

NATIONAL  
TREASURY  
**Annual Report**  
2009/10



**national treasury**

Department:  
National Treasury  
**REPUBLIC OF SOUTH AFRICA**



**NATIONAL TREASURY  
ANNUAL REPORT 2009/10**

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# NATIONAL TREASURY ANNUAL REPORT 2009/10

**Mr P Gordhan**  
Minister of Finance

I have the honour  
of submitting the Annual Report  
of the National Treasury for the period  
1 April 2009 to 31 March 2010.



**L Kganyago**  
Director-General



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

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## ACCOUNTING OFFICER'S OVERVIEW

“ The National Treasury places a high priority on being an employer of choice and continues to attract highly skilled individuals who perform well in the highly challenging and vibrant working environment. This annual report captures the efforts of this dynamic team

”

Lesetja Kganyago: **Director-General**, National Treasury

## ACCOUNTING OFFICER'S OVERVIEW

The period covered by this annual report was marked by several economic and political factors. On the political front, it was the first year of office for our fourth democratically elected government. To strengthen political oversight of public resource allocation and service delivery, new ministries were created. For the finance family, the 2009 election brought a new Minister of Finance – the first change in 13 years. The Money Bills Amendment Procedure Act (9 of 2009) was also implemented and brought about adjustments to how Parliament and the National Treasury work together in the management of the national budget.

On the economic side, we faced challenging times. Our economy briefly went into a recession, the first since 1992. Though South Africa fared better than most industrialised countries, the recession took its toll, evidenced by the loss of 870 000 jobs in 2009. The economy is on the mend, but the recovery remains moderate and job creation is likely to be fragile in the short term. The fiscal stimulus, rising public employment and the expanded public works programme reduced the impact of the recession on jobs. Many of those who have lost jobs have had their fall in earnings cushioned by payments from the Unemployment Insurance Fund (UIF).

We continued to monitor the impact of the economic crisis on government finances and ensured that government responded appropriately. Monetary and fiscal policies provided significant support to the economy during this tough time. The South African Reserve Bank cut interest rates by five percentage points.

Government spending increased, reaching 34.1 per cent of GDP in 2009/10. Much of this spending went to health care, education and social grants, areas that benefit the poor. The increase in expenditure happened as tax revenue fell due to a weak economy, and this meant we had to fund a relatively bigger share of the budget through borrowings. As a result, our fiscal deficit rose to 6.7 per cent in 2009/10 and is expected to be 6.2 per cent in 2010/2011.

Government is committed to reducing debt levels as the economy improves and generates more tax revenue. Our debt as a percentage of GDP remains low relative to many developed economies, although it is in line with high-growth developing countries. As the world recovers from the recession, those countries with low levels of debt will be best placed to take advantage of growth opportunities.

Despite the unfavourable macroeconomic environment, Moody's upgraded South Africa's long-term foreign currency rating to A3 from Baa1, maintaining a stable outlook. Fitch and Standard and Poor's maintained our credit ratings at BBB+, while the outlook from both agencies remains negative.

Government has invested heavily in capital and major infrastructure projects, and the Infrastructure Delivery Improvement Programme continues to assist in enhancing infrastructure planning, especially by provinces. The appraisal framework developed by the Budget Office is also being rolled out, and will result in better capital planning, more efficient budget allocations and improved capital expenditure.

Government recognises the need to do more with less, and maximise the value of every rand spent. Detecting and preventing fraud in the procurement system is an essential part of ensuring value for money. In support of this, we have created the specialised audit services unit, which has begun providing forensic investigation and consultancy services to different entities on tender-related issues.

## ACCOUNTING OFFICER'S OVERVIEW - CONTINUED

The National Treasury also continued to support state-owned entities and development finance institutions. Guarantees of R231.3 billion were approved, of which R74.2 billion had been used by the end of the fiscal year.

Work to align the revised Preferential Procurement Regulations with the aims of the Broad-Based Black Economic Empowerment Act, (53 of 2003) (B-BBEEA) continued. The draft revised Preferential Procurement Regulations were published in the national and all provincial gazettes for public comments. Comments from all parties will be collated and the revised draft will be submitted for consideration during 2010.

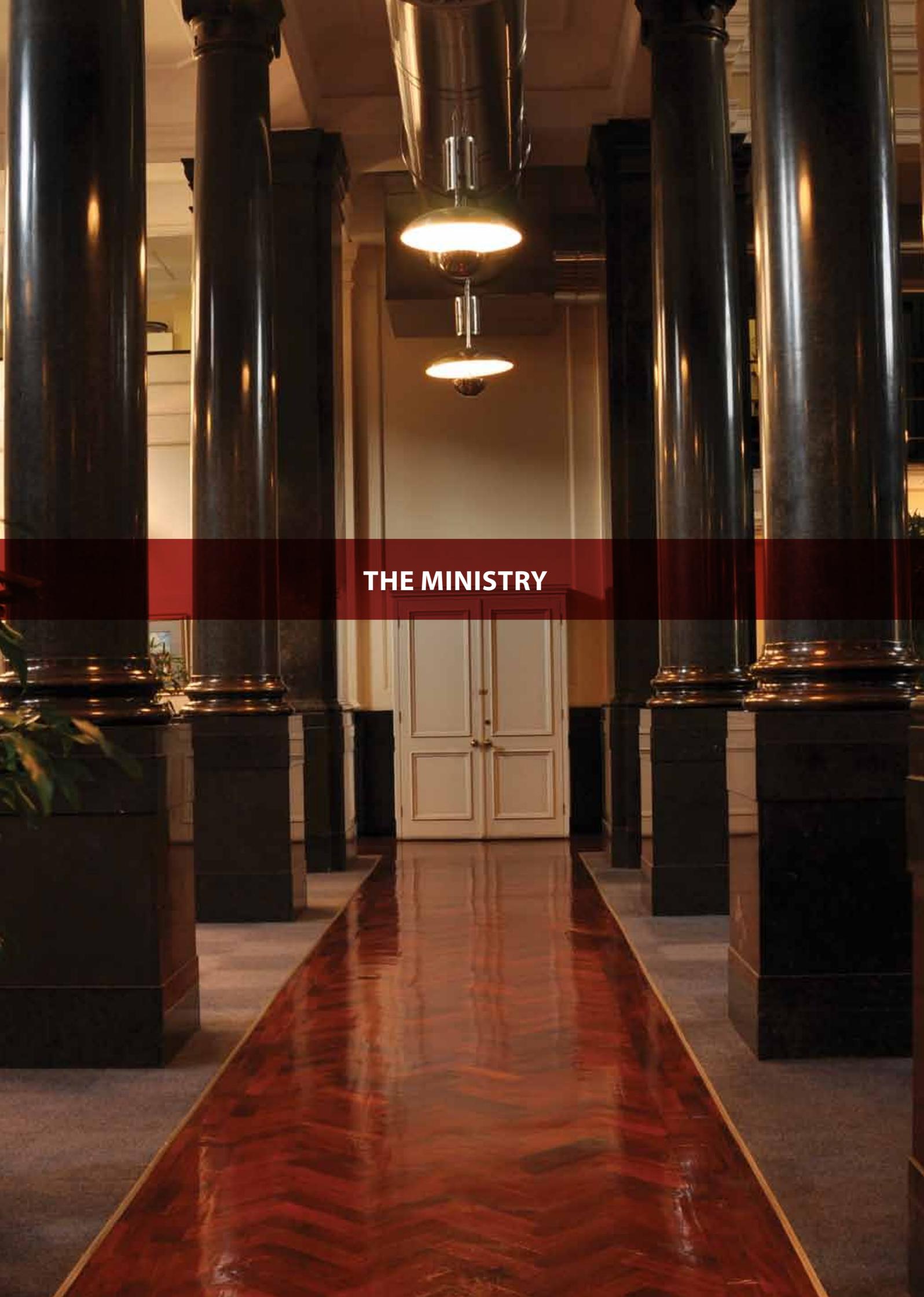
Treasury places a high premium on assisting municipalities to improve financial management and achieve better audit outcomes. Targeted municipalities were assessed for readiness for internal audit, which will also ensure that early warning signals are detected, allowing for timeous intervention.

On the international front, 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). South Africa successfully hosted the first meeting of the 12th replenishment of the African Development Fund (ADF) in Cape Town, where it expressed its support for an early and strong replenishment of ADF resources. The National Treasury also co-chaired G20 working group on the reform of the International Monetary Fund (IMF) and the experts group on financial inclusion during the period under review.

The National Treasury places a high priority on being an employer of choice and continues to attract highly skilled individuals who perform well in the highly challenging and vibrant working environment. This annual report captures the efforts of this dynamic team



Lesetja Kganyago  
**Director-General**  
National Treasury

A photograph of a grand, classical-style hallway. The floor is made of highly polished, dark wood with a herringbone pattern, reflecting the overhead lights. On either side of the hallway are tall, dark, fluted columns with ornate capitals. In the center of the hallway, at the end, is a set of white double doors. Two modern, cylindrical pendant lights hang from the ceiling, casting a warm glow. A dark red horizontal band is overlaid across the middle of the image, containing the text 'THE MINISTRY' in white, bold, sans-serif capital letters.

**THE MINISTRY**

## THE MINISTRY

Minister Pravin Gordhan, in the 2009/10 financial year, assumed his position as Finance Minister in a difficult economic environment. While Deputy Minister Nene had been part of the finance family since November 2008, the past financial year was their first full year in the office together under the government of President Jacob Zuma. These changes brought a fresh perspective, a new vision and a different way of doing things to the Ministry. Closer collaboration and cohesion will form part of policy direction going forward, especially regarding inclusive growth, job creation, and poverty reduction.

While the 2008/09 financial period ended with uncertainty, 2009/10 ended with tentative positive signs of a slowly recovering economy, both domestically and globally. Tough decisions taken in past years greatly benefited the country during the recession. The stable macroeconomic environment coupled with a counter-cyclical fiscal position ensured that the country weathered the storm better than major world economies. Consequently, social expenditure could be expanded even during the difficult economic period, shielding poorer households from the worst effects of the recession.

The success of the Ministry is rooted in the Treasury's ability to prudently manage public finances. Aply led by Director-General Lesetja Kganyago, the Treasury team continued to set an example for all in the public sector, evidenced by the quality of decisions taken and policy choices exercised. The department also ensured that continuity and leadership were maintained during the period of change. The transition of political leadership, coupled with a volatile economic environment, was smoothly handled without negative consequences.

Both Minister Gordhan and Deputy Minister Nene are actively engaged in several diverse international forums to advance the South African and African agenda. This ranges from the South African Customs Union (SACU) and African Development Bank, to the G20 forums and others hosted by the OECD, World Bank and other multi-lateral institutions.

The National Treasury remains an eminently professional and effective organisation. With dedicated and competent people who take pride in their work, it continues to maintain close and coordinated working relationships, and provide the Ministry and government more generally with sound advice.

## THE MINISTRY - CONTINUED

### INTERNATIONAL VISITS UNDERTAKEN BY THE MINISTER OF FINANCE, PRAVIN GORDHAN, DURING THE 2009/10 FINANCIAL YEAR

Date	Country	Reason
29 May 09	France	OECD Forum on Tax Administration
13-15 July 09	Nigeria	C10 Meetings
19-21 August 09	Angola	State Visit with President Zuma
3-6 September 09	UK	G20 Finance Ministers and Central Bank Governors Meetings
17-18 September 09	Swaziland	19th SACU Council Meeting
22-27 September 09	USA	G20 Leaders Summit
30 September 09 – 7 October 09	Turkey	IMF / World Bank Annual meetings
5 November - 10 November 09	Scotland	G20 Finance Ministers and Central Bank Governors Meetings
5-10 January 10	India	Pravasi Bharatiya Samman Award ceremony
26 January 10 – 1 February 10	Switzerland	WEF Meetings
1-6 March 10	UK	Accompanied President Zuma on a State Visit

### INTERNATIONAL VISITS UNDERTAKEN BY THE DEPUTY MINISTER OF FINANCE, NHLANHLA NENE, MP, DURING THE 2009/10 FINANCIAL YEAR

Date	Country	Meeting
29 - 30 March 09	Swaziland	SADC Extra-ordinary Meeting
22 - 28 April 09	USA	IMF /World Bank Spring Meetings
04 - 09 June 09	Egypt	Annual Meetings of the AU Conference of Ministers of Economy and Finance, and ECA Conference of Africa Ministers of Finance, Planning and Economic Development
23 - 26 June 09	France	OECD Ministerial Council Meeting
20 - 21 August 09	Lesotho	9th Council of Ministers Meeting of the Eastern and Southern Africa Anti-Money Laundering Group
11 - 12 September 09	Tunisia	10th Meeting of the Governors Consultative Committee of the African Development Bank
30 September - 02 October 09	Cyprus	Commonwealth Finance Ministers Annual Meeting
03 - 07 October 09	Turkey	IMF/World Bank Annual Meetings
27 - 30 March 10	Singapore	Signing Ceremony between Old Mutual Holdings LTD and Ntsimbintle Mining



**MISSION STATEMENT**

# MISSION STATEMENT

## 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.

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## 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.

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## VALUES

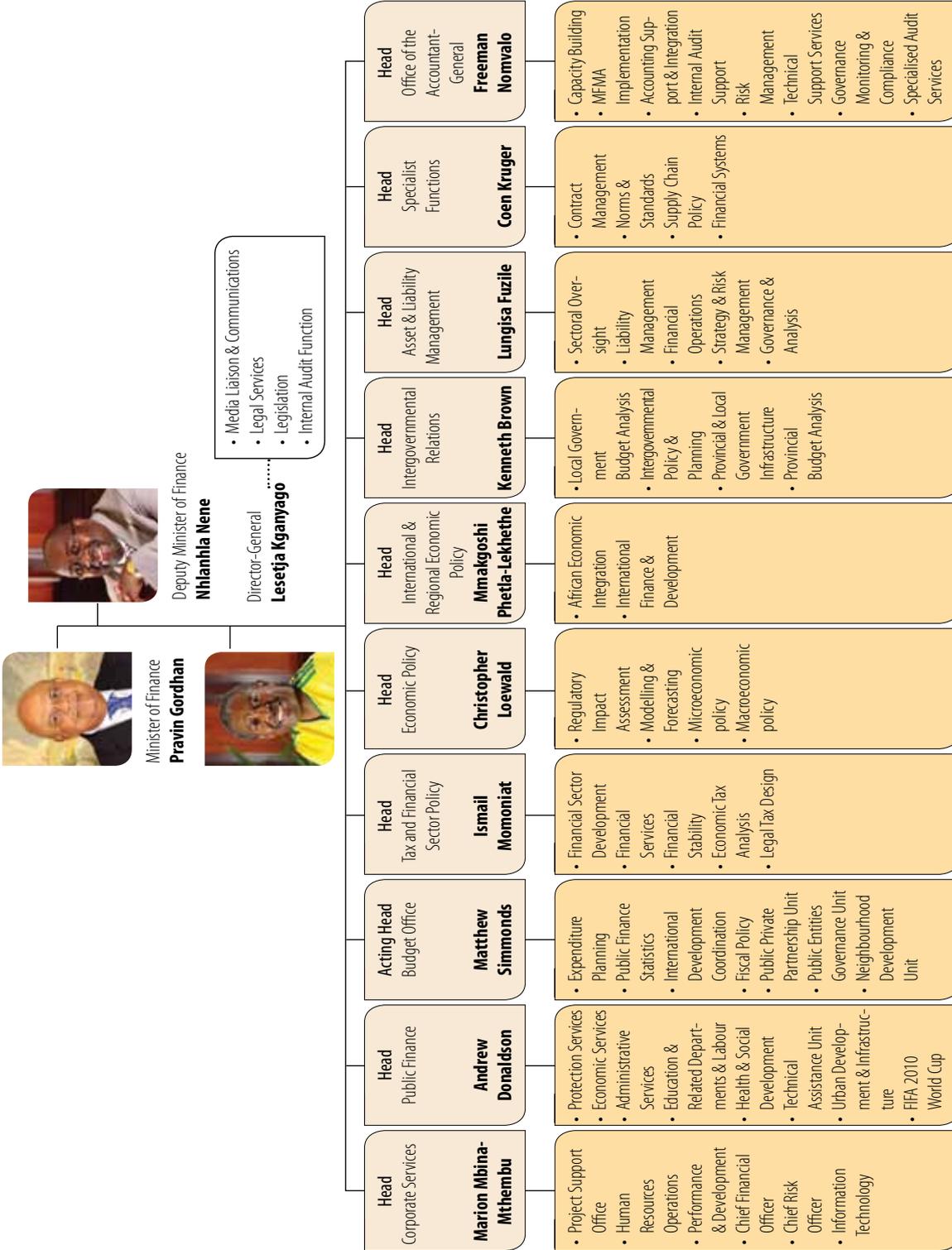
As custodians of the nation's financial resources, the National Treasury acknowledges the authority of Parliament through whom we are accountable to the nation. We value teamwork, sound planning and enthusiasm and strive continually to improve the quality, accuracy and reliability of our service delivery.

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.

# ORGANOGRAM





## MINISTER'S STATEMENT ON POLICY AND COMMITMENT

// The past year was challenging in many respects  
but the Treasury team showed resilience and dedication  
and strategic agility– concepts that have come to characterise  
the fibre of the hard-working public servants.

//

Pravin Gordhan: **Minister of Finance**

## MINISTER'S STATEMENT ON POLICY AND COMMITMENT

South Africa is well on its way to economic recovery. We can say with confidence that our macroeconomic policies helped us weather the global financial crisis relatively well and that financial sector regulatory standards helped ensure that our banking system remained unscathed.

One of the key lessons to be drawn from the crisis is that the current patterns of growth, income distribution, regulation and governance cannot be relied upon to meet South Africa's developmental needs. Our country's future depends on us placing our economy on a higher growth trajectory, characterised by higher levels of job creation and an economy that has room for all those who are able and willing to work.

