warming and climate change. Notwithstanding, tax policy is constantly being adapted to respond to the economic outlook and the needs of specific sectors of our economy. For this system to be effective, up to date and accurate information is critical and hence, collaboration between National Treasury and South African Revenue Service (SARS) experts is regular and robust in the drafting of tax legislation.

Managing public sector debt

Assets and liability management and the debt management strategy of the National Treasury have evolved to include broader support for government's macro-economic objectives. Prudent management of government debt and contingent liabilities declined to around 35 per cent of GDP, while government debt alone fell to about 2.6 per cent. This has created a good basis for government to respond to the economic crisis which has impacted significantly on both the global and domestic economy. As a result of prudent financial management South Africa's foreign currency rating has been upgraded by Moody's from BBB+ to A3 early in 2009 at a time when peer countries' ratings were either kept unchanged or downgraded. This provided the National Treasury with the opportunity to raise funds in foreign capital markets.

International Financial Relations

International financial relations and regional economic integration continue to enjoy relatively high priority. South Africa again played an influential role in the G20 during the period under review, as Heads of State summits were established to deal with the global financial crisis. Regional policy issues largely addressed challenges posed by the global financial crisis, which has slowed down progress towards attaining the MDG's (Millennium Development Goals), through relevant regional institutions such as the African Development Bank and the African Union. South Africa is increasingly becoming a donor in its own right, with funds being channeled via the African Renaissance Fund, and supporting SADC initiatives to promote political consensus in Zimbabwe.



2. EXPENDITURE

Departments budget in terms of clearly defined programmes. The following tables summarise final audited expenditure by programme (Table 2.1) and by salary bands (Table 2.2). In particular, it provides an indication of the amount spent on personnel costs in terms of each of the programmes or salary bands within the department.

Table 2.1 - Personnel costs by programme, 2008/09

| Programme | Total Expenditure (R'000) | Personnel Expenditure (R'000) | Training Expenditure (R'000) | Professional and Special Services (R'000) | Personnel cost as a percent of total expenditure | Average personnel cost per employee (R'000) |
|---|---------------------------|-------------------------------|------------------------------|---|--|---|
| Programme 1 Administration | 203,663 | 69,819 | 2,081 | 35,778 | 34.3 | 234 |
| Programme 2 Economic Planning and Budget Management | 244,056 | 107,328 | 1,211 | 87,385 | 44.0 | 421 |
| Programme 3 Asset and Liability Management | 62,503 | 33,413 | 258 | 28,504 | 53.5 | 393 |
| Programme 4 Financial Management and Systems | 272,720 | 33,438 | 82 | 308 | 12.3 | 363 |
| Programme 5 Financial Accounting and Reporting | 202,987 | 30,656 | 5,108 | 13,825 | 15.1 | 301 |
| Programme 6 Economic Policy and International Financial Relations | 90,294 | 46,346 | 1,170 | 10,753 | 51.3 | 393 |
| Programme 7 Provincial and Local Government Transfers | 7,826,044 | 0 | 0 | 0 | 0 | 0 |
| Programme 8 Civil and Military Pensions, Contributions to Funds | 2,331,262 | 0 | 0 | 17,913 | 0 | 0 |
| Programme 9 Fiscal Transfers | 20,078,580 | 0 | 0 | 0 | 0 | 0 |
| Total | 31,312,109 | 321,000 | 9,910 | 184,466 | | |



Table 2.2 – Personnel costs by salary bands, 2008/09

| Salary bands | Personnel Expenditure (R'000) | % of total personnel cost | Average personnel cost per employee (R'000) |
|--|-------------------------------|---------------------------|---|
| Lower skilled (Levels 1-2) | 131 | 0.04 | 131 |
| Skilled (Levels 3-5) | 5,660 | 1.78 | 107 |
| Highly skilled production (Levels 6-8) | 37,123 | 11.68 | 161 |
| Highly skilled supervision (Levels 9-12) | 129,027 | 40.58 | 293 |
| Senior management (Levels 13-16) | 146,003 | 45.92 | 646 |
| Total | 317,944 | 100.0 | |

NB: Minister and Deputy Minister not included in totals

The following tables provide a summary per programme (Table 2.3) and salary bands (Table 2.4), of expenditure incurred as a result of salaries, overtime, home owners allowance and medical assistance. In each case, the table provides an indication of the percentage of the personnel budget that was used for these items.

Table 2.3 – Salaries, Overtime, Home Owners Allowance and Medical Assistance by programme, 2008/09

| Programme | Salaries | | Overtime | | Home Owners Allowance | | Medical Assistance | |
|--------------|----------------|-----------------------------------|----------------|-----------------------------------|-----------------------|------------------------------|--------------------|---|
| | Amount (R'000) | Salaries as a % of personnel cost | Amount (R'000) | Overtime as a % of personnel cost | Amount (R'000) | HOA as a % of personnel cost | Amount (R'000) | Medical Assistance as a % of personnel cost |
| Programme 1 | 46,743 | 66.9 | 194 | 0.3 | 893 | 1.3 | 1,883 | 2.7 |
| Programme 2 | 66,822 | 62.3 | 5 | 0 | 1,705 | 1.6 | 2,122 | 2.5 |
| Programme 3 | 21,162 | 63.3 | 0 | 0.0 | 339 | 1 | 826 | 2.5 |
| Programme 4 | 21,763 | 65.1 | 0 | 0.0 | 193 | 0.6 | 952 | 2.8 |
| Programme 5 | 18,880 | 61.6 | 0 | 0.0 | 233 | 0.8 | 475 | 1.5 |
| Programme 6 | 28,473 | 61.4 | 0 | 0.0 | 537 | 1.2 | 862 | 1.9 |
| Total | 203,843 | | 199 | | 3,900 | | 7,120 | |



Table 2.4 – Salaries, Overtime, Home Owners Allowance and Medical Assistance by salary bands, 2008/09

| Salary Bands | Salaries | | Overtime | | Home Owners Allowance | | Medical Assistance | |
|--|----------------|-----------------------------------|----------------|-----------------------------------|-----------------------|------------------------------|--------------------|---|
| | Amount (R'000) | Salaries as a % of personnel cost | Amount (R'000) | Overtime as a % of personnel cost | Amount (R'000) | HOA as a % of personnel cost | Amount (R'000) | Medical Assistance as a % of personnel cost |
| Lower skilled (Levels 1-2) | 103 | 78.6 | 0 | 0.0 | 6 | 4.6 | 11 | 8.4 |
| Skilled (Levels 3-5) | 4,034 | 71.3 | 29 | 0.5 | 124 | 2.2 | 318 | 5.6 |
| Highly skilled production (Levels 6-8) | 27,404 | 73.8 | 112 | 0.3 | 618 | 1.7 | 1,609 | 4.3 |
| Highly skilled supervision (Levels 9-12) | 76,440 | 59.2 | 58 | 0 | 1076 | 0.8 | 3100 | 2.4 |
| Senior management (Levels 13-16) | 94,368 | 64.6 | 0 | 0.0 | 2,076 | 1.4 | 2009 | 1.4 |
| Total | 202,349 | | | | 3,900 | | 7,047 | |

NB: Minister and Deputy Minister not included in totals



3. EMPLOYMENT AND VACANCIES

The following tables summarise the number of posts on the establishment, the number of employees, the vacancy rate, and only staff that are additional to the establishment. This information is presented in terms of three key variables: - programme (Table 3.1) and salary band (Table 3.2). Departments have identified critical occupations that need to be monitored. The vacancy rate reflects the percentage of posts that are not filled.