The 2010 Budget outlined a growth path that benefits all, especially the youth who bear a disproportionately higher burden of unemployment. Youth unemployment is unacceptably high and that is why President Jacob Zuma's administration wants to accelerate job creation for young people through various measures, including improved supply of information about the labour market to job seekers, skills development, and the expansion of public employment programmes. In addition, consultations are underway on the possible introduction of a wage subsidy to encourage employers to hire young workers.

To maximise resources available for our priorities, we have intensified the focus on improving financial planning and management and building our capacity to identify and reduce corruption.

A cornerstone of President Zuma's administration is the acceleration of the pace of service delivery. The administration has adopted a collective approach to doing this and we have committed ourselves to finding creative and lasting solutions. Additionally, the new outcomes approach will highlight areas of weakness, helping improve on our performance.

The 2009 Medium Term Budget Policy Statement reinforced government's intention to lower the cost of doing business in South Africa, while managing risks in a volatile international environment. We will continue to advance the move to prudential regulation of foreign exposure, while capital flow management will also be improved and macroeconomic and financial stability maintained. South Africa will continue with the reform of foreign exchange control legislation and regulation and, in so doing, reduce the red tape around doing business internationally.

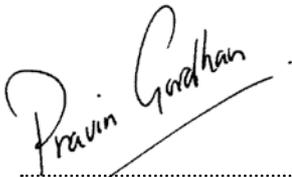
Investment in first FIFA World Cup to be held on African soil represents a considerable long-term investment in the country's development. The event has also been an excellent opportunity for the promotion of South Africa as an investment and a tourist destination, and a gateway to the rest of the continent. Our success in hosting the tournament has contributed significantly to changing negative perceptions of the African continent.

On international engagements, we remain resolute in finding solutions that address our unique challenges. As the only African country permanently represented in the G20, we are mindful of the opportunity and the responsibility we have to promote an African agenda on the international stage.

With global growth likely to remain weak for some time, we will continue to make and follow through with bold policy decisions in partnership with business and labour, to accelerate and broaden our country's growth. Everybody has a part to play in this effort, and I am optimistic that we will all take full advantage of the opportunities afforded by an inclusive growth strategy steered by the President.

## MINISTER'S STATEMENT ON POLICY AND COMMITMENT - CONTINUED

My sincere thanks and gratitude go to National Treasury Director-General and his staff for welcoming me and working together in charting the course through tumultuous economic waters. The past year was challenging in many respects but the Treasury team showed resilience, dedication and strategic agility– qualities that have come to characterise the fibre of these hard-working public servants.



Pravin Gordhan

**Minister of Finance**

The image features a close-up, high-contrast photograph of a metallic surface with a complex, textured pattern. The surface appears to be made of a dark metal, possibly steel or aluminum, with a series of parallel ridges and grooves that create a sense of depth and movement. The lighting is dramatic, highlighting the metallic sheen and casting deep shadows. A prominent horizontal band of dark red color runs across the middle of the image, serving as a background for the text.

**LEGISLATIVE MANDATE AND LEGISLATION ENACTED**

## 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.

Legislative Mandate

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 Service, with National Treasury providing policy direction.

**1. Western Cape Inherited Debt Relief Act, 2009 (Act No. 7 of 2009)**

Bill enacted: Western Cape Inherited Debt Relief Bill [B6 – 2009]

English text signed by the President. Assented to 19 April 2009

Published in Government Gazette No. 32149 dated 21 April 2009

**2. Division of Revenue Act, 2009 (Act No. 12 of 2009)**

Bill enacted: Division of Revenue Bill [B4 – 2009]

English text signed by the President. Assented to 3 April 2009

Published in Government Gazette No. 32106 dated 3 April 2009

**3. Appropriation Act, 2009 (Act No. 16 of 2009)**

Bill enacted: Appropriation Bill [B 5 – 2009]

English text signed by the President. Assented to 28 July 2009

Published in Government Gazette No.32461 dated 30 July 2009

**4. Taxation Laws Amendment Act, 2009 (Act No. 17 of 2009)**

Bill enacted: Taxation laws Amendment Bill [B 10 – 2009]

English text signed by the President. Assented to 29 September 2009

Published in Government Gazette No. 32610 dated 30 September 2009

**5. Taxation Laws Second Amendment Act, 2009 (Act No. 18 of 2009)**

Bill enacted: Taxation Laws Second Amendment Bill [B11 – 2009]

English text signed by the President. Assented to 29 September 2009

Published in Government Gazette No. 32611 dated 30 September 2009

**6. Adjustments Appropriation Act, 2009 (Act No. 21 of 2009)**

Bill enacted: Adjustments Appropriation Bill [B 13 – 2009]

English text signed by the President. Assented to 26 November 2009

Published in Government Gazette No. 32752 dated 27 November 2009

**7. Division of Revenue Act, 2010 (Act No. 1 of 2010)**

Bill enacted: Division of Revenue Bill [B 4 – 2010]

English text signed by the President. Assented to 31 March 2010

Published in Government Gazette No. 33081 dated 31 March 2010



**PROGRAMME 1  
ADMINISTRATION**

## PROGRAMME 1 ADMINISTRATION

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

**Measurable objective:** to provide effective leadership, management and administrative support to the core business divisions of the 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 develops, maintains and implements the department's governance framework, aimed at the creation of a productive and creative working environment that enhances National Treasury's effectiveness.

Corporate Services consists of the following units: Information Technology (IT), Facilities Management, Strategic Projects and Support, Security Management, Financial Management, Internal Audit and Human Resources (HR).

During the year under the review, the division introduced cost saving initiatives to reduce expenditure on goods and services by 30 per cent over the next three years. These initiatives include the reduction in the use of consultants in IT and Internal Audit.

Service delivery continued to improve and the *Human Resources* team successfully reduce the vacancy rate to 6.75 per cent, exceeding the target of 8 per cent. The recruitment turnaround time has also been reduced to three weeks. Improving the skills of our employees remains a priority and in this regard HR ran successful leadership and training programmes and also exceeded the target of an average 5 training days per annum per employee. Improvement in the performance management system meant employees were kept informed of their actual performance.

The *Financial Management* team processed all transactions before 31 March 2010, meaning that National Treasury closed its financial books ahead of all national and provincial departments. All Drawings and ENE submissions complied with set governance targets. During the review period, fifteen governance policies were approved by the Governance Review Committee.

## PROGRAMME 1

### ADMINISTRATION – CONTINUED

The *Facilities* team secured additional accommodation, a new PA system and a new generator for power backup purposes. All lifts at the 240 Vermeulen Street building, as well as the emergency and fire systems, were audited.

The strategy and new structure of the Enterprise Risk Management (ERM) chief directorate, which includes the Security directorate, was approved. The unit developed a comprehensive ERM strategy, including a fraud prevention plan, and successfully completed risk assessments for 70 per cent of the department.

The *Internal Audit* unit appointed relationship managers and is currently finalising a protocol document that will govern the work of the unit. Spending on consultants was reduced, and audits requested by management were successfully concluded.

The *IT* team ensured a marked improvement in the ICT infrastructure, operations and systems. A collaboration and publication strategy has been developed, and a number of solutions have been developed and implemented.

The Paper Trail Project was finalised and implemented. The design of the E-signatures system was completed and implementation is underway. A fileplan system was implemented in 90 per cent of the department and has improved records management. The disposal of obsolete contract management files was approved and a cost effective system for archiving files was created. A benchmarking session was held with other government departments intending to introduce similar systems of records management. To improve project management capabilities, 37 employees were trained in project management.

The *Legal Services* unit provides comprehensive legal support to the department and ministry. It managed more than a hundred litigations, and continued to provide, procure and manage professional legal advice for the department. The unit also oversaw the passage of legislation proposed by the department and made comments on legislation proposals from other government departments. The unit ensured sufficient capacity to respond to emerging priorities and risks through appointments in corporate law and public private partnerships.

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 managed by the unit include study tours from tertiary institutions and a number of countries, including Tanzania, Uganda, Nepal and China; the Africa Emerging Markets conference; the meeting of the Committee of Ten; and the Third Regional Workshop on African Debt Management and Bond Markets. An awareness campaign for the RSA Retail Savings Bond yielded positive results and contributed to increased investments in these savings products. The unit also responded to a high volume of public queries on a range of issues related to the work of the department.

# PROGRAMME 1 ADMINISTRATION - CONTINUED

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 1: Administration

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
Corporate Services (CS)	Develop, implement and maintain an integrated, progressive and innovative HR strategy	Efficient HR function	Design of a new balanced scorecard finalised	Achieved and presently being rolled out
		Roll-out of the talent management programme	Refine the talent acquisition process	Achieved and presently being implemented, vacancy rate less than 8%
	Develop integrated business solutions to improve knowledge management	Secure access to internal IT resources from external locations	25% of clients have access	Achieved remote access to e-mail available to all NT users. Push e-mail to phones activated
		Develop a platform where information can be deposited and shared	Web-enabled solution sourced	Achieved, the platform required to achieve Web-enabled solutions commissioned
	Develop, implement and maintain financial management and governance according to best practice	Progressive development of analytical reporting and enhancement of management accounting	Changes to the in-year monitoring tool to improve turnaround reporting from 6 to 2 days	Reduced turnaround reporting to 3 days
			Report the assessment on implementation of policies on a quarterly basis	15 policies updated and approved for implementation
			31 March 2010	Achieved
Ensure that all statutory reporting regulations and deadlines are met	Financial governance compliance	Full compliance	Achieved unqualified Audit Report with no matter of emphasis for 2008/09	

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 1: Administration - Continued

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
Corporate Services (CS)	Develop and maintain a sound procurement management strategy	Strategic procurement principles implemented	30% implemented	Achieved
		Electronic procurement system implemented	10% implemented	System went live 24 May 2010 due to delays in the implementation of the IFMS
		Policies and procedures updated for supply chain management principles	Ongoing	Wireless Access Solutions Policy updated and approved. Contract Management Policy approved and implemented. Conditional approval for Demand Management Policy. Spend Analysis Framework drafted
		Upgrading the electronic security system	Contractor appointed	Contractor appointed and specifications for electronic system finalised
		Ensure the physical security of employees and assets		

## PROGRAMME 1 ADMINISTRATION – CONTINUED

A close-up photograph of a metallic object, possibly a tool or part of a machine, with a dark red background. The metal is highly reflective, showing bright highlights and deep shadows. The object is positioned on the left side of the frame, with its edge curving towards the center. The background is a solid, dark red color with a subtle texture.

**PROGRAMME 2**  
**PUBLIC FINANCE AND BUDGET MANAGEMENT**

## 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:** To promote growth, social development and poverty reduction through sound fiscal and financial policies, and the effective, efficient and appropriate allocation of public funds. Specific aims are to:

- Prepare a national budget that gives effect to government's economic, fiscal, social and developmental 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 with budget priorities and is channelled through South Africa's public finance management system.

## SERVICE DELIVERY OBJECTIVES AND INDICATORS

### RECENT OUTPUTS

#### Budget Office

The *Budget Office* coordinates the budget process, provides advice to the Ministers' Committee on the Budget, and monitors fiscal and public expenditure trends.

The division produced on time the framework for the MTBPS, the Budget Review and an estimate of the structural balance. The budget documentation was comprehensive and remains widely respected for its quality of coverage, including an improved set of measurable objectives and trends-based performance indicators.

The *Fiscal Policy* unit monitors economic and fiscal trends, and advises the Minister of Finance on policy options and the budget framework. It also plays a central role in the development of government's framework for the financing of infrastructure.

In the 2009/10 financial year, the unit continued to monitor the impact of the economic crisis on the fiscus and thus ensured that government took appropriate measures to deal with the effects of the crisis. The framework for appraising capital spending proposals was developed and is being rolled out. Together with the training in the appraisal of capital project, this will result in better capital planning, more efficient budget allocations and improved capital expenditure.

## PROGRAMME 2

### PUBLIC FINANCE AND BUDGET MANAGEMENT – CONTINUED

The *Expenditure Planning* unit manages the medium-term expenditure framework (MTEF) budget process, which culminates in the publication of the ENE and the main Appropriation Bill tabled on the day of the budget. The unit also manages the in-year adjustments process. The Adjustments Budget is tabled together with the MTBPS. Parliament's Money Bills Amendment Procedure and Related Matters Act of 2009 was implemented for the first time during the 2010 Budget process and National Treasury was able to respond appropriately to the recommendations of parliamentary committees.

During the reporting period, the unit improved value for money in government spending, resulting in savings of R25.6 billion by national and provincial government departments. Cost containment guidelines were developed, particularly focused on newly established departments and those being reorganised. The unit led the work on budgets relating to the reorganisation of government departments and the shifting of functions between departments after the 2009 elections. The unit also issued a guideline on budget programme structures. Through the efforts of the unit, improvements were evident in the quality of information about the performance of government and public entities.

The *Public Finance Statistics* unit produces all fiscal data and public finance statistics used in National Treasury publications. The main focus is to improve 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.

For the first time, the unit published a consolidated government account in the 2010 Budget, including information on payments and revenues of all entities controlled by the state or largely financed by government either through taxes, levies and administrative or service fees, or by direct transfers from the budget.

The unit also continued to improve the quality of existing databases, data collection processes, and models used for the reporting of data in the consolidated government account. Combined with the ongoing capacity building initiatives at national and provincial departments, these efforts have resulted in improved accuracy of the data.

During the reporting period, the unit produced an updated version of the Reference Guide to the Economic Reporting Format (ERF), which together with corresponding classification circulars, is used by departments to classify transactions for reporting purposes. Together with the Office of the Accountant General (OAG) and Public Administration Leadership and Management Academy (PALAMA), the unit also introduced a new training programme on the Standard Chart of Accounts (SCOA) and trained 1 507 national and provincial government officials. These initiatives are expected to translate into better quality information published in the consolidated government account.

The *International Development Cooperation* (IDC), a unit responsible for coordinating and managing official development assistance (ODA), has updated the framework and procedural guidelines for the management of ODA. The revised framework will lead to better coordination and management of ODA by aligning ODA with the budget, skills development, and better monitoring and reporting systems.

## PROGRAMME 2

### PUBLIC FINANCE AND BUDGET MANAGEMENT - CONTINUED

The unit focused on:

- Acquiring resources in support of interventions that address developmental challenges and priorities of South Africa.
- Increasing funding for infrastructure projects from development finance partners including the European Investment Bank, German Development Bank, and the French Development Bank, to help cushion the impact of the global financial crisis on government's reduced revenue.
- Improving the quality of information on ODA, especially the assistance that is "in kind" and therefore does not flow through government accounts.
- Developing plans to ensure that ODA partners comply with frameworks on aid effectiveness such as the Paris Declaration.

ODA programmes worth more than R3 billion over the next three years were negotiated during the year and they are all subject to South Africa's financial and procurement requirements. Key programmes include support for primary education, the legislature, restorative justice and job creation.

The IDC also sought to align ODA with priorities outlined in the budget. This included improved reporting on ODA through the ENE (2009/10) and the use of ODA information from government departments in planning the MTEF. The information system on development cooperation is being upgraded so it can also be used as a management system.

In response to requests from other African countries, the unit prepared a framework for trilateral cooperation, which allows donors to fund South African projects in other countries. It also worked with the Department of International Relations and Cooperation to access additional resources for such initiatives.

The *Public Entities Governance (PEGU)* unit implements the recommendations of the public entities governance framework review. A key focus for the unit during the review period was the roll-out of a budgeting framework for all public entities. The extension of budget planning and oversight to all government agencies and public entities will distinguish between wholly-owned entities, those that are reliant on transfers from the fiscus, and entities that fund their operations without recourse to the fiscus.

The unit assisted with the preparation of consolidated financial accounts, maintenance of databases of budgets, and the relevant administrative records of the general government sector, including public entities.

In support of a sustainable fiscus, Public-Sector Personnel Policy provides analysis on the wage bill of government and works with other Budget Group units to ensure that wages and employment growth are effectively budgeted for and are consistent with the efficient delivery of government services. It also consults departments on budgets and policy, including support for the Department of Public Service and Administration (DPSA) during public-service wage talks.

#### Public Finance

The *Public Finance* division advises the Minister of Finance on sectoral policies and departmental spending programmes; evaluates budget submissions by national departments, public entities, state-owned enterprises and constitutional

## PROGRAMME 2

### PUBLIC FINANCE AND BUDGET MANAGEMENT – CONTINUED

institutions; monitors spending and service delivery trends, and supports improvements to financial administration, including 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 departments and entities. Key areas of work in 2009/10 included:

- *Department of International Relations and Cooperation*: The unit was a member of the working group that advised the Minister of Finance on options for funding the construction of a building to house the Pan African Parliament.
- *Department of Home Affairs*: Helped the department roll out a new access control system to 34 ports of entry in preparation for the 2010 FIFA World Cup. The new system will be extended to the remaining 38 ports of entry in the following financial year.
- *Stats SA*: Assisted in budgeting and planning for household surveys, including the living conditions survey and the next national census (2011). Helped Stats SA find a new head office and the data processing centre, for which different funding models, including PPS, are being considered.
- *National Treasury*: Supported initiatives by the South African Revenue Service to strengthen capacity, modernise systems and improve project management; provided support for funding initiatives of the Neighbourhood Development Partnership Grant; and assisted in the establishment of the Government Pension Administration Agency.
- *Department of Public Works*: Participated in an interdepartmental task team advising on the sustainability of the Independent Development Trust (IDT) and a new funding model for the trust.
- *Department for Women, Children and People with Disabilities*: Advised the Minister on the budget and progress in setting up the department.