Table 3.1 – Employment and vacancies by programme, 31 March 2009

| Programme | Number of posts (funded and unfunded) | Number of posts filled | Vacancy Rate % | Number of posts filled additional to the establishment |
|---|--|---------------------------|----------------|--|
| Programme 1 Administration | 364 | 298 | 17 | 15 (3 excess) |
| Programme 2 Economic Planning and Budget Management | 304 | 255 | 20 | 25 |
| Programme 3 Asset and Liability Management | 118 | 85 | 18 | 0 |
| Programme 4 Financial Management and Systems | 115 | 92 | 10 | 3 (3 excess) |
| Programme 5 Financial Accounting and Reporting | 195 | 102 | 10 | 0 |
| Programme 6 Economic Policy and international Financial Relations | 199 | 118 | 17 | 7 |
| Total | 1295 | 950 | 16 | 50 (6 excess) |

NB: Minister and Deputy Minister not included in totals.

Vacancy rate % based on the funded filled posts

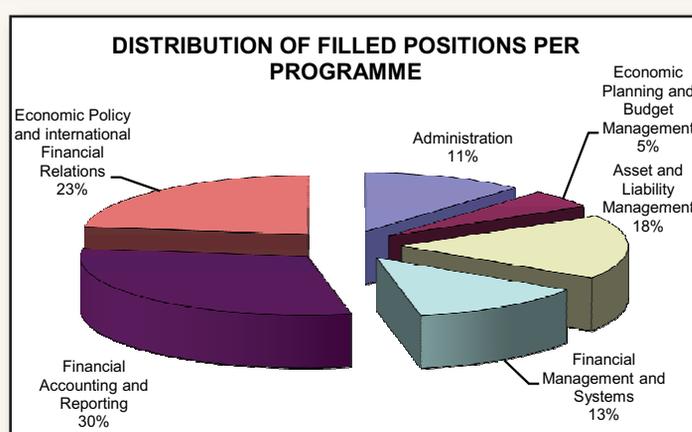


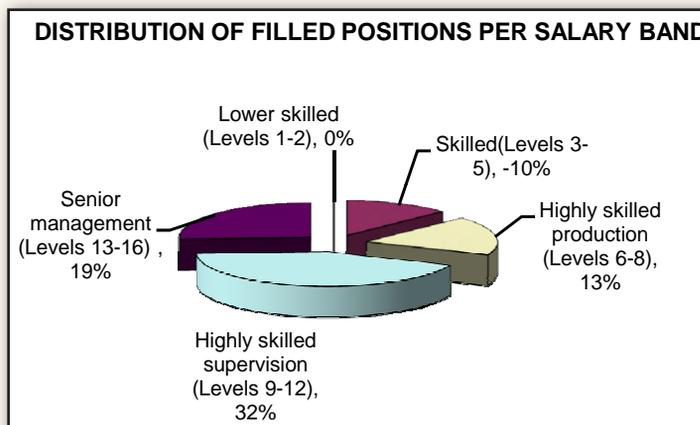


Table 3.2 – Employment and vacancies by salary bands, 31 March 2009

| Salary band | Number of posts | Number of posts filled (total headcount) | Vacancy Rate % | Number of posts filled additional to the establishment |
|---|-----------------|---|----------------|--|
| Lower skilled (Levels 1-2) | 0 | 1 | 0 | 1 (1 excess) |
| Skilled (Levels 3-5) | 52 | 53 | 2 | 5 (1 excess) |
| Highly skilled production (Levels 6-8) | 275 | 230 | 11 | 12 (4 excess) |
| Highly skilled supervision (Levels 9-12) | 665 | 440 | 18 | 13 |
| Senior management (Levels 13-16) | 303 | 226 | 2 | 19 |
| Total | 1295 | 950 | 16 | 50 (6 excess) |

NB: Minister and Deputy Minister not included in totals

Vacancy rate based on the funded filled posts



Note: Critical skills occupations for the National Treasury have not been finalised. However, the following areas are being considered: economists, supply chain consultants, chartered accountants, and tax specialists

The information in each case reflects the situation as at 31 March 2009. For an indication of changes in staffing patterns over the year under review, please refer to section 5 of this report.

4. JOB EVALUATION

The following table (Table 4.1) summarises the number of jobs that were evaluated during the year under review. The table also provides statistics on the number of posts that were upgraded.



Table 4.1 – Job Evaluation, 1 April 2008 to 31 March 2009

| Salary band | Number of posts | Number of Jobs Evaluated | % of posts evaluated by salary bands | Posts Upgraded | | Posts downgraded | |
|--|-----------------|--------------------------|--------------------------------------|----------------|----------------------|------------------|----------------------|
| | | | | Number | % of posts evaluated | Number | % of posts evaluated |
| Lower skilled (Levels 1-2) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Skilled (Levels 3-5) | 52 | 18 | 34.6 | 11 | 10.3 | 0 | 0 |
| Highly skilled production (Levels 6-8) | 275 | 2 | 0.9 | 1 | 0.9 | 0 | 0 |
| Highly skilled supervision (Levels 9-12) | 665 | 52 | 12.7 | 5 | 4.7 | 0 | 0 |
| Senior Management Service Band A | 231 | 30 | 20.3 | 3 | 2.8 | 0 | 0 |
| Senior Management Service Band B | 60 | 5 | 10.4 | 0 | 0 | 0 | 0 |
| Senior Management Service Band C | 11 | 0 | 0 | 0 | 0 | 0 | 0 |
| Senior Management Service Band D | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 1295 | 107 | 11.9 | 20 | 18.7 | 0 | 0 |

The following table provides a summary of the number of employees whose salary positions were upgraded due to their posts being upgraded. The number of employees might differ from the number of posts upgraded since not all employees are automatically absorbed into the new posts and some of the posts upgraded could also be vacant.

Table 4.2 – Profile of employees whose salary positions were upgraded due to their posts being upgraded, 1 April 2008 to 31 March 2009

| Beneficiaries | African | Asian | Coloured | White | Total |
|-----------------------------|----------|----------|----------|----------|----------|
| Female | 2 | 1 | 2 | 1 | 6 |
| Male | 2 | 0 | 1 | 0 | 3 |
| Employees with a disability | 0 | 0 | 0 | 0 | 0 |
| Total | 4 | 1 | 3 | 1 | 9 |



The following table summarises the number of cases where remuneration levels exceeded the grade determined by job evaluation. Reasons for the deviation are provided in each case.

Table 4.3 – Employees whose salary level exceed the grade determined by job evaluation, 1 April 2008 to 31 March 2009 (in terms of PSR 1.V.C.3)

| Occupation | Number of employees | Job evaluation level | Remuneration level | Reason for deviation |
|--|---------------------|----------------------|--------------------|----------------------|
| Chief Director | 4 | 14 | 15 and 16 | Retention |
| Director | 12 | 13 | 14 and 15 | Retention |
| Deputy Director | 34 | 11 and 12 | 12 and 13 | Retention |
| Assistant Director | 11 | 9 and 10 | 10,11 and 12 | Retention |
| Administration | 7 | 7 and 8 | 8,9 and 10 | Retention |
| Office Assistant | 6 | 3,4 and 5 | 5 and 6 | Retention |
| Total number of employees whose salaries exceeded the level determined by job evaluation in 2008/09 | | | | 74 |
| Percentage of total employment | | | | 7.78 |

Table 4.4 summarises the beneficiaries of the above in terms of race, gender, and disability.