The *Justice and Protection Services (JPS)* unit oversees planning, expenditure and service delivery by departments in this sector. In 2009/10, the unit provided technical assistance and expertise on a number of projects, including:

- The transformation of correctional facilities (Department of Correctional Services) into a 45 hour, seven-day-a-week operations.
- The amalgamation of secret services into a single State Security Agency.
- The transfer of the investigative arm of the former Directorate of Special Operations from the Department of Justice and Constitutional Development to the Priority Crime Investigations Directorate in the Department of Police.
- The shifting of the budget of the Commission for Gender Equality to the Department of Women, Children and People with Disabilities.
- The development of a framework on project management reporting to help monitor capital modernisation projects of the Department of Defence.
- Oversight of the special arms procurement programme of the South African National Defence Force (SANDF) and integration of the special defence account allocation into the relevant programmes.

The *Education and Related Departments* unit monitors and advises government on several functions, largely implemented by province. During the year, the unit's efforts focused on supporting the development of policy and funding norms, improved monitoring of service delivery, and the costing of services.

## PROGRAMME 2

### PUBLIC FINANCE AND BUDGET MANAGEMENT - CONTINUED

The highlight for the year was the splitting of the Department of Education into Basic Education and Higher Education and Training and the shifting of responsibility for skills development from the Department of Labour to the Department of Higher Education and Training.

The unit also worked on:

- *Education:* Monitoring and evaluation of national standards for school funding, assistance and advice on developing norms and standards for school infrastructure, on shifting responsibility for the FET colleges to the national sphere, which started in 2009 and is ongoing, and on processes to enable these colleges to access funding for bursaries from the National Skills Fund.
- *Arts and Culture:* The establishment of a Language Practitioners' Council, oversight of the Community Library Services conditional grant, and developing norms and standards for library services.
- *Sport and Recreation:* Monitored and evaluated the conditional grants to facilitate the participation in sport by as many South Africans as possible, grants for school sport, and the 2010 FIFA World Cup legacy projects. It also advised the department on the support and oversight of sports federations and entities.
- *Labour:* Termination of contributions to the fund set up to stabilise the Sheltered Employment Factories Temporary Employees Pension Fund; review of Department of Labour's public-private partnership deal for the supply of IT services to the department; proposals on skills, training and education as part of proposals to reduce youth unemployment.
- *Inter-sectoral Policy Support:* Assisted with the design of a performance-based funding model for Phase II of the Expanded Public Works Programme (EPWP); compiled a concept note on the expansion of opportunities for the EPWP's social sector; proposed changes to the funding model of the Community Work Programme and assisted with the transfer of the programme to the Department of Co-operative Governance and Traditional Affairs.

The *Health and Social Development* unit analyses overall expenditure, makes medium-term expenditure recommendations, monitors and advises on sectoral and policy matters.

The unit supported the Department of Health on various projects that resulted in substantial additional budget allocations to the sector over the MTEF. Amongst these were new guidelines for the treatment of HIV/AIDS (pregnant women and TB patients) and support for an exercise on the long-term cost of HIV/AIDS treatment (Aids2031). It also provided support for the introduction of the OSD for doctors, dentists and related professionals. It also worked with provincial Treasuries to stabilise budgets of provincial Departments of Health.

The unit also worked on several initiatives for the financing of health projects; commissioned a review of hospital funding which proposed a new approach based on case-mix adjusted outputs/workloads; participated in a Ministerial advisory committee on National Health Insurance; researched and developed proposals for a new approach to the health component of equitable share formula; supported the department of Social Development, including on the modeling of the extension of the Child Support Grant to children up to their 18th birthday; contributed to the drafting of a policy paper on social relief of distress and a consolidated paper on social security; assisted the South African Security Agency (SASSA) with the management of payment contracts for social grants as well as the cancellation of dormant accounts for social grant beneficiaries and the recoupment of unused funds.

The *Economic Services* unit analyses policy proposals, funding requests and expenditure plans of departments, state enterprises and agencies. The focus is on economic development outcomes, employment and capital investment

## PROGRAMME 2

### PUBLIC FINANCE AND BUDGET MANAGEMENT – CONTINUED

plans. Environmental protection, land reform, agricultural and industrial development, support for distressed sectors and regulatory oversight was central to the work programme.

Activities over the past year included:

- Transfers of programmes between departments and/or agencies
- The establishment of the Economic Development Department
- The creation of the Agricultural Land Holding Account
- The assessment of turnaround strategies for Denel and SAA
- The development of the business case for the foot-and-mouth vaccine facility

The *Urban Development and Infrastructure* unit analyses the budgets and expenditures of national departments and their associated public entities involved in infrastructure provision. The unit focuses on policies and programmes for the delivery of network and social infrastructure in sectors such as transport, electricity, water and sanitation, telecommunications, municipal infrastructure and human settlements.

Specific areas of focus in the reporting period included:

- *Transport*: Review of Public Transport Infrastructure and Systems grant; engagement with cities on the financing of Bus Rapid Transit systems; engagement on intercity Bus Subsidies and the creation of a Provincial Transport Operating grant; support on the legal challenge to the RAF Amendment Act and review of the no-fault policy; engagement on delivery of 2010 FIFA World Cup transport infrastructure and buses; review of the feasibility of the Moloto corridor and the Mpumalanga Coal Haulage network institutional and funding arrangements.
- *Housing*: Investigated and advised on the development of policy aimed at addressing gaps in national housing needs, taking into account different levels of affordability; worked on the transfer of the Sanitation function from Water Affairs to Human Settlements; and advised on Sectional Titles Scheme Management Bill and Community Scheme Ombuds bill.
- *Water Affairs and Forestry*: Contributed to development of the water for growth and development strategy, water board tariffs, and the transfer of Forestry to the Department of Agriculture and Sanitation to the Department of Human Settlements; engaged with Trans-Caldon Tunnel Authority (TCTA) and water resources section on large projects, in particular the De Hoop Dam project; assisted in the establishment of the on-site water and sanitation grant mechanism.
- *Provincial and Local Government*: Analysed MIG funding, and the determination of Free Basic Electricity requirements in terms of the equitable share funding formula; continued discussions on the Traditional Leadership issue; disaster management arrangements for 2010; supported to Treasury's intergovernmental relations division on provincial and local government issues.
- *Energy*: Was a member of the committees on wind energy, national electricity emergency response team (NERT), Biofuels task team, and various work-groups of the Interdepartmental Task Team on Energy (IDTT-E); assisted in securing multilateral loans for Eskom build programme; participated in G20 and OECD initiatives on inefficient fuel subsidies as well as the Nersa public hearings on Multi-Year Price Determination (MYPD).
- *Communications*: Discussed with the South African Broadcasting Corporation and Sentech how best to address their weaknesses in corporate governance and financial management, continued engagement on the rollout of digital television and specifications, standards and the manufacturing of set-top boxes; participated in discussions on the role of ICT in schools and the repositioning of the Universal Service and Access Agency of South Africa (USAASA); continued discussions on broadband policy and reduction of the cost of communication; and continued discussions with ICASA on how the regulator can fund its own operations.

## PROGRAMME 2

### PUBLIC FINANCE AND BUDGET MANAGEMENT - CONTINUED

The *Project Management* Unit for Social Security and Retirement Reform (PMU) provides administrative support to the inter-departmental (IDTT) task team on social security and retirement reform. It manages and co-ordinates research, analysis and technical advice on social security and retirement reform on behalf of the task team, National Treasury and the Minister of Finance. It is also responsible for co-ordinating communication and engagement with stakeholders, media, as well as the consideration of public comments on reform options.

During 2009/10, the unit circulated a consolidated government paper, coordinated the work of several interdepartmental sub-committees and research projects, and advised the Inter-Ministerial Committee responsible for overseeing the reform of social security and retirement.

#### Technical and Management Support

*Technical and Management Support* is a subprogramme of Programme 2.

The work of the *Technical Assistance* Unit (TAU) is reflected in the number of projects (89) supported during the 2009/10 financial year. At the end of the financial year, TAU was supporting 60 projects, had completed seven, and initial engagement or early diagnostics had already begun on 22 projects.

The following projects were supported:

- *City of Johannesburg* – Johannesburg Social Housing Company (JOSHCO): Results-based business planning.
- *Local Government and Traditional Affairs*, KZN (now Co-operative Governance and Traditional Affairs): Support on Evaluation and Strategic Planning, and Municipal Progression Model.
- *National Department of Education* (now Basic Education): Development of norms and standards for infrastructure.
- *Agricultural Research Council*: Review of the business plan for a foot and mouth disease facility.
- *Eastern Cape Office of the Premier*: Development of a Service Delivery Model and Business Process Mapping Report.
- *Government Communication and Information Services*: Provided programme and operational management support to the Thusong Service Centres.
- *Department of Environmental Affairs*: Provided institutional and programme development to the Integrated Coastal Management (ICM) unit.
- *Department of Transport*: Helped develop a medium-term strategic plan, service delivery model, and the alignment of the organisational structure.
- *TAU* continued to build capacity in government and share information about proven methodologies and experiences. The Project Management Interest Group (PMIG) is well established and the 17th session of the PMIG took place on 9 March 2010.

The unit underwent a performance review and received positive feedback.

The *2010 FIFA World Cup* unit provided support to the Minister and Deputy Minister of Finance, the Technical Co-ordination

## PROGRAMME 2

### PUBLIC FINANCE AND BUDGET MANAGEMENT - CONTINUED

Committee, Inter-Ministerial Committee and Organising Committee, regarding the hosting of the 2010 FIFA World Cup. The unit provided support to departments and host cities on project management, cost control and the management of contracts. It also worked with other agencies (Eskom, Telkom and Sentech) to ensure that quality services would be provided during the event.

Four stadiums were completed in March 2009, in time for the 2009 FIFA Confederations Cup, and the remaining six stadiums in December 2009. Public transport infrastructure was upgraded in the host cities, resulting in improved roads and the purchase of buses. Construction at the major airports of entry was completed. SAPS purchased new equipment and recruited additional personnel to ensure a secure event. These services were successfully tested during the 2009 FIFA Confederations Cup.

The *Public Private Partnership* (PPP) unit ensures that PPPs are delivered in terms of approved legislation. It also provides technical assistance to institutions in all spheres of government for the appraisal and procurement of PPPs. During 2009/10, the unit issued the revised standardised PPP contractual provisions for public comment. Comments will be collated and a final revised document issued.

The unit provided contract management support to a number of PPP projects, including the Gautrain, which was accelerated so the Airport-Sandton link could open in time for the 2010 World Cup, and Chapman's Peak Drive, which was reopened for traffic after a lengthy closure.

Four PPPs were approved and two projects in the final stages of negotiations were put on hold by the implementing departments. As a result, the target of six projects at implementation by the end of the review period could not be reached. The Phalaborwa hospital project in Limpopo was put on hold because there was only one bidder for the project and this lack of competition for this project warranted examination.

The unit also supported the Inter-Ministerial Committee on Energy (IMCE) regarding the purchase of energy by from the Independent Power Producers, a process which is expected to begin in the next year.

Work also commenced on the five tertiary hospitals identified by the national Department of Health as potential PPPs. The Development Bank of Southern Africa and the Industrial Development Corporation have agreed to finance the five projects.

The *Neighbourhood Development Programme* unit administers the neighbourhood development partnership grant (NDPG), which finances technical assistance to municipalities to develop proposals for property development in townships and residential neighbourhoods. The NDPG also provides capital grants for the construction and/or upgrading of community facilities and economic infrastructure. It strives to create a balance between township economic development and the quality of life of residents. 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.

## PROGRAMME 2

### PUBLIC FINANCE AND BUDGET MANAGEMENT - CONTINUED

The unit's achievements include:

- A portfolio of 90 awards (valued at R8.8 billion) in 57 municipalities.
- Expenditure of more than R597.9 million, or 90 per cent of budgeted expenditure during the review period.
- Facilitation of 106 projects since the inception of the NDPG in 2006.
- Review of the NDPG's grant framework, award structure, information system, and monitoring and evaluation approach to improve performance indicators and consolidate programme data and reporting.
- The co-ordination of training programmes to enhance and streamline the process of NDPG management.

#### Neighbourhood development partnership grant

Key performance indicator*	2006/07		2007/08		2008/09		2009/10	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual
No. of projects granted award status	35	33	60	72	80	86	95	90
No. of projects commenced construction	-	-	2	4	7	27	30	47
Expenditure (technical assistance) (Rm) (Schedule 7)	50.0	0.0	63.8	3.8	85.0	67.6	110.0	89.9
Expenditure (capital grant) (Rm) (Schedule 6)	0.0	0.0	231.2	41.4	289.0	181.5	551.0	508.0
Expenditure (NDPG Total) (Rm)	50.0	0.0	295.0	45.1	374.0	249	661.0	597.9

The *Infrastructure Delivery Improvement Programme* (IDIP) provides technical support to provinces for the planning and management of infrastructure. IDIP also monitors and measures its impact on infrastructure planning, supply chain, project, and finance management. Results thus far show considerable progress in the capacity of departments to budget, plan and deliver infrastructure projects. The IDIP programme has been extended to 2013.

Key achievements during the review period include:

- Assistance to provincial departments of education, health and public works, and the infrastructure units of some provincial treasuries. The assistance included the deployment of 27 full-time technical advisors to nine provinces and one to the national Department of Basic Education. Technical assistants were also deployed to these departments to provide short-term assistance in specialised areas such as organisational development, change management, and planning.

#### Intergovernmental Relations

The *Intergovernmental Relations* (IGR) division coordinates fiscal relations between the national, provincial and local spheres of government, an important function given that R345 billion or 50 per cent of non-interest expenditure in 2009/10 went to provinces and municipalities. The bulk of this expenditure went to core programmes such as education, health care and the provision of free basic municipal services.

The division coordinates inputs to the division of revenue, the annual Division of Revenue Bill and the development of the framework for the management of conditional grants. During the reporting period the division published the Provincial Budgets and Expenditure Review, which advances government's commitment to report on the status of service delivery and the intention to improve the lives of its citizens.

## PROGRAMME 2

### PUBLIC FINANCE AND BUDGET MANAGEMENT - CONTINUED

IGR also compiles consolidated provincial budgets and quarterly expenditure reports which provide parliament and provincial legislatures with valuable data in their exercise of effective oversight and also strengthens the accountability of accounting officers.

The division publishes quarterly reports on local government (Section 71 reports). From the fourth quarter of 2009/10, the publication included for the first time a report on over- and under-expenditure, monthly actual expenditure and cash flow statements for each municipality. All reports were published within agreed deadlines.

IGR also published regulations on municipal budgeting and reporting. For the 2009/10 Medium Term Revenue and Expenditure Framework (MTREF), 24 of the targeted 27 large municipalities produced their budgets in the new format. The remaining three will be included in the 2010/11 MTREF. Eleven other municipalities voluntarily produced their 2009/10 MTREF budgets in the new formats.

The division has an internet-based training programme on the essentials of budget formulation and analysis. The budget formulation course attracted applications from 290 officials, 166 of whom completed the programme. There were fewer than anticipated applications for the budget analysis course, with only 20 officials registering and successfully completing the training.

IGR continues to ensure the effective use of financial resources, and recommended a delay of transfers to provinces which failed to comply with the conditions of national grants.

A number of new provincial grants were introduced during the reporting period. These include the expanded public works programme incentive grant, the public transport operations grant, the technical secondary schools recapitalisation grant, the health disaster response (cholera) grant, and the housing disaster relief grant. The 2010 FIFA World Cup host city operating grant and the expanded public works programme incentive grant for municipalities were also introduced.

The local government fiscal framework has been amended to take into account the differences in the capacity of large urban and smaller rural municipalities to deliver services. The municipal infrastructure grant was amended to take into account differences in integrated planning, the leveraging of municipal resources to eradicate backlogs, improved performance in developing integrated human settlements, and effective asset management for cities. For rural municipalities, the amendments are meant to address infrastructure needs for basic services and rural development.

Municipalities were advised on the provisions of section 12 of the Municipal Fiscal Powers and Functions Act (MFPFA), which required all municipalities to apply to the Minister of Finance within two years after enactment of the MFPFA (i.e. by 7 September 2009) for the continuation of any municipal tax, other than property rates, in order to avoid tax lapses. All municipalities complied with this requirement, and municipalities were advised of the outcome of the preliminary assessments during December 2009.

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 2: Public Finance and Budget Management

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
Budget Office	Annual budget framework and division of revenue	Integrity of national budget framework	MTBPS – October 2009: framework for 2010 Budget	Budget framework for MTBPS and Budget Review were tabled on time and included an estimate of the structural budget balance
	<i>Budget Review, Estimates of National Expenditure</i> , appropriation legislation and public finance statistics	Quality of budget documentation	Timely publication, accuracy, scope and quality of content. Improved quality and quantity of measurable objectives and trendable performance indicators by departments and public entities in the <i>Estimates of National Expenditure</i>	Budget documents were of high quality and published on time. The documents had an improved coverage of measurable objectives and trendable performance indicators
	Expenditure planning and budget process management	Departmental and agency spending plans, and submissions to Ministers' Committee on the Budget	Improved performance information as part of expenditure planning and project evaluation	Departmental and public entity indicators were improved, particularly in terms of accuracy of description, comprehensiveness, and consistency of targets in relation to funding

## PROGRAMME 2

### PUBLIC FINANCE AND BUDGET MANAGEMENT - CONTINUED

## PROGRAMME 2

### PUBLIC FINANCE AND BUDGET MANAGEMENT - CONTINUED

Capital expenditure planning and evaluation	Improved quality of capital planning leading to more efficient budget allocations and capital expenditure	Develop an enhanced framework for appraising capital spending proposals Design and approval of the structure of the appraisal framework Establishment of ongoing training Focus on how ODA funding can support the budgets of key departments. Initial focus will be placed on health and education Enhancing accountability for donor receipts through improved reporting in the <i>Estimates of National Expenditure</i> on spending and outputs achieved	Appraisal framework developed and now being rolled out Framework designed and currently under discussion Training in project appraisal rolled out and broadened Education ODA supported programme aligned to budget priorities. Health ODA programme in final stages of development on similar path Reports from 80% of departments receiving ODA and information captured in 2010 <i>Estimates of National Expenditure</i>
Official Development Assistance (ODA) resources aligned to and mobilised for government policies and priorities	Alignment of ODA funding decisions with the budget process	Publication of guidelines Initiate project in support of correct implementation of guidelines	Many programme structures were changed in response to changes in departmental structure proclaimed by the President in 2009. National Treasury issued a guideline on budget programme structures early in 2010
Improved programme structure of departmental votes	Supporting departments in improving structuring of programmes in departmental votes		

## PROGRAMME 2 PUBLIC FINANCE AND BUDGET MANAGEMENT - CONTINUED

### SERVICE DELIVERY ACHIEVEMENTS

#### Programme 2: Public Finance and Budget Management - Continued

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
Budget Office	Improved quality and quantity of measurable objectives and trend based performance indicators by departments and public entities	Publication and implementation of a standard operating procedures manual	Publication of a standard operating procedures manual	The standard operating procedures manual is in the final stage of development
	Legislative reform in governance and financial management issues	Amendments to PFMA and Treasury Regulations	Sound regulatory environment and consistency in governance, human resource management and financial management in the public sector, including 'extra-budgetary' entities	The draft Public Finance Management Bill was produced and is being discussed
	Deepen the principles of governance and accountability in public entities, government agencies and departmental business enterprises. Institutionalise budgeting, reporting and change management processes	Implement a governance and financial management monitoring and compliance system for government agencies, public entities and departmental business enterprises	Sustained sound planning, budgeting, governance and financial management in government agencies and public entities	Applied a coherent regulatory framework to promote a consistent approach to governance, organisational and institutional design, financial management and human resource management in public entities, government agencies and departmental business enterprises

## PROGRAMME 2

### PUBLIC FINANCE AND BUDGET MANAGEMENT - CONTINUED

Public Finance	Sectoral and departmental policy advice	Timely and relevant analysis and advice	Assessment of policy priorities for medium term and 2010 Budget	Sectoral and departmental policy priorities are reflected in the 2009 <i>Medium Term Budget Policy Statement</i> and 2010 <i>Estimates of National Expenditure</i> . Regular advice to the Minister on departmental policy issues and cabinet submissions. 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	Implemented new quarterly format for reporting to Parliament via the Standing Committee on Appropriation. Continuing with revisions to monthly reporting format (for example, introduction of reporting by economic classification and sub-programme)

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 2: Public Finance and Budget Management - Continued

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
Public Finance	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, and improved long-term expenditure planning	Conducted pre-MTEC bilaterals with each department; all national departments have measurable objectives per programme and a selected set of 10-12 service delivery indicators; all budget requests and allocations are developed over a 3 year period
	Social security and retirement reform (jointly with Financial Sector Policy - Programme 6)	Policy framework and implementation road-map	Publication of agreed government position paper and initiation of public consultation process	The consolidated government paper is being further developed following comments received from members of the IDTT for Social Security and Retirement Reform and the Inter Ministerial Committee
	Comprehensive public expenditure review (in consultation with Intergovernmental Relations and Budget Office)	Overview paper on expenditure priorities and options for savings to be considered in 2010 budget process	Sectoral expenditure reviews compiled in consultation with Presidency and line departments	Submission to Ministers' Committee on the Budget prepared on departmental expenditure proposals and priorities, following MTEC process

## PROGRAMME 2

### PUBLIC FINANCE AND BUDGET MANAGEMENT - CONTINUED

## PROGRAMME 2

### PUBLIC FINANCE AND BUDGET MANAGEMENT - CONTINUED

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	Provincial budget framework finalised in September 2009. Preliminary allocations were communicated to provinces in November 2009 and final allocation was communicated to provinces during January 2010
	Local government budget framework	Integrity of the framework: fiscal sustainability, structure and trends in fiscal indicators	Local government framework finalised by September of the budget planning year	Local government budget framework finalised in September 2009. The final allocations were communicated to municipalities on Budget Day, 17 February 2010
	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)	Tabled on Budget Day, with no errors	Tabled on Budget Day, with other related documents such as Annexure W1, without errors
	Support provincial government with: <ul style="list-style-type: none"> <li>• Financial management reforms</li> <li>• Service delivery</li> </ul>	Number of provincial departments in which financial management programmes and reforms are being implemented in terms of the Public Finance Management Act (PFMA)	Financial management reforms to be implemented in 30 provincial departments	Financial management reforms implemented in 120 provincial departments <sup>2</sup>

<sup>2</sup> Financial management reforms will be implemented in 120 provincial departments going forward. This change in target will be reflected in the 2011/14 Strategic Plan.

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 2: Public Finance and Budget Management - Continued

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
Intergovernmental Relations	Support municipal government with: <ul style="list-style-type: none"> <li>• Infrastructure planning</li> <li>• Service delivery</li> </ul>	Number of municipalities in which infrastructure planning and service delivery initiatives are implemented	Implementing municipal and service delivery initiatives in 6 metropolitan municipalities and the 3 aspirant metropolitan municipalities	City Budget Forum established which facilitated the implementation of initiatives to support improvement in the delivery of services. These included reforms in the financing and planning of municipal infrastructure targeting 6 metropolitan municipalities and 3 aspirant metropolitan municipalities
			Building further capacity in budget formulation and budget analysis	Number of officials trained

## PROGRAMME 2

### PUBLIC FINANCE AND BUDGET MANAGEMENT - CONTINUED

## PROGRAMME 2

### PUBLIC FINANCE AND BUDGET MANAGEMENT - CONTINUED

Roll out Municipal Budget and Reporting Regulations	Number of municipalities complying with new formats	Budgets of 27 large municipalities in accordance with formats	Of the 27 large municipalities targeted, 24 produced budgets in the new formats, and 11 other municipalities also volunteered to produce their budgets in the new formats Extensive preparation work was undertaken to facilitate the roll-out of the formats to all 283 municipalities for 2010/11 MTREF
Funding compliance methodology implemented in line with Sections 17 and 18 of the MFMA	Number of municipalities using the methodology	Apply to 17 non-delegated municipalities	Funding compliance assessment was done as part of the NT budget review of the 17 non-delegated municipalities Only two provincial treasuries have begun using the methodology in their assessments of municipal budgets. NT is providing further training to the provincial treasuries on the funding compliance methodology to enable them to apply it when assessing delegated municipal budgets
Development of a standard chart of accounts for municipalities	Project progress against plan	Development of a standard chart of accounts	Standard chart of accounts for municipalities being developed

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 2: Public Finance and Budget Management - Continued

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
Intergovernmental Relations	Provincial and local government <i>Budget and Expenditure Reviews</i>	Quality and scope of reviews	Publish <i>Provincial Government Budget and Expenditure Review</i> by end of August	Provincial Budget and Expenditure Review published on 16 September 2009
			Publish updated local government data in October	The 2009/10 MTREF information for all 283 municipalities was published on NT website on 2 November 2009
	Publication of provincial and local government expenditure reports in terms of the PFMA (section 32) and MFMA (section 71) and DORA (Section 44(3))	Timely and accurate reports	Publish provincial quarterly reports a month after the end of the quarter	Published 4 quarterly reports a month after the end of each quarter (i.e. PFMA section 32 reports)
			Publish municipal reports 45 days after the end of each quarter	All reports (i.e. MFMA Section 71 reports) were published within the targeted timeframes, with the last report for 2nd quarter of 2009/10 published on 23 February 2010

## PROGRAMME 2

### PUBLIC FINANCE AND BUDGET MANAGEMENT - CONTINUED

## PROGRAMME 2

### PUBLIC FINANCE AND BUDGET MANAGEMENT - CONTINUED

		Coverage and reliability of municipal information	Maintain coverage at 283 municipalities Improve reliability of data	<p>The coverage has been progressively improved from 43 municipalities in the 3rd quarter of 2006/07 to 283 in the 4th quarter of 2008/09. As part of the process to improve the usefulness of published data, for the first time the 4th quarter publication was accompanied by a report on municipal over- and under-expenditure per municipality. This report was also tabled in Parliament on 23 November 2009.</p> <p>As part of the 2nd quarter publication, cash-flow information per municipality was published for the first time</p>
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## SERVICE DELIVERY ACHIEVEMENTS

### Programme 2: Public Finance and Budget Management - Continued

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
Technical and Management Support	Infrastructure delivery improvement programme	Technical Assistants (TAs) deployed to targeted provincial departments	Technical support given to three departments (education, health and public works) in all nine provinces	27 full time TAs were deployed to the 9 provincial education, health and public works departments
		Timely submission of infrastructure plans by provinces that comply with guidelines developed by National Treasury	Infrastructure plans for targeted provincial departments comply with Division of Revenue Act requirements	The infrastructure plans for targeted provincial departments (health, education and roads/transport) were submitted on time by all nine provinces. The plans were assessed and feedback submitted to provinces
Project management support	Project management support	Number of projects	67 technical assistance projects	67 projects received technical assistance.
			Develop technical assistance cost-recovery framework	A technical assistance cost recovery framework was developed
Oversight of national government funding to institutions implementing 2010 FIFA World Cup projects	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	Oversee, monitored and reported on expenditure of national government funding to institutions and host cities implementing 2010 FIFA World Cup projects

## PROGRAMME 2

### PUBLIC FINANCE AND BUDGET MANAGEMENT - CONTINUED

## PROGRAMME 2

### PUBLIC FINANCE AND BUDGET MANAGEMENT - CONTINUED

Neighbourhood development projects that attract private sector investment into townships Public Private Partnership agreements	Number of projects granted award status	95	Total of 90 awards have been made to 57 municipalities <sup>3</sup>
	Number of projects where construction has commenced	30	Construction in 47 projects has commenced <sup>4</sup>
	Increased PPP oversight capacity	Review of PPP advisory and regulatory functions Publish revised PPP standardised provisions	Review has been completed and fed into the process of establishing a government component for the provision of advisory services. Revised PPP standardised provisions published for public comment
	Number of hospital PPP projects completing feasibility studies	Six projects	Two project feasibility studies completed and an agreement reached with provincial health departments to complete the remaining four <sup>5</sup>
	Number of hospital PPP projects reaching financial close	One project	None reaching financial close due to delays in procurement <sup>5</sup>

<sup>3</sup>Awards may consist of more than one project, therefore target and actual may vary. Targets will be adjusted to differentiate between awards and projects in the 2011/14 Strategic Plan.

<sup>4</sup>Targets will be adjusted upwards and will be reflected in the 2011/14 Strategic Plan.

<sup>5</sup>Only 2 PPP feasibility studies have been completed, as several smaller projects were combined into 2 larger projects. As a result the project took longer to complete and did not reach financial close.



**PROGRAMME 3**  
**ASSET AND LIABILITY MANAGEMENT**

## PROGRAMME 3

### ASSET AND LIABILITY MANAGEMENT

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

**Measurable objective:** prudent cash and financial management; oversight of state-owned entities (SOEs); and optimal management of government's domestic and foreign debt.

There are six subprogrammes:

- *Management* provides strategic guidance and direction to the overall programme, including managing the divisional budget.
- *Governance and Financial Analysis* promotes the optimal allocation and use of financial resources and sound corporate governance by SOEs, through financial oversight in accordance with government policy.
- *Sectoral Oversight* promotes SOE restructuring and regulatory and financial oversight, by ensuring alignment with government policy, conducting sectoral research, and providing required interventions where necessary.
- *Liability Management* provides for government's long-term funding needs, manages domestic and foreign debt, and contributes to the development of domestic capital and retail markets.
- *Financial Operations* provides for government's short-term funding needs, the prudent management of cash in all spheres of government, the efficient accounting for debt and investment transactions, the 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

The division played a vital role in financing government's gross borrowing requirement during the global economic crisis. It also provided support to state-owned entities and development finance institutions to ensure that they delivered on their development mandate.

*Liability Management* – Government's gross borrowing requirement was revised upwards from R109.2 billion to R187.4 billion and this was financed through short-term loans (R49.8 billion), domestic long-term loans (R132.4 billion) and long-term international loans (R31.7 billion). This provided for an increase in cash balances of R26.3 billion. To enhance liquidity in the market, bond issues were concentrated in existing benchmark bonds, with 64 per cent in fixed-income and 36 per cent in inflation-linked bonds. As a result of lower investor demand, no buy-back and exchange transactions were entered into during 2009/10. However, the 2008/09 switch programme reduced redemption over the period 2009/10 to 2011/12 by R20.3 billion per year. Debt service cost increased from 2.2 per cent to 2.3 per cent of GDP because of the higher gross borrowing requirement. As part of the investor relations programme, two domestic and two foreign roadshows were conducted.

*Financial Operations* – Sound cash flow forecasting enabled the division to anticipate a revenue shortfall and adjust funding levels accordingly. Intergovernmental cash coordination was also enhanced through opening accounts for public entities with the Corporation for Public Deposits, out of which national and provincial governments used more than R12.4 billion as bridging finance. By using these facilities national and provincial governments reduced their short-term borrowing costs by 3 per cent.

## PROGRAMME 3

### ASSET AND LIABILITY MANAGEMENT - CONTINUED

The division continued to roll out the new treasury management systems, while the foreign debt module was implemented in September 2009 and ran parallel with existing systems to reduce the risks associated with the migration of data from one system to another. The development of the domestic capital market module is in progress.

*Strategy and Risk Management* – Government continued its active debt management strategy in support of broader macroeconomic objectives. The issuance of new debt is informed by market and credit risk guidelines, including risks associated with the contingent liabilities arising out of loan guarantees issued to state-owned owned companies.

During the review period, government issued more Treasury bills and inflation-linked bonds in response to strong demand for these instruments. This meant that debt without a fixed rate rose as proportion of total domestic debt to 36 percent, exceeding the benchmark ratio of 30 percent non-fixed and 70 percent fixed rate. A strategy has been developed to re-align the domestic debt portfolio to the benchmark. At 12.4 percent of gross debt, however, foreign debt was well within the 20 – 25 percent benchmark.

Despite the unfavourable macroeconomic environment because of the global economic crisis, Fitch and Standard and Poor's maintained South Africa's credit rating at BBB+ and left the outlook unchanged at negative. Meanwhile, R&I removed the negative outlook and the rating was maintained at A- Moody's, however, upgraded South Africa's long-term foreign currency rating to A3 from Baa1, but changed the outlook from positive to stable. . The rationale for the upgrade was South Africa's resilience, strong macro-economic fundamentals, and manageable debt levels. The accumulation of foreign exchange reserves which reduced SA's vulnerability to external factors also contributed to the upgrade.

In support of the state-owned entities, including development finance institutions, guarantees of R231.3 billion were approved, of which R74.2 billion had been drawn down by the end of the review period. These guarantees (contingent liabilities) plus net government debt amounted to 41 per cent of GDP during the review period.

*Governance and Financial Analysis and Sectoral Oversight* –National Treasury continued to monitor state-owned entities and development finance institutions so as to timeously identify and address challenges. In particular, Treasury closely monitored the progress made by state-owned companies whose debt had been guaranteed by government. A standardised process for receiving, accessing, recording and monitoring guarantees is being developed.

A review of the administered prices and their impact on the economy and state-owned companies was initiated during the year. The findings thereof will assist government to balance a number of factors, including the protection of consumers from monopoly pricing, ensuring that SOEs remain financially sound, promotion of economic efficiency by ensuring that the pricing of services reflects the costs of providing those services, and ensuring long-term supply based on adequate investment.

In support of the state-owned entities and development finance institutions the following initiatives were implemented:

- Approved a R1.4 billion guarantee for the SABC, of which R1 billion had been drawn by the end of the year and the balance is subject to the SABC submitting to government a comprehensive strategy to improve the finances of the corporation.
- Approval was granted for Denel to drawdown R150 million against the R550 million guarantee. In addition, a transfer payment of R192 million was made to Denel during December 2009 in terms of the government indemnity provided to Denel Saab Aerostructures.

## PROGRAMME 3

### ASSET AND LIABILITY MANAGEMENT – CONTINUED

- Plans are advanced for the Land Bank and the DBSA to implement the recommendations of the report on the review of development finance institutions (DFIs). Both entities have been challenged to deepen their development impact. A memorandum of understanding was concluded with the DBSA containing specific targets on how the developing financier will roll-out its services to the poorest of municipalities.
- Amendments to legislation are in progress to authorise the increase in DBSA's callable capital from R5 billion to R20 billion to enable the DBSA to increase its lending capacity to R140 billion. Pending the approval of the increase in capital, a guarantee of R15 billion was issued to DBSA to allow it to increase its lending.
- The Land Bank was given a guarantee of R3.5 billion, an amount which was later reduced to R2.5 billion after the bank received a capital injection of R1 billion in terms of the Adjustment Appropriation Act (2009). To redirect the Land Bank towards its core mandate of supporting emerging farmers, National Treasury, Rural Development and Land Reform, and Agriculture, Forestry and Fisheries have formed a coordinating committee which is due to submit proposals to Cabinet on the repossession of farms whose owners have failed to repay the bank.
- The division monitors the treasury operations of SOEs to ensure that they comply with best practice standards, and coordinates their borrowing activities. Borrowings by SOEs for the period 2009/10 – 2013/14 to finance their capital expenditure programmes are projected at R486.4 billion. To reduce borrowing costs, the department supported SOEs to access funding from multilateral organisations, export credit agencies, and project financing arrangements.