Table 4.4 – Profile of employees whose salary level exceed the grade determined by job evaluation, 1 April 2008 to 31 March 2009 (in terms of PSR 1.V.C.3)

| Beneficiaries | African | Asian | Coloured | White | Total |
|---------------|-----------|----------|----------|-----------|-----------|
| Female | 18 | 2 | 2 | 7 | 29 |
| Male | 21 | 5 | 3 | 16 | 45 |
| Total | 39 | 7 | 5 | 23 | 74 |

5. EMPLOYMENT CHANGES

This section provides information on changes in employment over the financial year.

Turnover rates provide an indication of trends in the employment profile of the department. The following table provides a summary of turnover rates by salary band (Table 5.1).

Table 5.1 – Annual turnover rates by salary band for the period 1 April 2008 to 31 March 2009

| Salary Band | Number of employees per band as on 31 March 2008 | Appointments and transfers into the department | Terminations and transfers out of the department | Turnover rate % |
|---|--|--|--|-----------------|
| Lower skilled (Levels 1-2) | 1 | 0 | 0 | 0 |
| Skilled (Levels 3-5) | 50 | 5 | 4 | 8 |
| Highly skilled production(Levels 6-8) | 208 | 58 | 36 | 17 |
| Highly skilled supervision(Levels 9-12) | 342 | 103 | 61 | 18 |
| Senior Management Service Band A | 148 | 47 | 26 | 18 |
| Senior Management Service Band B | 47 | 10 | 5 | 11 |
| Senior Management Service Band C | 12 | 4 | 2 | 17 |
| Senior Management Service Band D | 1 | 0 | 0 | 0 |
| Total | 809 | 227 | 134 | 17 |

NB: Minister and Deputy Minister not included in totals



Table 5.2 identifies the major reasons why staff left the department.

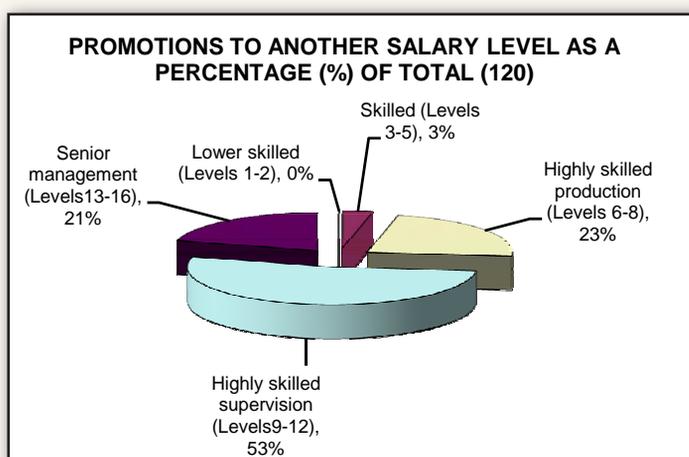
Table 5.2 – Reasons why staff are leaving the department

| Termination Type | Number | % of total |
|--|------------|------------|
| Death | 2 | 1 |
| Resignation | 93 | 69 |
| Expiry of contract | 6 | 4 |
| Dismissal – operational changes | 0 | 0 |
| Dismissal – misconduct | 0 | 0 |
| Dismissal – inefficiency | 0 | 0 |
| Discharged due to ill-health | 0 | 0 |
| Retirement | 3 | 2 |
| Severance Package | 0 | 0 |
| Transfers to other Public Service Departments | 30 | 22 |
| Total | 134 | 100 |
| Total number of employees who left as a % of the total employment | | 14 |

Table 5.3 – Promotions by salary band

| Salary Band | Employees 31 March 2008 | Promotions to another salary level | Salary bands promotions as a % of employees by salary level |
|--|----------------------------|--|---|
| Lower skilled (Levels 1-2) | 1 | 0 | 0 |
| Skilled (Levels 3-5) | 50 | 4 | 8 |
| Highly skilled production (Levels 6-8) | 208 | 28 | 13 |
| Highly skilled supervision (Levels 9-12) | 342 | 63 | 18 |
| Senior management (Levels 13-16) | 208 | 25 | 12 |
| Total | 809 | 120 | 15 |

NB: Minister and Deputy Minister not included in totals





6. EMPLOYMENT EQUITY

The tables in this section are based on the formats prescribed by the Employment Equity Act, 55 of 1998.

Table 6.1 – Total number of employees (including employees with disabilities) in each of the following occupational categories as at 31 March 2009

| Occupational categories (SASCO) | Male | | | | Female | | | | Total |
|--|------------|-----------|-----------|-----------|------------|-----------|-----------|------------|------------|
| | African | Coloured | Indian | White | African | Coloured | Indian | White | |
| Legislators, senior officials and managers | 55 | 14 | 17 | 37 | 35 | 5 | 6 | 27 | 196 |
| Professionals | 137 | 17 | 16 | 49 | 154 | 12 | 16 | 63 | 464 |
| Technicians and associate professionals | 53 | 2 | 2 | 5 | 113 | 16 | 7 | 41 | 239 |
| Clerks | 12 | 1 | 1 | 0 | 9 | 1 | 0 | 0 | 24 |
| Service and sales workers | 6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6 |
| Plant and machine operators and assemblers | 7 | 2 | 0 | 0 | 12 | 0 | 0 | 0 | 21 |
| Elementary occupations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 270 | 36 | 36 | 91 | 323 | 34 | 29 | 131 | 950 |

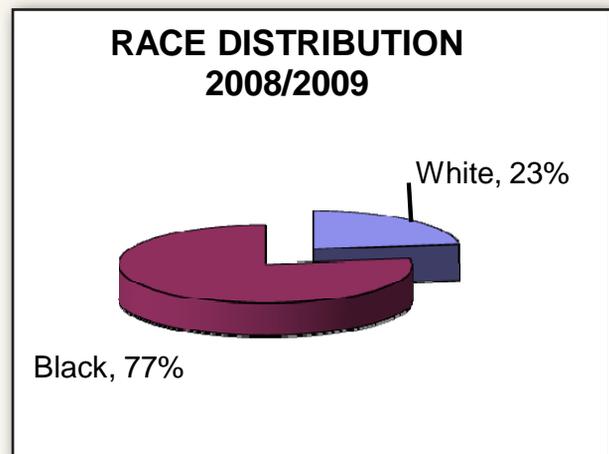
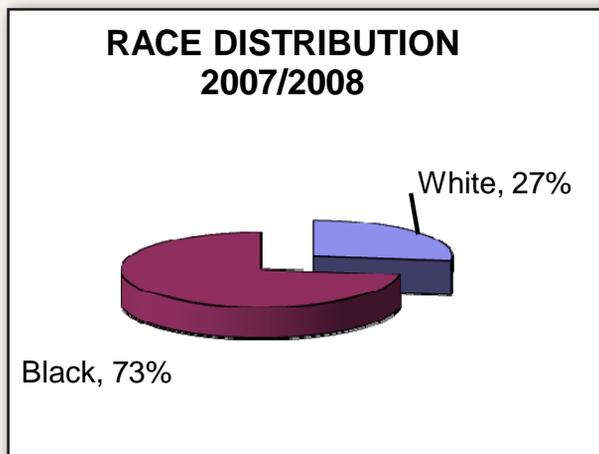