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 3: Asset and Liability Management

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
Governance and Financial Analysis	Review of Development Finance Institutions (DFIs)	Implementation of DFI review report	Prepare proposals on government support for selected DFIs	<p>DBSA's callable capital was increased from R4.8 billion to R20 billion to expand its lending capacity to around R140 billion. This increase requires an amendment of the DBSA Act and regulations. In the interim a guarantee of R15 billion was issued to DBSA to allow the Bank to increase its lending portfolio. A Memorandum of Understanding regarding the performance and reporting framework for the DBSA was finalised and a process to amend the DBSA Act has started.</p> <p>A team consisting of the National Treasury, Land Reform and Rural Development, and Agriculture Fisheries and Forestry departments, is working with the Land Bank to:</p>

## PROGRAMME 3

### ASSET AND LIABILITY MANAGEMENT - CONTINUED

## PROGRAMME 3

### ASSET AND LIABILITY MANAGEMENT - CONTINUED

<ul style="list-style-type: none"> <li>• Develop an approach to protect developing farmers who have difficulty servicing their loans</li> <li>• Protect the Land Bank from the impact of non-performing loans (NPLs)</li> <li>• Redirect the bank towards its core mandate of supporting emerging farmers</li> <li>• Assist with the repossession of farms by the Land Bank</li> </ul>	<p>Letters of invitation have been forwarded to Executive Authorities responsible for DFIs to meet to decide on implementation</p>	<p>Draft monitoring and evaluation framework has been completed. Engagement with other stakeholders for the implementation of DFIs policy will be initiated after the meeting of the Inter-Ministerial Committee reviewing the DFI Report. Letters were sent to the executive authorities in charge of the DFIs to nominate officials to serve on the Interdepartmental Steering Committee</p>
	<p>Promote establishment of DFI council</p>	<p>Approved DFI recommendations implemented and adherence monitored</p>

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 3: Asset and Liability Management - Continued

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
Governance and Financial Analysis	Promote appropriate treasury management policies and practices in state owned enterprises (SOEs) and major municipal treasuries (metros)	Adherence to treasury guidelines by SOEs and metros	Monitor adherence	Treasury Best Practice Standards (TBPS) were released as broad guidelines to all SOEs. Follow-up reviews of 17 SOEs done and all new established SOEs reviewed.
			Identify 4 new SOEs needing to establish a treasury management system	Reviewed report for Umgeni Water Board against TBPS guidelines. Assisted South African Express and National Empowerment Fund (NEF) in drawing up their treasury and investment policy
	Coordinate borrowing programmes of SOEs	Compilation of borrowing calendar and consolidated maturity profile	Quarterly meetings with SOEs to update borrowing programmes	Monitored the weekly issuance of SOE bonds in the capital market and followed-up with SOEs that did not receive full subscription of their bonds. Compiled borrowing and maturity profile of public sector borrowers. All these actions improved coordination of issuance by government and SOEs

## PROGRAMME 3

### ASSET AND LIABILITY MANAGEMENT - CONTINUED

## PROGRAMME 3

### ASSET AND LIABILITY MANAGEMENT - CONTINUED

			Annual publication of borrowing calendar by March	The 2009/10 borrowing calendar for government and SOEs was published in April 2009
Determine optimal capital structure and appropriate dividend policies for SOEs	Benchmark to determine appropriate target capital structure for SOEs		33% (6 SOEs) completed	<p>Stage 1 of the project completed whereby the affected SOEs executive authority and policy departments were consulted.</p> <p>Stage 2 which involves benchmarking SOEs against peers is 80% completed.</p> <p>Project not completed against target due to time it took to obtain buy-in from executive authority departments and delays in obtaining data from SOEs requiring extensive follow-up</p>

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 3: Asset and Liability Management - Continued

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
Governance and Financial Analysis	Shareholder compliance	PFMA and King Code (2002) compliance monitored	Semi-annual reporting on compliance by major SOEs	<p>Schedule 2 and 3B Public Entities:</p> <ul style="list-style-type: none"> <li>89% (40/45) of the corporate plans were received from the Public Entities. SAA and IDC (Schedule 2 Public Entities) were granted extensions to submit on later dates than 28 February 2010. Namakwa Water Board (Schedule 3B Public Entity) did not submit due to the fact that Department of Water and Environmental Affairs was in the process of its disestablishment (date not specified yet).</li> <li>95% (43/45) of draft financial statements were received from the Public Entities. Only Namakwa Water Board did not submit due to the disestablishment process.</li> <li>100% (45/45) of the Annual Reports were received from the Public Entities</li> </ul>

**Measurable objective:** Ensure prudent cash and financial management, oversight of state-owned entities and optimal management of the state's domestic and foreign debt.

## PROGRAMME 3

### ASSET AND LIABILITY MANAGEMENT - CONTINUED

## PROGRAMME 3

### ASSET AND LIABILITY MANAGEMENT - CONTINUED

Sectoral Oversight	Prudent shareholder management	Financial oversight over SOEs	Annual report on review of corporate plans and financial statements	Report on corporate plan reviews completed in September 2009. Analysis of financial statements completed in November 2009 and report submitted to Minister of Finance
		Continuous financial oversight over Schedule 2 and 3B entities	Participate in and lead major interventions and restructuring with a particular focus on Eskom, Pebble Bed Modular Reactor (PBMR), Telkom, CEF/ PetroSA, SABC, SAA, Denel and Transnet	<p><b>Denel</b> – Two existing guarantees of R420 million and R880 million were extended until 31 March 2011 to avoid a going-concern audit qualification for its 2008/09 annual financial statements. In addition, a further guarantee of R550 million was provided for working capital purposes. The R550 million will be released in three tranches</p> <p><b>Transnet</b> – New Multi Purpose Pipeline levy of 7.5 cents per litre introduced which is conditional upon the corporatisation of pipelines within the next 2 years</p> <p><b>Autopax</b> – Government has provided a six year, R1.4 billion guarantee for the purchase of 570 buses for the 2010 FIFA World Cup</p> <p><b>SAA</b> – A R1.6 billion perpetual guarantee was provided to avert a going-concern audit qualification of its financial statements and to avoid projected cash flow constraints</p>

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 3: Asset and Liability Management - Continued

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
<p><b>Measurable objective:</b> Ensure prudent cash and financial management, oversight of state-owned entities and optimal management of the state's domestic and foreign debt.</p> <p>Sectoral Oversight</p>			<p><b>SABC</b> – A guarantee of R1.4 billion was granted to the SABC supporting a R1 billion term loan facility concluded in December 2009</p> <p><b>PetroSA</b> – The Presidency has formed a working group, which National Treasury is participating in, to assess the PetroSA refinery project versus other possible alternatives. The work should be concluded by June 2010 and a report will be submitted outlining recommendations</p> <p><b>PBMR</b> – The company is currently in the process of restructuring</p> <p><b>Eskom</b> – Comments provided on Eskom's Multi Year Price Determination revenue application. The African Development Bank approved a loan of \$2.53 billion to fund Eskom's capital. T</p>	

## PROGRAMME 3

### ASSET AND LIABILITY MANAGEMENT - CONTINUED

## PROGRAMME 3

### ASSET AND LIABILITY MANAGEMENT - CONTINUED

				<p>The World Bank loan for \$3.75 billion was also approved. Eskom drew down on R30 billion of the subordinated loan allocated to the company</p> <p><b>SAFCOL</b> – Collaborated with the Department of Public Enterprises with respect to the Cabinet-approved sale of Safcol's remaining forest (KLF)</p> <p><b>SASRIA</b> – Collaborated with the Financial Sector Policy Unit to evaluate the proposed African markets expansion by SASRIA</p>
			Annual sectoral analysis and policy review	Assisted in reviewing economic regulation in the electricity and aviation sectors and determining the impact on SOE financial sustainability
		Develop policy framework within which SOEs are managed	Establish forum and policy principles	A new DDGs Reference Group, led by the Asset and Liability Management division, has been established to deal with the energy related issues
Liability Management	Finance government's gross borrowing requirement	Annual total government borrowing needs fully met	Gross issuance of R109.2 billion	Revised gross borrowing requirement of R187.4 billion financed

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 3: Asset and Liability Management - Continued

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
Liability Management	Sound domestic and foreign debt management policies	Enhanced liquidity	Concentrate issuance in benchmark bonds	Funding in fixed-income bonds was concentrated in R203 (8.25%; 2017), R204 (8.0%; 2018), R207 (7.25%; 2020), R208 (6.75%; 2021) and R209 (6.25%; 2036) benchmark bonds. Issues in these bonds accounted for 75% of total issues. Inflation-linked bond issues were concentrated in R189 (6.25%; 2013) and R197 (5.50%; 2023) bonds. The fixed-income bonds represent 64% and ILB's 36% of new bond issues.
			Scrip lending and repo facilities	Scrip lending and repo facilities of R15.6 billion provided
		Active debt management	Buyback and exchange in domestic debt	No buyback or switch transactions were entered into
	Reduce debt service cost	Declining debt service cost as percentage of GDP	2.2% of GDP	2.3% of GDP, due to a higher gross borrowing requirement

## PROGRAMME 3

### ASSET AND LIABILITY MANAGEMENT - CONTINUED

## PROGRAMME 3

### ASSET AND LIABILITY MANAGEMENT - CONTINUED

	Contribute to the development of financial markets	Diversification of funding instruments	Domestic funding in fixed-income, inflation-linked and retail bonds, floating rate notes and treasury bills. International funding through capital market and export credit agency loans	Total domestic issues of R182.3 billion comprises R49.7 billion in treasury bills, R84.6 billion in fixed-income bonds and R48 billion in inflation-linked bonds. Net retail bond investments amount to R2.8 billion. R31.1 billion (US\$4 billion equivalent) has been raised in the international capital markets and R0.8 billion raised through export credit agency loans
	Sound investor relations	Retain current investors and attract new ones	Conduct two domestic and two foreign roadshows Timely dissemination of reliable information	Target met Compliance with disclosure requirements of the US Securities of Exchange Commission (SEC), Luxembourg and Kanto local finance bureau
Financial Operations	Sound cash forecasts	Government's liquidity requirements met every time	Forecasting R2.2 trillion of cash flows	R2.4 trillion of cash flows forecasted. Deviations from forecast were negligible
	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 investment rates reviewed quarterly. Interest earned was on average equal to treasury bill yield less 8.75 basis points

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 3: Asset and Liability Management - Continued

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
Financial Operations	Coordinate intergovernmental cash	Saving by national and provincial governments	Saving of up to 3% on borrowing costs compared to borrowing from commercial banks	Up to 3% saved on borrowing costs by national and provincial governments
	Annual financial statements and market reports	Timely and accurate reporting	Compliance with PFMA reporting requirements regarding annual financial statements	PFMA reporting requirements met
	Treasury management systems	Reliable, automated and integrated systems to be implemented	Timely dissemination of reliable market information	Reporting requirements for the special data dissemination standards of the IMF met and reliable market information timely disseminated

## PROGRAMME 3

### ASSET AND LIABILITY MANAGEMENT - CONTINUED

## PROGRAMME 3

### ASSET AND LIABILITY MANAGEMENT - CONTINUED

<p><b>Domestic capital market module</b> Development is underway and strategies are being developed to address improved project execution and domestic debt data migration from the mainframe</p>			
<p><b>Retail debt module</b> Not completed; this has been temporarily deferred and will commence again in mid April 2010</p>			
<p>Finalised the Investor Relations website/ ALM Portal; sign-off still required. Commenced with project to make data provided by Bloomberg accessible via the end-user's desktop through Bloomberg's Data License product</p>	<p>Implementing and actively managing the revised systems integration strategy</p>		

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 3: Asset and Liability Management - Continued

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
Strategy and Risk Management	Minimise and mitigate risks emanating from government debt portfolio (market risk) and from the investment of surplus cash	Performance against benchmarks:	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 consists of 64% fixed and 36% non-fixed rate debt. The split between foreign and domestic debt is 87.6% and 12.4% respectively
		<b>Non-fixed versus fixed debt</b>	Implement and monitor strategic benchmarks	Strategic benchmark reviewed and strategy proposed to align the debt portfolio closer to the risk benchmark of 70/30 fixed vs. non-fixed rate domestic debt
		<b>Foreign debt versus domestic debt</b>	Quarterly review of performance against benchmarks	Quarterly performance review of debt portfolio against benchmarks were completed as planned
		Adherence to surplus cash benchmark investment ratios and total limits per counterparty	Annual review of investment ratios and limits per counterparty	Ratios have been revised taking into consideration underlying pressures emanating from the changing economic environment. Cash deposited with the banks kept within the 50% limit of capital and reserves of the banks

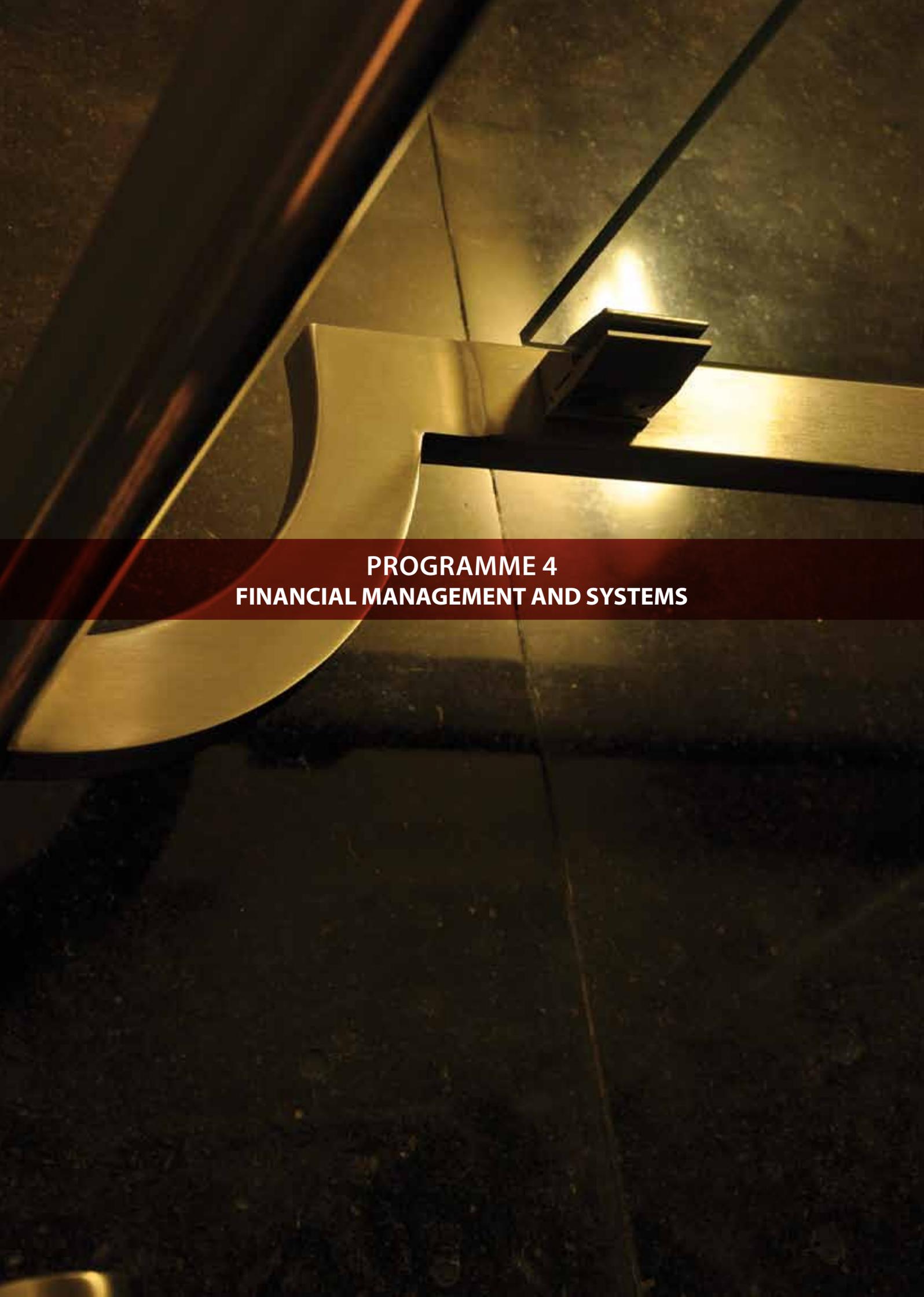
## PROGRAMME 3

### ASSET AND LIABILITY MANAGEMENT - CONTINUED

## PROGRAMME 3

### ASSET AND LIABILITY MANAGEMENT - CONTINUED

			Semi-annual reports on adherence to ratios and limits	Semi-annual reports prepared
Minimise and mitigate sovereign credit rating risks	Quantitative indicators of sovereign risk		Semi-annual sovereign credit rating reviews	Moody's upgraded the country's foreign currency debt while Standard & Poor's and R&I both affirmed their ratings but placed the country on a negative outlook
Manage contingent liabilities appropriately	Capping total government debt plus contingent liabilities as a percentage of GDP		Review and monitor benchmark of net government debt and contingent liabilities not exceeding 50% of GDP	Government debt plus contingent liabilities of 41% of GDP



**PROGRAMME 4**  
**FINANCIAL MANAGEMENT AND SYSTEMS**

## PROGRAMME 4

### FINANCIAL MANAGEMENT AND SYSTEMS

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

**Measurable objective:** 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)* consists of Supply Chain Policy, Norms and Standards, and Contract Management. SCM develops policy that regulates supply chain management processes in the public sector, monitors policy outcomes, facilitates and manages transversal term contracts.
- *Financial Systems* maintains and enhances financial management systems to ensure they comply with the Public Finance Management Act (PFMA) and Generally Recognised Accounting Practice (GRAP).

## SERVICE DELIVERY OBJECTIVES AND INDICATORS

### RECENT OUTPUTS

*Supply Chain Policy* unit is responsible for introducing strategic sourcing principles to all spheres of government. During the 2009/10 financial year, strategic sourcing principles were introduced to twenty four (24) national departments and five (5) provincial treasuries. Draft implementation plans for the remaining national and provincial treasuries are being processed.

The upgrading of the User Requirement Statement (URS) was completed in November 2009; the configuration and customisation of the Oracle software is underway.

*Norms and Standards* continues to improve SCM practices and procedures. During the reporting period two practice notes were issued in terms of the PFMA. One dealt with procedures to be followed when procuring ICT goods and services through SITA; the other provided guidance on bids submitted by persons employed by the state, connected, or related to persons employed by the state.