Table 6.2 – Total number of employees (including employees with disabilities) in each of the following occupational bands as at 31 March 2009

| Occupational Bands | Male | | | | Female | | | | Total |
|---|------------|-----------|-----------|-----------|------------|-----------|-----------|------------|------------|
| | African | Coloured | Indian | White | African | Coloured | Indian | White | |
| Top Management | 19 | 5 | 12 | 22 | 7 | 5 | 1 | 9 | 80 |
| Senior Management | 43 | 12 | 6 | 20 | 35 | 2 | 7 | 24 | 149 |
| Professionally qualified and experienced specialists and mid-management | 123 | 14 | 16 | 39 | 129 | 12 | 14 | 59 | 406 |
| Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents | 60 | 3 | 2 | 8 | 126 | 14 | 7 | 39 | 259 |
| Semi-skilled and discretionary decision making | 25 | 2 | 0 | 1 | 25 | 1 | 0 | 0 | 54 |
| Unskilled and defined decision making | 0 | 0 | 0 | 1 | 1 | 0 | 0 | 0 | 2 |
| Total | 270 | 36 | 36 | 91 | 323 | 34 | 29 | 131 | 950 |

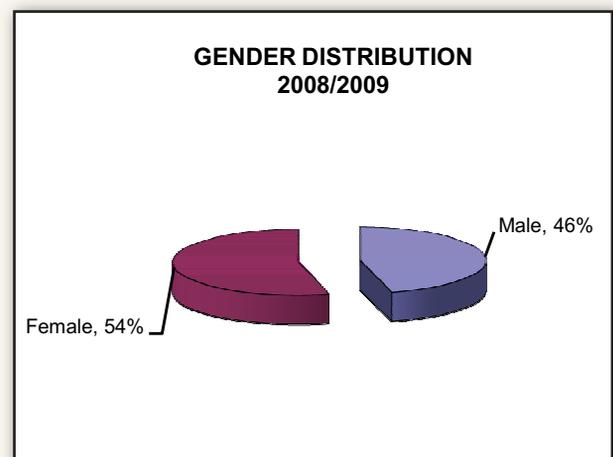
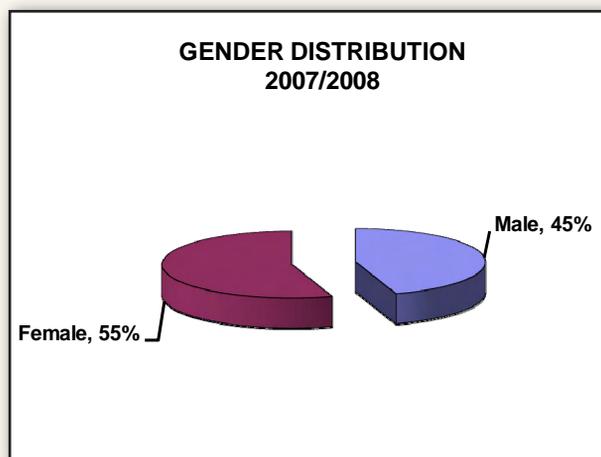




Table 6.3 – Recruitment for the period 1 April 2008 to 31 March 2009

| Occupational Bands | Male | | | | Female | | | | Total |
|---|-----------|----------|----------|-----------|-----------|----------|----------|-----------|------------|
| | African | Coloured | Indian | White | African | Coloured | Indian | White | |
| Top Management | 2 | 0 | 2 | 1 | 0 | 0 | 0 | 1 | 6 |
| Senior Management | 7 | 0 | 0 | 2 | 5 | 0 | 1 | 1 | 16 |
| Professionally qualified and experienced specialists and mid-management | 45 | 0 | 4 | 7 | 38 | 5 | 2 | 9 | 110 |
| Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents | 33 | 1 | 1 | 3 | 40 | 4 | 2 | 3 | 87 |
| Semi-skilled and discretionary decision making | 4 | 0 | 0 | 0 | 2 | 0 | 0 | 0 | 6 |
| Unskilled and defined decision making | 0 | 0 | 0 | 0 | 2 | 0 | 0 | 0 | 2 |
| Employees with disabilities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 91 | 1 | 7 | 13 | 87 | 9 | 5 | 14 | 227 |

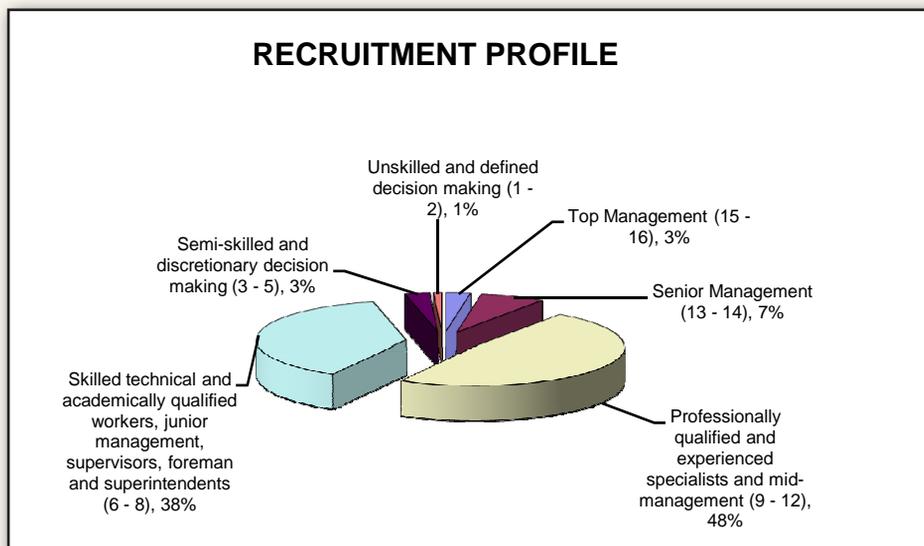




Table 6.4 – Promotions for the period 1 April 2008 to 31 March 2009

| Occupational Bands | Male | | | | Female | | | | Total |
|---|-----------|----------|----------|----------|-----------|----------|----------|-----------|------------|
| | African | Coloured | Indian | White | African | Coloured | Indian | White | |
| Top Management | 0 | 0 | 0 | 1 | 1 | 0 | 0 | 0 | 2 |
| Senior Management | 7 | 1 | 1 | 5 | 5 | 0 | 0 | 4 | 23 |
| Professionally qualified and experienced specialists and mid-management | 19 | 3 | 3 | 2 | 24 | 2 | 4 | 6 | 63 |
| Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents | 4 | 0 | 0 | 0 | 18 | 0 | 1 | 5 | 28 |
| Semi-skilled and discretionary decision making | 1 | 0 | 0 | 0 | 3 | 0 | 0 | 0 | 4 |
| Unskilled and defined decision making | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Employees with disabilities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 31 | 4 | 4 | 8 | 51 | 2 | 5 | 15 | 120 |