The alignment of the Preferential Procurement Regulations with the Broad-Based Black Economic Empowerment Act (53 of 2003) (B-BBEEA) and its related strategy was partially achieved. Draft Preferential Procurement Regulations were published in the national and provincial gazettes for public comment by August 2009. Because of greater than anticipated public interest, the closing date for submissions had to be extended to 30 September 2009. Completion of the process was delayed, however, by the submission in December 2009 of comments on the draft regulations by NEDLAC and the request by Parliament's Standing Committee on Finance and NEDLAC for further discussion of the draft regulations. In addition, proposals contained in the Industrial Policy Action Programme II (IPAP II), which was released in February 2010, had to be accommodated. A revised draft will now be published in the second half of 2010.

## PROGRAMME 4

### FINANCIAL MANAGEMENT AND SYSTEMS – CONTINUED

*Contract Management* facilitates transversal term contracts on behalf of government departments. Thirty two (32) out of the fifty nine (59) transversal term contracts were due for renewal during the year. Of these, thirty (30) were renewed and the remaining two (2) – subsidised vehicle maintenance and vehicle finance – will be renewed in the 2010/11 financial year. The delay in the renewal of the two was due to the late finalisation of the revised bid specifications by the user department. Strategic sourcing principles were applied to one (1) additional transversal term contract in the 2009/10 financial year, bringing the number of transversal contracts administered by National Treasury to 98 percent.

In the *Financial Systems* subprogramme, the roll-out of the Procurement Management Module (PMM) and Human Resource Management Module (HRM) was reprioritised. This is a result of the protracted pace of preparing the Primary Systems Integration (PSI) to provide support for the projects and the external economic environment during the review period.

The lead site for the PMM will go live in August 2010 and for the HRM, in November 2010.

The Asset Management module of the Integrated Financial Management Systems (IFMS) was deployed successfully at National Treasury and the Limpopo Provincial Treasury in February 2010. The Department of Defence and three other Limpopo departments are scheduled to go live in the second half of 2010.

Discussions are underway to phase-out existing financial management solutions supported by National Treasury, Department of Defence and the South African Police Services. The financial systems supported by National Treasury continue to operate optimally, with enhancements only targeted at areas that support further implementation of the PFMA.

# PROGRAMME 4 FINANCIAL MANAGEMENT AND SYSTEMS – CONTINUED

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 4: Financial Management and Systems

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
Supply Chain Policy	Overall user requirement statement (URS) and updated supply chain management (SCM) URS	Maintain and enhance URS	Ongoing	Business mining exercise has been completed. An "as-is" assessment of the Procurement Management Module is being conducted. Configuration of the vanilla Oracle software in process. Asset register tested and implementation underway both in National Treasury and Limpopo provincial treasury.
	Implement item identification policy	Implementation of item identification at lead sites	August 2009	Item identification contract signed 3 Dec 2009. Overview user training underway. <sup>1</sup>
	Establish corporate reference data (CRD) functionality	Establish URS repository	August 2009	Functionality established. Further change controls relating to specific domains established and change control templates continuously being updated. Oracle vanilla software configuration of the CRD in process.

<sup>1</sup>Delayed due to protracted contract negotiations around the implementation strategy.

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 4: Financial Management and Systems - Continued

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
Supply Chain Policy	Introduction of strategic sourcing principles to all spheres of government	Roll out strategic sourcing principles to the public sector and assist institutions with implementation	24 national departments 5 provincial treasuries 5 constitutional institutions 30 high capacity municipalities	Strategic sourcing principles introduced to 24 national departments and 5 provincial treasuries as planned  Municipalities and constitutional institutions still outstanding <sup>2</sup>
Norms and Standards	SCM compliance monitoring and combating SCM related corruption	Extent of compliance to SCM procedures and prescripts	Establish a fully capacitated SCM compliance monitoring unit	The SCM Compliance Monitoring Unit has been established in conjunction with the Office of the Accountant General
		Administration of grievance mechanism	Ongoing investigation of SCM related grievances	The administration of grievances received will form part of the functions of the SCM Compliance Monitoring Unit. Receipt, consideration and finalisation of complaints are being dealt with on an on-going basis

<sup>2</sup>The registration process of the Unit Standards on Strategic sourcing with SAQA was concluded in December 2009 and the training strategy with Palama was not finalised.

## PROGRAMME 4

### FINANCIAL MANAGEMENT AND SYSTEMS - CONTINUED

## PROGRAMME 4

### FINANCIAL MANAGEMENT AND SYSTEMS – CONTINUED

<p>Roll out of revised SCM framework</p>	<p>Align preferential procurement with the aims of the BBBEE Act and its related strategy</p>	<p>Extent of alignment</p>	<p>Issue revised Preferential Procurement Regulations aligned with the aims of BBBEEA</p>	<p>Delayed due to postponement of the revised Public Finance Management Act (PFMA) by Cabinet. Draft SCM Framework completed (Also see programme 2 and 5)</p>
<p>Successful implementation throughout government</p>	<p>Issue revised Preferential Procurement Regulations aligned with the aims of BBBEEA</p>	<p>Issue revised Preferential Procurement Regulations aligned with the aims of BBBEEA</p>	<p>Issue revised Preferential Procurement Regulations aligned with the aims of BBBEEA</p>	<p>Draft interim measures to align preferential procurement with the aims of the BBBEE Act and its related strategy were published in the national and all provincial gazettes for public comment with the due date being 30 September 2009. Comments received were analysed, and a combined Cabinet memorandum (National Treasury, DTI, EDD) has been drafted for discussion in Cabinet.</p>

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 4: Financial Management and Systems - Continued

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
Contract Management	Facilitate and manage transversal term contracts	Number of transversal term contracts facilitated per year	32 transversal term contracts due for renewal during 2009/10 out of a total of 59 transversal term contracts	30 of the 32 transversal term contracts were successfully renewed (94% of contracts) [Note: Two transversal term contracts (RT62 - Subsidised vehicle maintenance and RT68 - Vehicle finance) were extended. These transversal term contracts will only be renewed in the 2010/11 financial year]
Financial Systems	Apply strategic sourcing to enhance value for money applicable to all transversal term contracts	Number of transversal term contracts on which strategic sourcing is applied	Apply strategic sourcing strategies on 100% of all transversal term contracts	Strategic sourcing was applied to 98% of contracts
	Roll out the Integrated Financial Management System (IFMS)	Implement lead solutions	Procurement COTS (commercial off the shelf) - implement at National Treasury and another national department - lead sites	System Customisation and Lead Site Preparations have commenced

**Measurable objective:** To regulate and oversee public sector supply chain management and standardise the financial systems of national and provincial government.

## PROGRAMME 4 FINANCIAL MANAGEMENT AND SYSTEMS - CONTINUED

## PROGRAMME 4

### FINANCIAL MANAGEMENT AND SYSTEMS – CONTINUED

HR COTS: Department of Public Service and Administration and Free State Department of Education – lead sites	Customisation and Lead Site Preparations have commenced
Asset Management: National Treasury, Department of Defence, 4 Limpopo provincial departments and several small-to-medium size departments	National Treasury and the Limpopo Provincial Treasury have implemented the IFMS system. The Department of Defence and three other Limpopo departments are scheduled to go live in the second half of 2010
Contract system development partners through SITA and develop the following modules for non COTS components: Advance Asset Management	Framework for contracting is being developed. Proposal to be finalised. Awaiting SITA to adopt proposals  Deferred, revised proposal to be finalised, but await SITA to adopt contract proposals
Payroll Solution	Payroll proposal finalised
Financial Management	Deferred, revised proposal to be finalised but awaiting SITA to adopt contract proposals
Set up a call centre help-desk at SITA	Framework for both still under ongoing development
Set up an IFMS Training Unit at SITA	Set up an IFMS Training Unit at SITA
Create a user support capacity at SITA	Success of user support facility

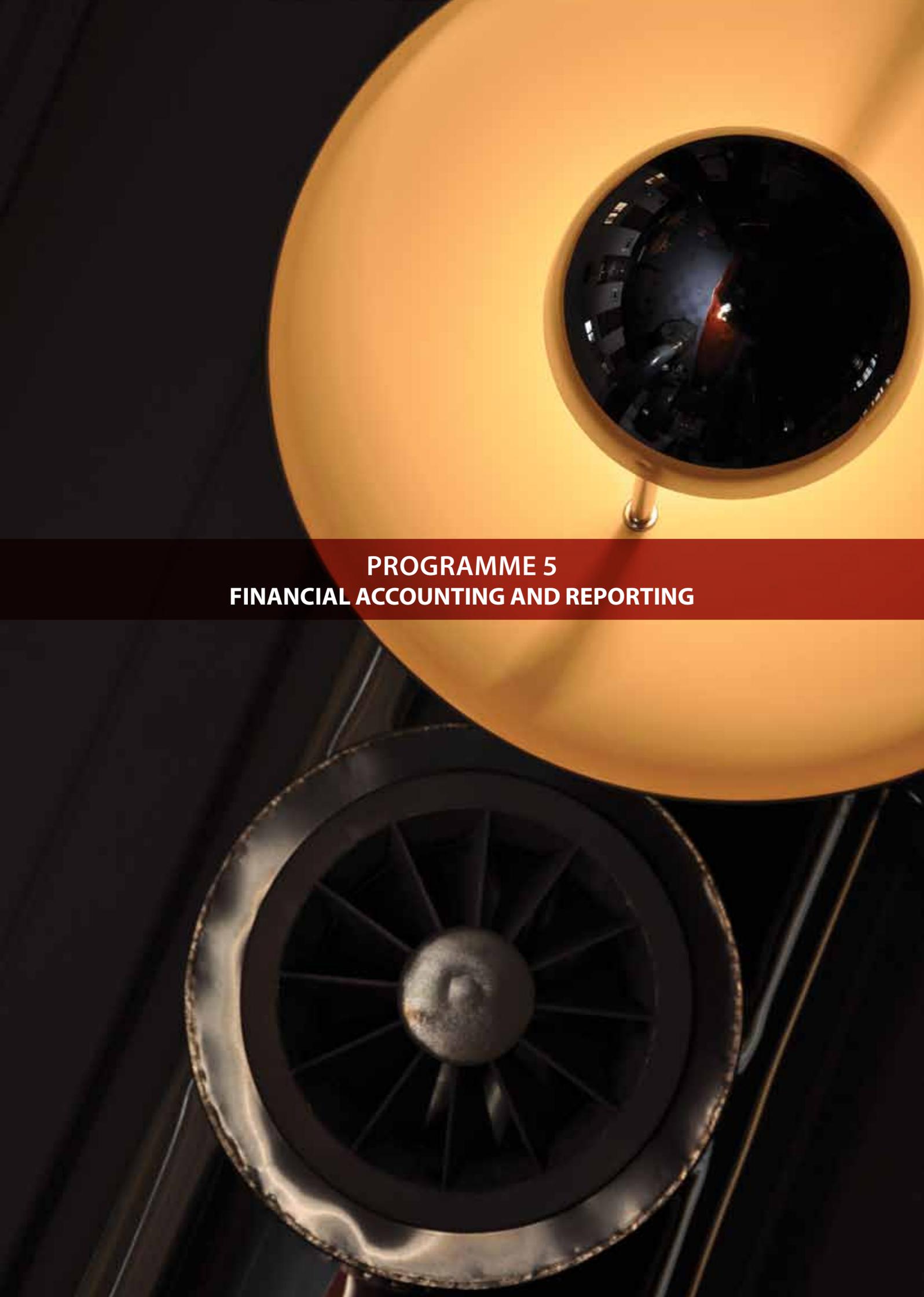
## SERVICE DELIVERY ACHIEVEMENTS

### Programme 4: Financial Management and Systems - Continued

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
<b>Measurable objective:</b> To regulate and oversee public sector supply chain management and standardise the financial systems of national and provincial government.				
	Develop an approach for data migration	Successful data migration	Undertake data migration for lead sites	Framework developed for Asset Management. Universal Framework still under development - ongoing. Data migration for the lead sites is currently being executed at NT and 4 Limpopo departments, and Provincial Treasury for Asset Management
	Maintain and support current financial management systems	Percentage availability of systems within working hours	98% availability of systems during working hours	Still operating above the target system availability range of 98%. Prepared implementation of PERSAL and BAS and newly created national departments and migration of the NW from Walker to BAS. Target went live 1st April 2010
	Retire current systems	Data migration for lead sites	Data migration and archives	Proposal for retirement of current systems is currently being developed - ongoing

## PROGRAMME 4

### FINANCIAL MANAGEMENT AND SYSTEMS - CONTINUED



**PROGRAMME 5**  
**FINANCIAL ACCOUNTING AND REPORTING**

## 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:** 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 Reporting* 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). It also prepares consolidated financial statements for national departments and seeks to improve the timeliness and accuracy of financial reporting.

The programme consists of eight subprogrammes:

- *Technical Support Services* develops and publishes frameworks, policies and guidelines on accounting, internal audit and the management of risks associated with revenue, expenditure, assets and liabilities (REAL).
- *Accounting Support and Reporting* provides accounting and reporting support to clients in all spheres of government in respect of REAL management; manages and reports on the National Revenue Fund and the Reconstruction and Development Fund; renders banking services to all national departments and prepares their annual consolidated financial statements.
- *Internal Audit Support* provides departments, constitutional institutions, public entities and municipalities with an independent assurance of the quality of their business processes.
- *Risk Management Support* helps departments, constitutional institutions, public entities and municipalities improve their capacity to manage risks that would otherwise hobble their performance, and ultimately that of the state.
- *Capacity Building* manages, coordinates, monitors and facilitates the building of financial management capacity within government.
- *Governance Monitoring and Compliance* monitors financial management governance and compliance with legislation by all spheres of government.
- *MFMA Implementation* develops regulations, co-ordinates, monitors and reports on the implementation of the Municipal Finance Management Act, and administers the financial management grant in support of financial reforms in local government.
- *Specialised Audit Services* provides performance auditing and investigative capacity in all three spheres of government on a broad range of financial management issues.

## SERVICE DELIVERY OBJECTIVES AND INDICATORS

### RECENT OUTPUTS

The *Technical Support Services* unit enhanced the reporting framework for national and provincial departments based on the Generally Recognised Accounting Practice (GRAP) and other relevant legislative prescripts. Tools were developed to assist national and provincial departments interpret GRAP standards. The unit also developed a reporting framework a year ahead of schedule, enabling stakeholders to give input to the division timeously. In addition, the unit developed the Inventory Management Framework and guidelines for the use and securing of assets.

## PROGRAMME 5

### FINANCIAL ACCOUNTING AND REPORTING – CONTINUED

The unit also contributed, through participation in the International Public Sectors Standards Board, to the development of international standards.

The *Accounting Support and Reporting* unit helped entities across all spheres of government to improve financial management and audit outcomes. Support plans were developed and implemented in line with the results of the financial management capability maturity model (FMCMM).

The unit also provided banking services to national departments, including daily bank statements. It also provided these departments with mechanisms to reduce the risk of fraudulent payments.

Consolidated financial information (CFI) for national departments and public entities for 2008/2009 was produced within the set deadlines and tabled in Parliament in compliance with the PFMA. To ensure the smooth completion of the Annual Financial Statements, the *Accounting Support and Reporting* unit ran a series of workshops and other support initiatives for departments and public entities. Provincial treasuries were also helped to produce annual consolidated statements. In supporting the consolidation process, the Revenue Fund was included in the Standard Chart of Accounts.

Municipal officials (1 334) were also trained on the new GRAP standards, the framework for the preparation of financial statements as well as inventory management.

*Internal Audit* provided training to internal auditors and audit committee members on the revised Internal Audit Framework as well as on the auditing of performance information. Twenty six municipalities were assessed for readiness to implement the revised framework.

Senior management in the Office of the Accountant General (OAG) also attended audit committee meetings to offer support and identify needs for support. The attendance of these meetings has become an early warning system for potential problems, enabling the OAG to intervene early.

*Risk Management* launched the revised Risk Management Framework and trained over 840 officials. More than 205 officials completed the e-learning programme, for which they received the certificate of competency in risk management. Due to delays in finalising the contract with the donor funder (Belgian Study Fund), the risk management learnership will now be implemented in the 2010/11 financial year.

The *Capacity Building* unit is developing a Capacity Building Model for financial management in the public sector. A Competency Framework, which gives draft technical competency dictionaries for nine functional areas of financial management, and a Learning Framework for financial management, which details learning programmes as capacity building solutions, have been developed. Employees in 46 departments are being assessed in finance, internal audit and risk management to ensure that they are accurately assessed for their skills levels, allowing for solutions to be provided where there are gaps, and provide guidance on public finance management to all spending agencies.

## PROGRAMME 5

### FINANCIAL ACCOUNTING AND REPORTING - CONTINUED

As the approved training office for Chartered Accountants in government, National Treasury has established the Chartered Accountants Academy (CAA). To support the CAA, the Treasury and the University of Pretoria have established an academic support programme for trainee accountants. During the year under review, 15 trainee accountants were registered in the academic support programme.

Additional training sites were also established in three metros towards the end of December 2009, and three trainee accountants were allocated to them in January 2010. The programme is being monitored with a view to extending it to other sites.

The Financial Management Improvement Programme, which is being funded by donors, contributed to capacity building initiatives, including the completion of 49 projects and the initiation of an additional five. Reforms to improve financial reporting were undertaken in two pilot provincial treasuries, while measures to improve public finance management, specifically on budgeting and the quality of annual financial statements, were implemented in four municipalities.

The *Governance Monitoring and Compliance* unit implemented the Financial Management Capability Maturity Model, a tool for testing financial management maturity in entities, and the information received was used to develop support plans and strategies for clients. Reports on the status of financial management in departments were submitted to SCOPA and the Portfolio Committee on Finance. A memorandum indicating areas of concern, particularly regarding audit outcomes and remedial plans, was also submitted to Cabinet.