Table 6.5 – Terminations for the period 1 April 2008 to 31 March 2009

| Occupational Bands | Male | | | | Female | | | | Total |
|---|-----------|----------|----------|-----------|-----------|----------|----------|-----------|------------|
| | African | Coloured | Indian | White | African | Coloured | Indian | White | |
| Top Management | 4 | 2 | 0 | 1 | 1 | 0 | 0 | 1 | 9 |
| Senior Management | 6 | 1 | 1 | 4 | 1 | 1 | 1 | 3 | 18 |
| Professionally qualified and experienced specialists and mid-management | 12 | 2 | 1 | 6 | 6 | 2 | 5 | 6 | 40 |
| Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents | 12 | 1 | 1 | 1 | 15 | 2 | 2 | 2 | 36 |
| Semi-skilled and discretionary decision making | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 1 |
| Unskilled and defined decision making | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 34 | 6 | 3 | 12 | 24 | 5 | 8 | 12 | 104 |

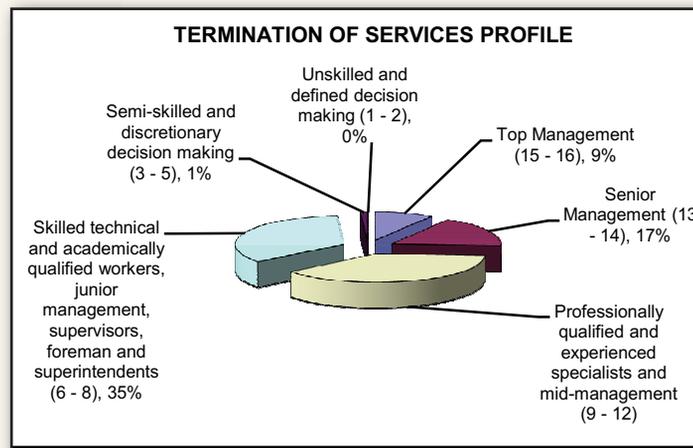


Table 6.6 – Disciplinary action for the period 1 April 2008 to 31 March 2009

| | Male | | | | Female | | | | Total |
|----------------------------|---------|----------|--------|-------|---------|----------|--------|-------|-------|
| | African | Coloured | Indian | White | African | Coloured | Indian | White | |
| Disciplinary action | 8 | 1 | 0 | 0 | 2 | 0 | 0 | 0 | 11 |

Table 6.7 – Skills development for the period 1 April 2008 to 31 March 2009

| Occupational categories | Male | | | | Female | | | | |
|--|------------|-----------|-----------|-----------|------------|-----------|-----------|------------|------------|
| | African | Coloured | Indian | White | African | Coloured | Indian | White | |
| Legislators, senior officials and managers | 55 | 13 | 17 | 36 | 35 | 5 | 6 | 27 | 194 |
| Professionals | 119 | 14 | 14 | 44 | 117 | 7 | 14 | 51 | 380 |
| Technicians and associate professionals | 17 | 3 | 2 | 7 | 38 | 5 | 2 | 12 | 86 |
| Clerks | 53 | 2 | 2 | 5 | 113 | 16 | 7 | 41 | 239 |
| Service and sales workers | 12 | 1 | 1 | 0 | 9 | 1 | 0 | 0 | 24 |
| Skilled agriculture and fishery workers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Craft and related trades workers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Plant and machine operators and assemblers | 6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6 |
| Elementary occupations | 7 | 2 | 0 | 0 | 12 | 0 | 0 | 0 | 21 |
| Total | 269 | 35 | 36 | 92 | 324 | 34 | 29 | 131 | 950 |
| Employees with disabilities | 1 | 0 | 0 | 2 | 0 | 0 | 0 | 3 | 0 |



7. PERFORMANCE REWARDS

To encourage good performance, the department has granted the following performance rewards during the year under review. The information is presented in terms of race, gender, and disability (Table 7.1), salary bands (table 7.2) and critical occupations (Table 7.3).

Table 7.1 – Performance Rewards by race, gender, and disability, 1 April 2008 to 31 March 2009

| | Beneficiary Profile | | | Cost | |
|-----------------|-------------------------|------------------------------------|-------------------------|---------------|---------------------------|
| | Number of beneficiaries | Total number of employees in group | % of total within group | Cost (R'000) | Average cost per employee |
| African | 307 | 454 | 68 | 7,546 | 25 |
| Male | 136 | 205 | 66 | 4,276 | 31 |
| Female | 171 | 249 | 69 | 3,270 | 19 |
| Asian | 54 | 64 | 84 | 2,030 | 38 |
| Male | 28 | 31 | 90 | 1,203 | 43 |
| Female | 26 | 33 | 79 | 827 | 32 |
| Coloured | 60 | 69 | 87 | 1,928 | 32 |
| Male | 36 | 39 | 92 | 1,206 | 34 |
| Female | 24 | 30 | 80 | 722 | 30 |
| White | 194 | 222 | 87 | 7,559 | 39 |
| Male | 75 | 92 | 82 | 3,634 | 48 |
| Female | 119 | 130 | 92 | 3,925 | 33 |
| Total | 615 | 809 | 76 | 19,063 | 31 |

Table 7.2 – Performance Rewards by salary bands for personnel below Senior Management Service, 1 April 2008 to 31 March 2009

| Salary Bands | Beneficiary Profile | | | Cost | | |
|--|-------------------------|---------------------|--------------------------------|--------------------|-----------------------------------|--|
| | Number of beneficiaries | Number of employees | % of total within salary bands | Total Cost (R'000) | Average cost per employee (R'000) | Total cost as a % of the total personnel expenditure |
| Lower skilled (Levels 1-2) | 0 | 1 | 0 | 0 | 0 | 0 |
| Skilled (Levels 3-5) | 44 | 50 | 80 | 0,338 | 7 | 0.10 |
| Highly skilled production (Levels 6-8) | 127 | 208 | 61 | 1,569 | 12 | 0.48 |
| Highly skilled supervision (Levels 9-12) | 264 | 342 | 77 | 6,798 | 25 | 2.08 |
| Total | 435 | 601 | 72 | 8,705 | 20 | 2.66 |



Table 7.3 – Performance related rewards (cash bonus), by salary band, for Senior Management Service

| Salary Band | Beneficiary Profile | | | Total Cost (R'000) | Average cost per employee | Total cost as a % of the total personnel expenditure |
|--------------|-------------------------|---------------------|------------------------|--------------------|---------------------------|--|
| | Number of beneficiaries | Number of employees | % of total within band | | | |
| Band A | 128 | 150 | 85 | 5,793 | 45 | 1.80 |
| Band B | 43 | 49 | 88 | 3,699 | 86 | 1.15 |
| Band C | 9 | 9 | 100 | 0,866 | 96 | 0.27 |
| Band D | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 180 | 208 | 87 | 10,358 | 57 | 3.23 |

8. LEAVE UTILISATION FOR THE PERIOD 1 JANUARY 2008 TO 31 DECEMBER 2008

The Public Service Commission identified the need for careful monitoring of sick leave within the public service. The following tables provide an indication of the use of sick leave (Table 8.1) and disability leave (Table 8.2). In both cases, the estimated cost of the leave is also provided.

Table 8.1 – Sick leave, 1 January 2008 to 31 December 2008

| Salary Band | Total days | % days with medical certification | Number of Employees using sick leave | % of total employees using sick leave | Average days per employee | Estimated Cost (R'000) |
|--|--------------|-----------------------------------|--------------------------------------|---------------------------------------|---------------------------|------------------------|
| Lower skilled (Levels 1-2) | 19 | 100 | 1 | 0.49 | 19 | 2 |
| Skilled (Levels 3-5) | 270 | 81.5 | 35 | 5.4 | 8 | 53 |
| Highly skilled production (Levels 6-8) | 1123 | 72.9 | 176 | 26.9 | 6 | 494 |
| Highly skilled supervision (Levels 9-12) | 1672 | 72.4 | 293 | 44.8 | 6 | 1602 |
| Senior management (Levels 13-16) | 796 | 66.5 | 149 | 22.8 | 5 | 1477 |
| Total | 3,880 | 150 | 654 | 100 | 6 | 4,091 |



Table 8.2 – Disability leave (temporary and permanent), 1 January 2008 to 31 December 2008

| Salary Band | Total days taken | % days with medical certification | Number of Employees using disability leave | % of total employees using disability leave | Average days per employee | Estimated Cost (R'000) |
|--|------------------|-----------------------------------|--|---|---------------------------|------------------------|
| Lower skilled (Levels 1-2) | 0 | 0 | 0 | 0 | 0 | 0 |
| Skilled (Levels 3-5) | 0 | 0 | 0 | 0 | 0 | 0 |
| Highly skilled production (Levels 6-8) | 196 | 100 | 10 | 55.6 | 20 | 101 |
| Highly skilled supervision (Levels 9-12) | 192 | 100 | 7 | 38.9 | 27 | 138 |
| Senior management (Levels 13-16) | 3 | 100 | 1 | 5.6 | 3 | 7 |
| Total | 391 | 100 | 18 | 100 | 22 | 246 |

Table 8.3 summarises the utilisation of annual leave. The wage agreement concluded with trade unions in the PSCBC in 2000 requires management of annual leave to prevent high levels of accrued leave being paid at the time of termination of service.

Table 8.3 – Annual Leave, 1 January 2008 to 31 December 2008

| Salary Bands | Total days taken | Average per employee |
|--|------------------|----------------------|
| Lower skilled (Levels 1-2) | 24 | 24 |
| Skilled (Levels 3-5) | 938 | 16 |
| Highly skilled production (Levels 6-8) | 3899.52 | 17 |
| Highly skilled supervision (Levels 9-12) | 7724.28 | 18 |
| Senior management (Levels 13-16) | 4821.88 | 20 |
| Total | 17 407.68 | 18 |

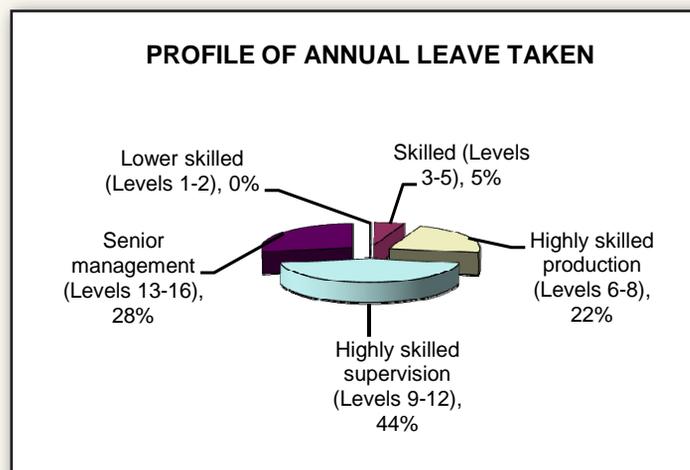




Table 8.4 – Capped leave, 1 January 2008 to 31 December 2008

| Salary Bands | Total days of capped leave taken | Average number of days taken per employee | Average capped leave per employee as at 31 December 2008 |
|--|----------------------------------|---|--|
| Lower skilled (Levels 1-2) | 0 | 0 | 0 |
| Skilled (Levels 3-5) | 0 | 0 | 0 |
| Highly skilled production (Levels 6-8) | 16 | 2 | 21 |
| Highly skilled supervision (Levels 9-12) | 144 | 7 | 37 |
| Senior management (Levels 13-16) | 14 | 4 | 67 |
| Total | 174 | 6 | 41 |

Table 8.5 – Leave payouts for the period 1 April 2008 to 31 March 2009

The following table summarises payments made to employees as a result of leave that was not taken.

| REASON | Total Amount (R'000) | Number of Employees | Average payment per employee (R'000) |
|---|----------------------|---------------------|--------------------------------------|
| Leave payout for 2008/09 due to non-utilisation of leave for the previous cycle | 0 | 0 | 0 |
| Capped leave payouts on termination of service for 2008/09 | 277 | 3 | 92 |
| Current leave payout on termination of service for 2008/09 | 1018 | 88 | 11 |
| Total | 1,295 | 91 | 14 |

9 HIV AND AIDS & HEALTH PROMOTION PROGRAMMES

Table 9.1 – Steps taken to reduce the risk of occupational exposure

| Units/categories of employees identified to be at high risk of contracting HIV & related diseases (if any) | Key steps taken to reduce the risk |
|--|---|
| None | Conduct quarterly Voluntary Counselling and Testing |



Table 9.2 – Details of Health Promotion and HIV and AIDS Programmes (tick the applicable boxes and provide the required information)

| Question | Yes | No | Details, if yes |
|--|-----|----|--|
| 1. Has the department designated a member of the SMS to implement the provisions contained in Part VI E of Chapter 1 of the Public Service Regulations, 2001? If so, provide her/his name and position. | X | | Director: Organisational Development |
| 2. Does the department have a dedicated unit or has it designated specific staff members to promote the health and well being of your employees? If so, indicate the number of employees who are involved in this task and the annual budget that is available for this purpose. | X | | One (1) internal Human Resources Specialist: Employee Wellness Programme (EWP), supported by an external Employee Wellness service provider (ICAS). |
| 3. Has the department introduced an Employee Assistance or Health Promotion Programme for employees? If so, indicate the key elements/services of this Programme. | X | | <ul style="list-style-type: none"> • Confidential counselling • Assessed and referred employees for interventions including: financial and legal advice, relationships, family matters, substance abuse, work stress, depression, trauma and other Health issues. • Health awareness campaigns including Voluntary Counselling and Testing (VCT) • Conducted needs assessment and knowledge, attitude, behaviour and practical study. • Work-life programmes that included sports activities. |
| 4. Has the department established (a) committee(s) as contemplated in Part VI E.5 (e) of Chapter 1 of the Public Service Regulations, 2001? If so, please provide the names of the members of the committee and the stakeholder(s) that they represent. | X | | <p>Composed 10 internal members.</p> <ul style="list-style-type: none"> • Hilda Mhlongo (CS) • Sheridan Pillay (DGO) • Dalu Majeke (CS) • Thabsile Shezi (EPIF) • Georgina Chauke (CS) • Marius Klue (OAG) • Betty Malope (CS) • Innocentia Machaba (SF) • Johnny October (CS) • Rebecca Modiba (CS) |
| 5. Has the department reviewed its employment policies and practices to ensure that these do not unfairly discriminate against employees on the basis of their HIV status? If so, list the employment policies/practices so reviewed. | X | | <p>The department's HIV and AIDS policy continued to give a solid platform for ensuring non-discriminatory practices against HIV- positive employees.</p> <p>All other employment policies do not discriminate against employees on the basis of their HIV status.</p> |
| 6. Has the department introduced measures to protect HIV-positive employees or those perceived to be HIV-positive from discrimination? If so, list the key elements of these measures. | X | | The HIV and AIDS policy emphasises confidentiality and the names of all employees tested are kept confidentially by an external VCT service provider. The disease management process for those who are positive is done through GEMS and information is also not disclosed to the employer. |
| 7. Does the department encourage its employees to undergo Voluntary Counselling and Testing? If so, list the results that you have you achieved. | X | | VCT was conducted on 30 June 2008 and 184 employees were tested, in December 2008 and 176 employees were tested and in April 2009 but results are still outstanding. |
| 8. Has the department developed measures/indicators to monitor and evaluate the impact of its health promotion programme? If so, list these measures/indicators. | | X | |



10 LABOUR RELATIONS

The following collective agreements were entered into with trade unions within the department.