The *MFMA Implementation* unit continued to monitor those municipalities where recovery plans had been produced; a further 17 municipalities were assisted by the unit. These interventions were accompanied by capacity building initiatives, including the placement of 894 graduate interns in municipalities and the survey of the financial management skills of 7 496 officials. Two guideline documents, including one on oversight, were also issued to help municipalities improve their financial management accountability.

A set of thirty financial management indicators were developed to serve as an early warning system and to improve compliance with financial management guidelines.

The *Specialised Audit Services* unit was established in January 2010 and provides consultancy services to different government entities. The unit has begun forensic investigations, particularly of transactions that are suspected of not complying with supply chain management regulations. In the year under review, a charter, policies, and methodologies were put in place, and assistance provided to senior managers on procurement related issues.

The unit also coordinates the work of the multi-agency working group made up of the OAG, South African Revenue Service, Financial Intelligence Centre, Special Investigating Unit, Asset Forfeiture Unit, National Prosecution Authority, Auditor General and the South African Police Services. It is also reviewing financial management systems to identify weaknesses in the system.

The review of the PFMA and the MFMA was postponed pending further consultations with stakeholders in government.

# PROGRAMME 5 FINANCIAL ACCOUNTING AND REPORTING - CONTINUED

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 5: Financial Accounting and Reporting

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
Technical Support Services	Develop an annual financial statements reporting pack for national and provincial departments	Timeous publication	2010/11 reporting framework published by 31 March 2010	2010/11 reporting framework published on OAG website
	Develop accounting manuals for Standards of GRAP	Timeous publication	31 March 2010	19 GRAP tools and checklists developed and published throughout the year
	Contribute towards development of local and international standards on accounting, auditing and risk management	Attendance at meetings and reports produced	All International Public Sector Accounting Standards Board (IPSASB) meetings attended and reports submitted within 7 days of attendance	All meetings (4) were attended and reports produced on time
		Percentage of comments accepted by IPSASB	50%	2 IPSASB standards developed based on the GRAP standard. South Africa participated in the development of 3 standards on financial instruments (resources from the ASB secretariat). All comments accepted on the annual improvements and service concession project
	Align the Cash to Accrual Implementation Plan with the IFMS roll-out plan	Timeous finalisation of plan	March 2010	New strategy finalised by 31 March 2010

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 5: Financial Accounting and Reporting - Continued

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
Accounting Support and Reporting	Monthly statements of actual revenue and expenditure for the National Revenue Fund Publish consolidated annual financial statements for national departments, consolidated annual financial information for public entities, and annual financial statements for the RDP Fund Support to provincial treasuries for preparation of provincial consolidated financial statements, provincial revenue fund statements and implementation of GRAP standards	Timeous publication of accurate reports Timeous tabling in Parliament	Last working day of each month 31 October 2009	Section 32 reports published on time every month with fairly accurate data Tabled on 29 October 2009
Internal Audit Support	Support implementation of audit committee guidelines Conduct internal audit reviews at municipalities	Number of trainees Number of workshops Number of reviews completed	672 trainees in provincial treasuries, municipalities and public entities 50 workshops 26 municipalities reviewed by 31 March 2010	The number trainees exceeded the target with 1 334 officials trained Target achieved 26 municipalities reviewed by target date

## PROGRAMME 5

### FINANCIAL ACCOUNTING AND REPORTING - CONTINUED

## PROGRAMME 5

### FINANCIAL ACCOUNTING AND REPORTING - CONTINUED

	Report on the status of internal auditing in national and provincial departments and in municipalities	Timeous production of reports	January 2010	Achieved
	Support for the roll out of the Internal Audit Framework and Guidelines	Number of trainees	600 trainees <sup>1</sup>	Training on the new framework and guidelines was undertaken during the period under review. Training has been provided for 505 officials on Audit Planning and 492 on Audit of Performance Information
Risk Management Support	Support for the roll out of the Public Sector Risk Management Framework	Number of trainees	800 trainees	840 officials trained
	Deliver risk management training	Number of officials obtaining the Certificate of Competency in Risk Management per the e-Learning Module	150 officials	205 officials successfully completed the Risk Management e-Learning programme
	Risk Management Learnership (RML) implemented	Number of learners in the SAQA accredited programme	10 learners	RML was developed during the period under review. Implementation was deferred to the 2010/11 reporting period owing to delays in the finalisation of the donor funding contract (Belgian Study Fund)
	Develop a risk management modeling tool	Project progress	Completion of feasibility study by 31 March 2010	The feasibility study for the Risk Management modeling tool has been completed

<sup>1</sup>Due to a typing error in the Strategic Plan of 2009/12, the number was reflected as 1 600. This had to be corrected to reflect 600.

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 5: Financial Accounting and Reporting - Continued

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
Capacity Building	Implementation of a financial management capacity building model	Timeous implementation	31 March 2010	The Capacity Building Model for Financial Management (CBFM), that will provide a systemic approach to building integrated and sustainable financial management capacity in the South African public sector, was developed and implementation initiated
	Academic support programme for Training Outside Public Practise (TOPP) and other accountants in government	Number of participants	15 participants	Achieved
	Establishment of a TOPP academy for trainee accountants in government	Timeous establishment		The Framework for the establishment of the Chartered Accountant Academy was approved and three more training sites were established in three institutions (metros). One trainee accountant was allocated to each training site with effect from 1 January 2010

## PROGRAMME 5 FINANCIAL ACCOUNTING AND REPORTING - CONTINUED

**Measurable objective:** To facilitate accountability, governance and oversight by promoting transparent, economic, efficient and effective management in respect of revenue, expenditure, assets and liabilities in the public sector.

## PROGRAMME 5

### FINANCIAL ACCOUNTING AND REPORTING - CONTINUED

	Implementation of the Financial Management Improvement Programme II (Programme ends in March 2010)	Number of agreed upon projects  Timeous implementation of Public Finance Management (PFM) reforms in selected provinces	49 projects  2 provinces. To be completed during the financial year but no later than 31 March 2010	49 projects were completed and 5 additional projects identified and initiated  PFM reforms at 2 pilot provincial treasuries implemented. Reforms focused on improving quality financial reporting practices and improvements on annual reports
		Timeous implementation of PFM reforms implemented in selected municipalities	4 municipalities. To be completed during the financial year but no later than 31 March 2010	PFM reforms at 4 pilot municipalities implemented. Reforms were directed specifically at budgetary processes, improving quality of annual financial statements and supporting capacity building initiatives
Governance Monitoring and Compliance (PFMA Unit)	Review of and amendments to the Public Finance Management Act and Treasury Regulations	Submission of the Public Finance Management Bill to Cabinet	March 2010	The draft PFM Bill was produced and is being discussed
		Revision of Treasury Regulations issued in terms of the PFMA		This will be dealt with as the above

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 5: Financial Accounting and Reporting - Continued

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
<p><b>Measurable objective:</b> To facilitate accountability, governance and oversight by promoting transparent, economic, efficient and effective management in respect of revenue, expenditure, assets and liabilities in the public sector.</p>				
MFMA Implementation	Monitor the improvement of financial management in national and provincial institutions	Reports to Standing Committee on Public Accounts and to the Standing Committee on Finance on progress made with the improvement of financial management in terms of the financial management capability maturity model	August 2009	The SCOPA report was submitted on time
	Enhance coordination across government for effective implementation of MFMA	Report to Cabinet on the audit outcomes of national and provincial PFMA compliant institutions An agenda that ensures alignment of activities of national and government departments consistent with agreed priorities	November 2009	The Cabinet Memo on audit outcomes was submitted as envisaged Four quarterly meetings held with officials from national and provincial departments, including officials from SALGA and the Auditor-General of South Africa. Implementation of all resolutions have been actively monitored

## PROGRAMME 5 FINANCIAL ACCOUNTING AND REPORTING - CONTINUED

## PROGRAMME 5

### FINANCIAL ACCOUNTING AND REPORTING - CONTINUED

Assess financial management skills in municipalities	Reports produced on financial management skills in municipalities	November 2009	7 496 officials from 283 municipalities working on financial management matters responded to the skills survey, and a report was produced
Timeous development of financial management indicators for effective monitoring and reporting	A financial management indicators report	September 2009	A set of 30 indicators was developed and report produced
Review of MFMA regulations	Timeous publication of reviewed regulations	Draft miscellaneous regulations published by March 2010	Draft regulations developed and awaiting further legal refinement
Develop supporting guides	Timeous development of guides	September 2009 November 2009 March 2010	Guides developed: <ul style="list-style-type: none"> <li>• Guide supporting the implementation of the Asset Transfer Regulations</li> <li>• Guide providing a Step-by-Step process to interventions and preparation of financial recovery plans</li> <li>• Guide supporting Provincial Legislature Oversight over municipal finances</li> </ul> Circulars issued to assist municipalities in preparing Audit Working File and a process to ensure payment for services when due

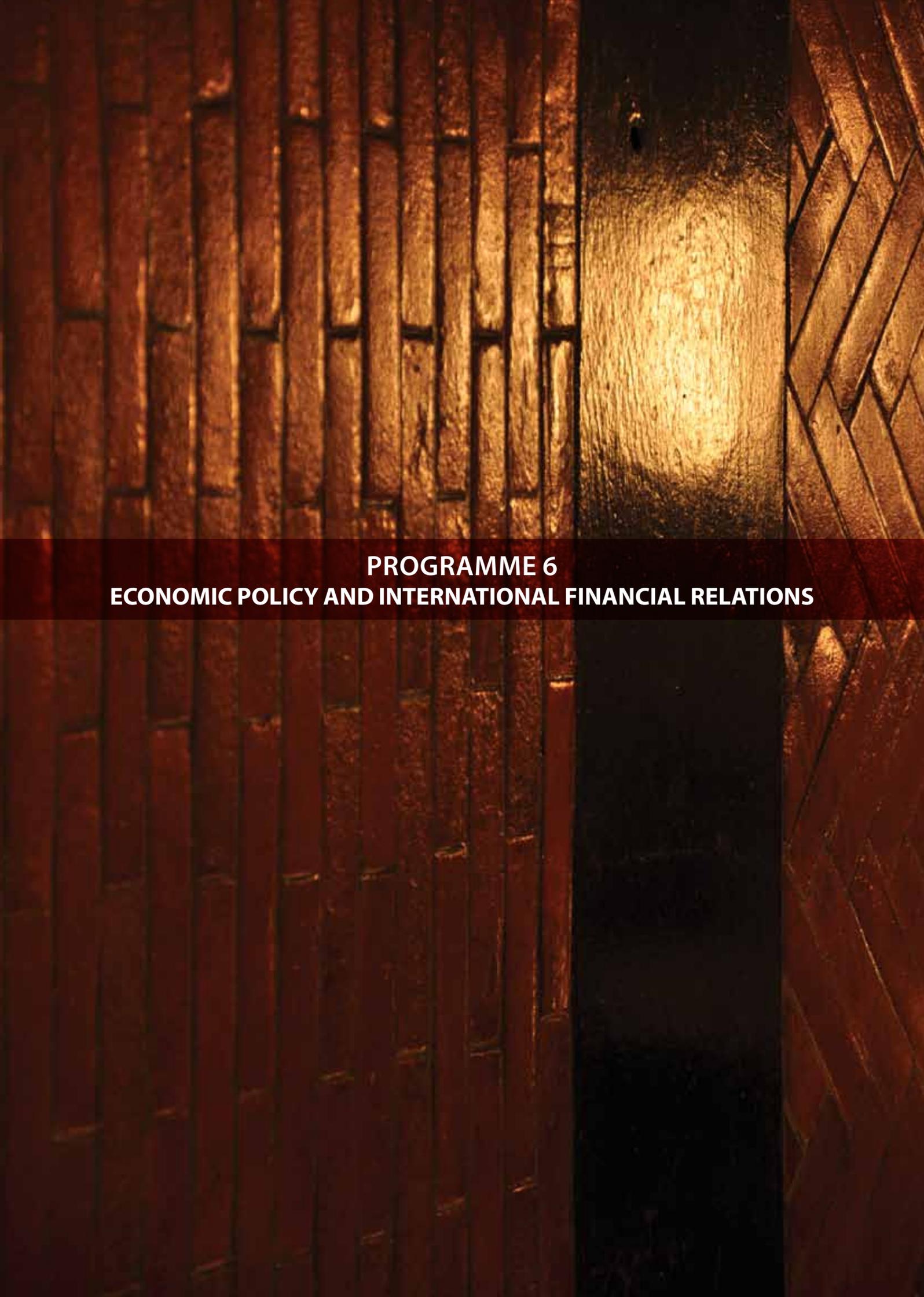
## SERVICE DELIVERY ACHIEVEMENTS

### Programme 5: Financial Accounting and Reporting - Continued

**Measurable objective:** To facilitate accountability, governance and oversight by promoting transparent, economic, efficient and effective management in respect of revenue, expenditure, assets and liabilities in the public sector.

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
	Review and respond to requests for the development of financial recovery plans	Financial recovery plans	Recovery plans developed and issued within 90 days	Three assessment reports and support rendered in the development of financial recovery plans for Matjhabeng, Sundays River Valley and Nokeng Tsa Taemane, in terms of requests received

# PROGRAMME 5 FINANCIAL ACCOUNTING AND REPORTING - CONTINUED



**PROGRAMME 6**  
**ECONOMIC POLICY AND INTERNATIONAL FINANCIAL RELATIONS**

## PROGRAMME 6

### ECONOMIC POLICY AND INTERNATIONAL FINANCIAL RELATIONS

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

**Measurable objective:** The programme provides advice on policy 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 the promotion of 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, 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 in promoting economic development via African institutions like the African Development Bank. Outside of Africa, the division facilitates South Africa's participation in the IMF, World Bank and G20.
- *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: *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 on the regulation of non-banking financial services
- The Financial Intelligence Centre on anti-money-laundering 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 *Asset and Liability* division, *Economic Policy* and *Tax and Financial Sector Policy* co-chair three standing committees with the Reserve Bank on macroeconomics, financial regulation and financial markets, and prepare recommendations for bilateral meetings between the Minister of Finance and the Governor of the Reserve Bank.

## PROGRAMME 6 ECONOMIC POLICY AND INTERNATIONAL FINANCIAL RELATIONS - CONTINUED

### Economic Policy

*Economic Policy* conducted research and provided advice on and coordination of growth-enhancing policies. Important areas of work included:

- Development of inputs to the G20 Framework for Strong, Sustainable and Balanced Growth
- Analysis of the causes and consequences of the international financial crisis and policy responses
- Assessment of the economic impact of electricity tariff increases
- Redevelopment of daily, weekly and monthly data reporting and assessment formats
- Analysis of the effects of export taxes on the economy
- Perspectives on growth-enhancing policies
- Assessment of the monetary policy framework and the drafting of the mandate letter on inflation targeting
- The development of a wage subsidy pilot and discussion documents on youth employment options

The division engaged with a number of international organisations, including the IMF, the Commission on Growth and Development, and the Organisation for Economic Cooperation and Development (OECD). The division managed two missions by the OECD to survey the South African economy.

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

The quarterly forecast remains a key output of the work of the *Modeling and Forecasting* unit. It feeds into the budget framework and is accompanied by other analysis provided to policy makers. In the period under review, studies were also conducted on structural budget balances, modeling of the Gini coefficient and the effects of employment increases, the impact of exchange rate adjustments on the economy, modeling of the impact of the World Cup, and analysis of electricity price increases.

A key output of *Economic Policy* is the economic forecast for the medium-term expenditure framework and the macroeconomic chapter of the *Medium Term Budget Policy Statement* (MTBPS) and *Budget Review*. The division monitors various economic sectors. The methodology to calculate the structural budget balance and to improve the accuracy of tax forecasts was also refined. The division also wrote the new chapter on employment in the 2010 *Budget Review*.

### Tax and Financial Sector Policy

The *Tax Policy* unit implemented tax policy reforms arising from the 2009 Budget, including the legislative framework for the shift of the secondary tax on companies to a withholding tax on dividends in the hands of shareholders, industrial policy incentives and the turnover tax for small businesses. The Revenue Laws Amendment Bill (2009) and the Taxation Laws Amendment Bill (2009) were passed during 2009/10. The unit also provided tax revenue analysis and coordinated the revenue forecasts for the 2009 MTBPS and the 2010 Budget.

Work continued on environmental fiscal reform, the use of taxes and incentives to deal with environmental challenges such as climate change, and the interactive gambling bill. The levy on electricity generated from non-renewable sources was implemented on 1 July 2009. Work on the vehicle carbon emission tax was completed, but its introduction postponed

## PROGRAMME 6 ECONOMIC POLICY AND INTERNATIONAL FINANCIAL RELATIONS - CONTINUED

to 1 September 2010. The implementation of the Mineral and Petroleum Royalty Act was postponed to 1 March 2010. The publication, 2009 Tax Statistics, which aims to make available tax revenue data at a more disaggregated level, was released during the year.

The *Financial Sector Policy* unit prioritised responses to the global financial crisis by working closely with regulators to improve the functioning of the financial regulatory system and by participating in international forums such as the Financial Stability Board and the G20. In support of more effective financial supervision, the unit convened a forum of local financial regulators to improve information-sharing. The unit also prepared proposals for further reforms to exchange controls.

The unit led a process to finalise government's response to the recommendations of the Panel on Banking Enquiry Report. The panel, which was appointed by the Competition Commission, focused on among other issues, the reduction of penalty fees and improvement in the transparency of retail banking services. The unit also worked closely with the Department of Communications to complete draft legislation to govern the PostBank.

The unit continued with its work on reforming the retirement fund industry, researching technical issues arising from the second discussion paper on social security and retirement reform published by National Treasury in February 2007. This work feeds into the intergovernmental task team on social security and retirement fund reform.