Table 10.1 – Collective agreements, 1 April 2008 to 31 March 2009

| Subject Matter | Date |
|---|--------------|
| Working conditions of Security officials within National Treasury | 14 July 2008 |

The following table summarises the outcome of disciplinary hearings conducted within the department for the year under review.

Table 10.2 – Misconduct and disciplinary hearings finalised, 1 April 2008 to 31 March 2009

| Outcomes of disciplinary hearings | Number | % of total |
|-----------------------------------|----------|------------|
| Correctional counselling | 0 | 0 |
| Verbal warning | 1 | 11.1 |
| Written warning | 4 | 44.4 |
| Final written warning | 3 | 33.3 |
| Suspended without pay | 1 | 11.1 |
| Fine | 0 | 0 |
| Demotion | 0 | 0 |
| Dismissal | 0 | 0 |
| Not guilty | 0 | 0 |
| Case withdrawn | 0 | 0 |
| Total | 9 | 100 |

Table 10.3 – Types of misconduct addressed at disciplinary hearings

| Type of misconduct | Number | % of total |
|---|-----------|------------|
| Gross insubordination | 0 | 0 |
| Unauthorised use of telephone pin code | 0 | 0 |
| Incapacity | 0 | 0 |
| Negligence | 3 | 30 |
| Negligence and insubordination | 1 | 10 |
| Negligence, insubordination and absenteeism | 2 | 20 |
| Absenteeism | 1 | 10 |
| Abuse of National Treasury property | 3 | 30 |
| Total | 10 | 100 |

Table 10.4 – Grievances lodged for the period 1 April 2007 to 31 March 2008

| | Number | % of total |
|--|-----------|------------|
| Number of grievances resolved | 9 | 81.8 |
| Number of grievances not resolved | 2 | 18.2 |
| Total number of grievances lodged | 11 | 100 |



Table 10.5 – Disputes lodged with Councils for the period 1 April 2008 to 31 March 2009

| | Number | % of total |
|--|---------------|-------------------|
| Number of disputes upheld | 2 | 66.7 |
| Number of disputes dismissed | 1 | 33.3 |
| Total number of disputes lodged | 3 | 100 |

Table 10.6 – Strike actions for the period 1 April 2008 to 31 March 2009

| | |
|--|---|
| Total number of person working days lost | |
| Total cost (R'000) of working days lost | 0 |
| Amount (R'000) recovered as a result of no work no pay | 0 |

Table 10.7 – Precautionary suspensions for the period 1 April 2008 to 31 March 2009

| | |
|--|---|
| Number of people suspended | 0 |
| Number of people whose suspension exceeded 30 days | 0 |
| Average number of days suspended | 0 |
| Cost (R'000) of suspensions | 0 |



11 SKILLS DEVELOPMENT

This section highlights the efforts of the department with regard to skills development

Table 11.1 – Training needs identified 1 April 2008 to 31 March 2009

| Occupational Categories | Gender | Number of employees as at 1 April 2009 | Training needs identified at start of reporting period | | | |
|--|--------|--|--|---|-------------------------|------------|
| | | | Learnerships | Skills Programmes & other short courses | Other forms of training | Total |
| Legislators, senior officials and managers | Female | 73 | 0 | 61 | 0 | 61 |
| | Male | 121 | 0 | 96 | 0 | 96 |
| Professionals | Female | 189 | 0 | 130 | 0 | 130 |
| | Male | 191 | 0 | 146 | 0 | 146 |
| Technicians and associate professionals | Female | 57 | 8 | 25 | 0 | 33 |
| | Male | 29 | 9 | 51 | 0 | 60 |
| Clerks | Female | 177 | 28 | 148 | 0 | 176 |
| | Male | 62 | 31 | 39 | 0 | 70 |
| Service and sales workers | Female | 10 | 0 | 12 | 0 | 12 |
| | Male | 14 | 0 | 10 | 0 | 10 |
| Skilled agriculture and fishery workers | Female | 0 | 0 | 0 | 0 | 0 |
| | Male | 0 | 0 | 0 | 0 | 0 |
| Craft and related trades workers | Female | 0 | 0 | 0 | 0 | 0 |
| | Male | 0 | 0 | 0 | 0 | 0 |
| Plant and machine operators and assemblers | Female | 0 | 0 | 0 | 0 | 0 |
| | Male | 6 | 1 | 6 | 0 | 7 |
| Elementary occupations | Female | 12 | 8 | 12 | 0 | 20 |
| | Male | 9 | 2 | 3 | 0 | 5 |
| Sub Total | Female | 518 | 44 | 388 | 0 | 432 |
| | Male | 432 | 43 | 351 | 0 | 394 |
| Total | | 950 | 87 | 739 | 0 | 826 |



Table 11.2 – Training provided 1 April 2008 to 31 March 2009

| Occupational Categories | Gender | Number of employees as at 1 April 2009 | Training provided within the reporting period | | | |
|--|--------|--|---|---|-------------------------|------------|
| | | | Learnerships | Skills Programmes & other short courses | Other forms of training | Total |
| Legislators, senior officials and managers | Female | 73 | 0 | 61 | 0 | 61 |
| | Male | 121 | 0 | 62 | 0 | 62 |
| Professionals | Female | 189 | 0 | 111 | 0 | 111 |
| | Male | 191 | 0 | 109 | 0 | 109 |
| Technicians and associate professionals | Female | 57 | 8 | 49 | 0 | 57 |
| | Male | 29 | 9 | 38 | 0 | 47 |
| Clerks | Female | 177 | 28 | 220 | 0 | 248 |
| | Male | 62 | 31 | 212 | 0 | 243 |
| Service and sales workers | Female | 10 | 0 | 0 | 0 | 0 |
| | Male | 14 | 0 | 13 | 0 | 13 |
| Skilled agriculture and fishery workers | Female | 0 | 0 | 0 | 0 | 0 |
| | Male | 0 | 0 | 0 | 0 | 0 |
| Craft and related trades workers | Female | 0 | 0 | 0 | 0 | 0 |
| | Male | 0 | 0 | 0 | 0 | 0 |
| Plant and machine operators & assemblers | Female | 0 | 0 | 0 | 0 | 0 |
| | Male | 6 | 1 | 0 | 0 | 1 |
| Elementary occupations | Female | 12 | 8 | 3 | 0 | 11 |
| | Male | 9 | 2 | 2 | 0 | 4 |
| Sub Total | Female | 518 | 44 | 444 | 0 | 488 |
| | Male | 432 | 43 | 436 | 0 | 479 |
| Total | | 950 | 83 | 880 | 0 | 967 |

12 INJURY ON DUTY

The following tables provide basic information on injury on duty.

Table 12.1 – Injury on duty, 1 April 2008 to 31 March 2009

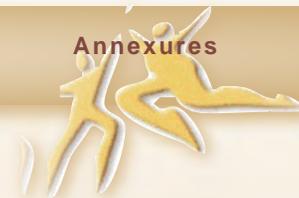
| Nature of injury on duty | Number | % of total |
|---------------------------------------|----------|------------|
| Required basic medical attention only | 4 | 100 |
| Temporary Total Disablement | 0 | 0 |
| Permanent Disablement | 0 | 0 |
| Fatal | 0 | 0 |
| Total | 4 | 100 |



ANNEXURES

Annexure 1: Abbreviations

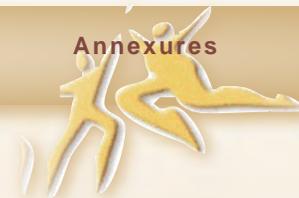
| | |
|--------|---|
| ACCC | Anti-Corruption Coordinating Committee |
| ADB | African Development Bank |
| ADF | African Development Fund |
| AFIS | Automated Fingerprint Identification System |
| APRM | African Peer Review Mechanism |
| ASB | Accounting Standards Board |
| AU | African Union |
| BAS | Basic Accounting System |
| BIS | Bank for International Settlements |
| CFTC | Commonwealth Fund for Technical Cooperation |
| CGE | Computable General Equilibrium |
| CISNA | Securities and Non-banking Financial Authorities |
| CMU | Contract Management Unit |
| CMA | Common Monetary Area |
| CPD | Corporation for Public Deposits |
| DBSA | Development Bank of Southern Africa |
| DCIS | Development Corporation Information System |
| DOC | Department of Communications |
| DPE | Department of Public Enterprises |
| DME | Department of Minerals and Energy |
| DPSA | Department of Public Service and Administration |
| ED | Exposure Drafts |
| EU | European Union |
| FATF | Financial Action Task Force |
| FFC | Financial and Fiscal Commission |
| FIC | Financial Intelligence Centre |
| FMS | Financial Management System |
| FOSAD | Forum of SA Directors-General |
| FSB | Financial Services Board |
| G20 | Group of Twenty Countries |
| G24 | Group of Twenty-Four Countries |
| GAMAP | Generally Accepted Municipal Accounting Practices |
| GCC | Guarantee Certification Committee |
| GCIS | Government Communications and Information System |
| GDS | Growth and Development Summit |
| GEPF | Government Employee Pension Fund |
| GFECRA | Gold and Foreign Exchange Contingency Reserve Account |



| | |
|--------|---|
| GRAP | Generally Recognised Accounting Practices |
| HDI | Historically Disadvantaged Individual |
| HEDCOM | Heads of Education Departments Committee |
| HIPC | Highly Indebted Poor Countries |
| HSRC | Human Sciences Research Council |
| IAS | International Accounting Standards |
| IDC | International Development Cooperation |
| IFAC | International Federation of Accountants |
| IFMS | Integrated Financial Management Systems |
| IJS | Integrated Justice Sector |
| IMF | International Monetary Fund |
| IMFC | International Monetary and Financial Committee |
| IOSCO | International Organisation of Securities Commissions |
| IPFA | Institute for Public Finance and Auditing |
| IPSAS | International Public Sector Accounting Standards |
| ISDA | International Swaps and Derivatives Association |
| LRAD | Land Reform for Agricultural Development |
| MFI | Micro-Finance Intermediaries |
| MFMA | Municipal Financial Management Act |
| MFMTAP | Municipal Finance Management Technical Assistance Project |
| MOU | Memorandum of Understanding |
| MSP | Master Systems Plan |
| MTEF | Medium-Term Expenditure Framework |
| NCOP | National Council of Provinces |
| NEDLAC | National Economic Development and Labour Council |
| NEPAD | New Partnership for Africa's Development |
| NERSA | National Energy Regulator of South Africa |
| NERT | National Energy Response Team |
| NIA | National Intelligence Agency |
| NOFP | Net Open Forward Position |
| NPA | National Ports Authority |
| OAG | Office of the Auditor-General |
| PIC | Public Investment Corporation |
| PFAI | Provident Fund for Associated Institutions |
| PFMA | Public Finance Management Act |
| PPP | Public-Private Partnerships |
| PPFA | Preferential Procurement Policy Framework Act |
| RDP | Reconstruction and Development Programme |
| REDS | Regional Electricity Distributors |
| RISDP | Regional Indicative Strategic Development Plan |
| RMF | Risk Management Framework |



| | |
|--------|--|
| SACU | Southern African Customs Union |
| SADC | Southern African Development Community |
| SAFCOL | SA Forestry Company Limited |
| SANReN | South African Research Network |
| SAPS | South African Police Services |
| SAPO | South African Post Office |
| SARB | South African Reserve Bank |
| SARS | South African Revenue Service |
| SASRIA | South African Special Risks Insurance Association |
| SCM | Supply Chain Management |
| SCOA | Standard Chart of Accounts |
| SETA | Sector Education and Training Authority |
| SITA | State Information Technology Agency |
| SCOPA | Standing Committee on Public Accounts |
| SMMEs | Small, Medium and Micro-Enterprises |
| SOEs | State-owned Enterprises |
| STRIPS | Separate Trading of Registered Interest and Principal Securities |
| WTO | World Trade Organisation |



Annexure 2: Institutions associated with the National Treasury

The National Treasury works closely with a number of public institutions. It has operational and institutional independence and, in some instances, constitutionally guaranteed autonomy. It produces its own annual reports.

Accounting Standards Board

Section 87 of the Public Finance Management Act (1 of 1999)

Coin Liabilities

SA Reserve Bank subsidiary

Corporation for Public Deposits

Corporation for Public Deposits Act (46 of 1984)

Development Bank of Southern Africa

Development Bank of Southern Africa Act (13 of 1997)

Financial and Fiscal Commission

Financial and Fiscal Commission Act (99 of 1997)

Financial Services Board

Financial Services Board Act (97 of 1990)

The following report to it:

Pension Fund Adjudication

Financial Markets Advisory Board

Pension Funds Advisory Board

Financial Intelligence Centre

Financial Intelligence Centre Act (38 of 2001)

Independent Development Trust

Policy Board for Financial Services Regulation

Policy Board for Financial Services and Regulation Act (141 of 1993)

Public Accounts and Auditors Board

Public Investment Corporation

Public Investment Corporation Act, 2004 (23 of 2004)

Registrar of Banks

Reports to SA Reserve Bank

SA Banknote Company

SA Reserve Bank subsidiary

SA Mint Company

SA Reserve Bank subsidiary

South African Reserve Bank

SA Reserve Bank Act (90 of 1989)

South African Revenue Service

SA Revenue Service Act (34 of 1997)

South African Special Risk Insurance Association (SASRIA)



Special Pensions Board

Special Pensions Advisory Board

State Tender Board

Statistical Council

Statistics Act (66 of 1976)

Tax Advisory Committee