### International and Regional Economic Policy

*International and Regional Economic Policy* manages 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 they meet their commitments to increase funding to low-income countries via increased contributions to the African Development Fund and the World Bank's International Development Association (IDA). More details are provided under Programme 9.

During the period under review, a third chair for Africa was created on the Board of the World Bank and a third chair for Southern Africa was also created on the board of the African Development Bank.

The division successfully completed negotiations for two loans for Eskom: a €1.86 billion loan from the African Development Bank and a \$3.75 billion loan from the World Bank. The division also implemented a Budget Support Grant of R300 million for the government of Zimbabwe to finance municipal infrastructure, health and education.

The Collaborative African Budget Review Initiative (CABRI) was established, with Ghana, Kenya, Mali, Rwanda, Senegal and South Africa as the founding members. Mauritius joined later through accession. Lesotho, Swaziland, Burkina Faso, Togo, Liberia, and Sierra Leone have expressed an interest to join CABRI.

SA successfully hosted the first meeting of the 12th replenishment of the African Development Fund in Cape Town, where it expressed its support for an early and strong replenishment of ADF resources.

In the 2009/10 financial year, the National Treasury co-chaired G20 working groups on IMF reform and growth and development. The Director-General is also the vice-chair of the Financial Stability Board and the Standing Committee on Standards Implementation.

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 6: Economic Policy and International Financial Relations

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
Management and Research	Publish and promote economic research relevant to South Africa	Number of papers published (internally or externally)	Publication of research papers or discussion documents on economic growth, job creation, various microeconomic studies, etc. While most papers will be published by academics and researchers through the Economic Research of Southern Africa initiative (ERSA) and Centre for Research into Economics and Finance in Southern Africa (CREFSA), selected papers may be published by the department directly	Over 50 papers published by ERSA and CREFSA  Internal research papers ongoing as a matter of routine, on financial stability, credit trends, taxation, etc.

## PROGRAMME 6 ECONOMIC POLICY AND INTERNATIONAL FINANCIAL RELATIONS - CONTINUED

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 6: Economic Policy and International Financial Relations - Continued

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
Financial Sector Policy	Financial stability	Stability of financial system including first-tier banks	Support regulatory agencies in monitoring and maintaining the stability of the financial sector	Initiated Regulators Roundtable which meets regularly, focusing on financial stability / macro-prudential risks
			Effectiveness of regulatory agencies and enforcement mechanisms, and alignment with G20 recommendations	Expanded mandate of SARB to include financial stability
			Review of the effectiveness of the financial regulatory system in South Africa	Exchange control reforms announced in MTBPS and 2010 Budget to support financial stability
	Protect depositor base		Finalise policy and legislation on Deposit Insurance Scheme	Active participation in and preparation for G20, Financial Stability Board
			Review document completed in collaboration with key financial regulators; expected to be published in 2010 after completing consultations with key stakeholders	Draft legislation prepared for publication in 2010

# PROGRAMME 6 ECONOMIC POLICY AND INTERNATIONAL FINANCIAL RELATIONS - CONTINUED

## PROGRAMME 6 ECONOMIC POLICY AND INTERNATIONAL FINANCIAL RELATIONS - CONTINUED

Reform the system of retirement funding, including governance reforms (Jointly with Public Finance – Programme 2)	Formulation of policy framework and project plan	Publication of policy framework for retirement reform	Work in progress; various draft position papers submitted to the Inter-Departmental Task Team on social security and retirement reform
		Governance reforms and training of trustees	Work in progress on preparing a more effective plan for the training of trustees
Financial sector transformation and access	Broadened and improved access and quality of financial services, to people who have been excluded previously	Finalisation of framework to modernise Regulation 28 of the Pension Fund Act	Draft Regulation 28 published with the Budget for comment
		Monitor the implementation of the Financial Sector Charter's transformation targets, and develop financial access indicators	Participation in the Financial Sector Charter Council, attempting to overcome the impasse in the Council  Working with Finmark to develop financial access indicators
Enable transparent and cost efficient public access to banking services and products	Competitively priced banking products and services	Facilitate a government response to the Competition Commission Report on Competition in Banking	National Treasury engaged with key stakeholders to facilitate a response to the report in early 2010

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 6: Economic Policy and International Financial Relations - Continued

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
Financial Sector Policy	Broaden access to banking services through financially sound second-tier banks	New second-tier banks in the form of dedicated banks to enable easy access to banking services Stable and well developed co-operative banks	Table Dedicated Banks Bill in Parliament	Work in progress, expected to be tabled in 2010
			Support and monitor the implementation of the Co-operative Banks Act	Support ongoing. Regulations promulgated on 1 July 2009, Government Gazette No 32357. Rules promulgated on 12 January 2010, Government Gazette No 32860
Tax Policy	Protect integrity of the financial system in South Africa  Tax proposals and revenue forecasts for the annual budget Investigate options to price carbon, a carbon tax, and/or emissions trading	Work with Financial Intelligence Centre to ensure effective implementation of government-wide strategy on Anti Money Laundering/ Combating the Financing of Terrorism Good quality chapter 4 of the annual <i>Budget Review</i> Mitigate the impact of carbon emissions and address concerns relating to climate change through environmental fiscal reform	Ongoing interaction with Financial Action Task Force on issues prompted by the G20 process as affecting the integrity of the financial system	Treasury interacted with the Financial Intelligence Centre to give effect to G20 discussions on Non-Cooperative Jurisdictions
			Publication on Budget Day 2010	Delivered on Budget Day - 17 February 2010  Internal draft 70% completed and will be published in new financial year

# PROGRAMME 6 ECONOMIC POLICY AND INTERNATIONAL FINANCIAL RELATIONS - CONTINUED

## PROGRAMME 6 ECONOMIC POLICY AND INTERNATIONAL FINANCIAL RELATIONS - CONTINUED

The taxation of financial instruments, and unbundling the problem of differential treatment of debt and equity	Review of strategy to effectively tax financial instruments, limit tax avoidance and create a level playing field in the tax treatment of debt and equity	Publish a discussion document to explore options dealing with the tax treatment of financial instruments, carried interest in private equity transactions and the deductibility of interest payments	The following specific proposals included in Budget 2010: <ul style="list-style-type: none"> <li>• Interest Allocation for Financial Operations</li> <li>• Islamic Finance</li> <li>• Restructuring the Exemption for Cross-Border Interest</li> </ul>
Tax incentives to support industrial policy	Framework to respond to various requests for incentives and other government support for large scale investment projects	Engage the Department of Trade and Industry and the Departments of Minerals and Energy to address the request to support the industrial policy strategy, mineral beneficiation and fuel/energy security	Draft regulations completed, published in early 2010
Complete the conversion of the STC regime into the new Dividend Tax	Implementation of new Dividend Tax	Signing of revised tax treaty protocols	Two Tax Treaty Protocols signed (Australia and Netherlands)  The following Tax Treaty Protocols await completion: United Kingdom, Seychelles, Sweden, Oman, Cyprus, Kuwait, Malta
Tax legislation and amendments	Taxation Laws Amendment Bill	Tabling by June 2009	Tabled on 1 September 2009 and published in Government Gazette No 32611 of 30 September 2009

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 6: Economic Policy and International Financial Relations - Continued

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
Tax Policy		Interactive Gambling Bill	Tabling by October 2009	Draft bill completed and submitted to Department of Trade and Industry for review
		Initiate a pilot project to rewrite the Income Tax Act, or parts thereof	Outline of the proposed Income Tax Act dealing with employment income and depreciations allowances	Draft work outline completed
		Agreement on 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	The legal structure for the establishment of SADC's Project Preparation and Development Facility has been approved and is being implemented
International and Regional Economic Policy	Promote Southern African economic integration		Develop proposals and engage within SACU to review revenue-sharing formula during 2009	Compiled policy briefs for participation of the Minister and Deputy Minister at meetings of SACU, SADC and the African Development Bank
	Promote the development of African countries and attainment of Millennium Development Goals	Playing a catalyst role with donor countries and in capacity-building initiatives	Participate in African Development Bank, UN Economic Commission for Africa and Collaborative Africa Budget Review Initiative	South Africa has participated in all forums and completed the ratification of the Agreement of the Collaborative Africa Budget Reform Initiative

# PROGRAMME 6 ECONOMIC POLICY AND INTERNATIONAL FINANCIAL RELATIONS - CONTINUED

## PROGRAMME 6 ECONOMIC POLICY AND INTERNATIONAL FINANCIAL RELATIONS - CONTINUED

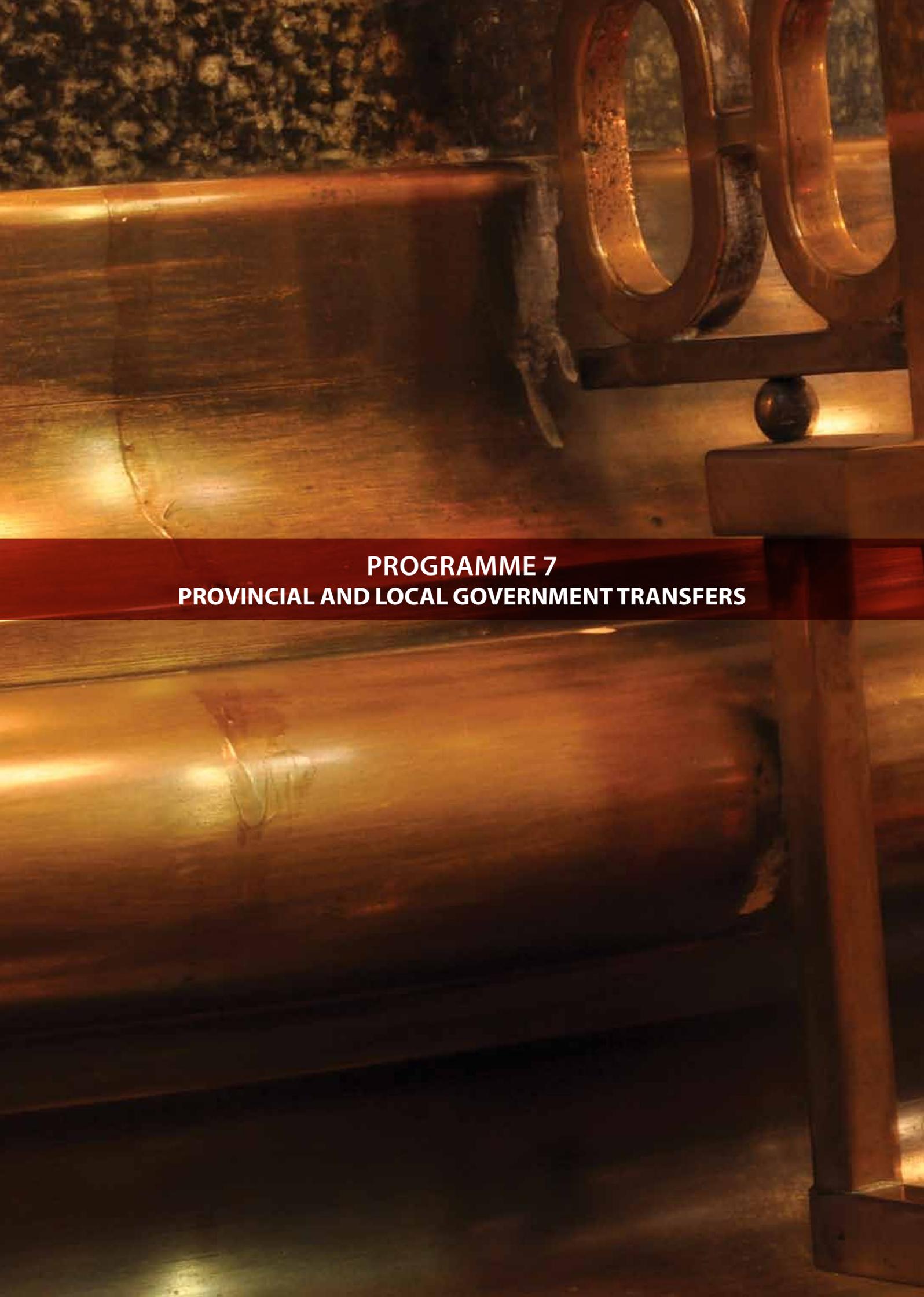
	<p>Supporting South Africa's participation in international finance and development policy and institutions, including the IMF, World Bank, G20 and OECD, and linking these to national and regional interests</p>	<p>Facilitate engagements between these institutions and the Minister of Finance and National Treasury</p> <p>Provide policy memos and proposals for negotiating positions and discussion points on issues tabled for discussion at various meetings and events</p> <p>Represent the position of the Minister of Finance and the National Treasury at these institutions</p>	<p>Maintain the focus of G20 countries on the challenges facing emerging market and developing countries as a result of the global financial crisis.</p> <p>Increase current levels of coordination and cooperation with other emerging market and developing countries, particularly through the opportunities offered for this in the G4, G5 and G24, in areas of common interest including reform of the Bretton Woods Institutions, modalities of G20 engagement and OECD outreach.</p> <p>Lead in the discussion within the Africa Group 1 constituency about proposals to reform the constituency arrangements and reconfigure the Africa chairs at the World Bank (Phase 1 of reform).</p> <p>Strategy on engagement with the OECD.</p> <p>Support the World Bank's efforts to ensure successful International Development Association (IDA) replenishment in 2010 given the risk of reduced official development assistance from donors as a result of the global financial crisis.</p>	<p>In the 2009/10 financial year National Treasury co-chaired G20 working groups on International Finance Institution (IFI) reform and growth and development</p> <p>A third African chair on the Board of the World Bank and one on the board of the African Development Bank was created</p> <p>Successfully completed a \$ 3.75 billion loan application to the World Bank to enable Eskom's infrastructure development aimed at increasing power generation in South Africa</p>
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## SERVICE DELIVERY ACHIEVEMENTS

### Programme 6: Economic Policy and International Financial Relations - Continued

Subprogramme	Output	Measure / 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	Quality policy memos and economic assessment of policy proposals with appropriate turnaround times	Institutional development of divisional capacity and quality benchmarking	Progress made on realigning analytical products in line with needs of the Ministry. Turnaround times improved. Policy work completed on wide range of issues, including macro analysis, IT, export taxes, electricity
	Macroeconomic forecasts	Quarterly economic forecasts and high-quality policy and scenario modeling	Staffing and capacity development for modeling and forecasting	Modelling and forecasting capacity in place. New work initiated on DSGE modeling and CGE modeling. Scenario and macroeconomic forecasts completed.
	Macroeconomic perspective and analytics	High quality Chapter 2 of <i>MTBPS</i> and <i>Budget Review</i>	Improved policy focus in <i>MTBPS</i>	Well developed policy focus completed for <i>MTBPS</i> and <i>Budget Review</i> , including new chapter on employment
	Speeches and briefing notes	Speeches published on intranet	Improving speech-writing skills in staff through training initiatives	Some staff on writing skills course. New senior staff working on speeches
	Meetings with investors on the economic outlook	Impact on investor analysis	Made-to-measure analytics prepared for meetings	Analytical themes better developed and articulated in ongoing interactions
	Regulatory impact assessments (RIA)	Number and quality of assessments	Work processes developed and institutional structure put in place	Reorganisation in government has stalled setup of RIA

## PROGRAMME 6 ECONOMIC POLICY AND INTERNATIONAL FINANCIAL RELATIONS - CONTINUED



**PROGRAMME 7**  
**PROVINCIAL AND LOCAL GOVERNMENT TRANSFERS**

## PROGRAMME 7

### PROVINCIAL AND LOCAL GOVERNMENT TRANSFERS

**Purpose:** Manages three conditional grants to provinces and local governments. These 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:** 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 funding labour-intensive infrastructure projects.
- The *local government financial management grant* provides financial assistance to municipalities to help them implement the Municipal Finance Management Act (MFMA) as part of capacity-building efforts to modernise financial management in local government.
- The *neighbourhood development partnership grant* (NDPG) 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 the construction of new infrastructure and the maintenance, upgrading and rehabilitation of existing infrastructure in education, health, roads and agriculture. The grant was increased from R7.2 billion in 2008/09 to R9.2 billion in 2009/10, mainly due to allocations made to eradicate mud and inappropriate school buildings. The increase was also due to the maintenance of coal haulage routes in Mpumalanga and Limpopo. The R9.2 billion allocation was transferred to all provinces in five instalments. Portions of the fourth and fifth instalments were delayed due to under-expenditure and non-compliance, but these amounts were subsequently released after the provinces complied with the regulations.

Provincial budgets for education, health and roads infrastructure grew from R24.7 billion in 2008/09 to R27.1 billion in 2009/10, a nominal growth of 9.6 per cent. Preliminary (un-audited) total infrastructure expenditure in the education, health and roads sectors amounted to R24.8 billion or 91.7 per cent of the total allocation for 2009/10. Significant improvements in spending trends were notable in Mpumalanga, North West, KwaZulu-Natal and the Western Cape. These provinces spent more than 90 per cent on their overall infrastructure budgets, while the remaining provinces spent less than 90 per cent.

## PROGRAMME 7

### PROVINCIAL AND LOCAL GOVERNMENT TRANSFERS – CONTINUED

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

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

During 2009/10, 36 full-time technical assistants, supported by short term assistants, were deployed in 27 departments (education, health and public works) across the provinces. This has improved planning and delivery of infrastructure projects, with expenditure for 2009/10 averaging 100.5 per cent compared to 97.3 per cent in 2008/09.

#### Local government financial management grant

The local government financial management grant helps municipalities to improve the quality of budgeting 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, enhance audit outcomes, improve management of revenue and expenditure, reform accounting and supply chain management processes, and improve 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.

This grant leveraged support from donors, including the Financial Management Improvement Programme II, which assisted in placing advisors in four municipalities to implement financial management reforms (Makhuduthamaga, Modimolle, Inkwanca and Port St Johns). GTZ, a German development organisation, provided additional assistance to the Eastern Cape treasury for municipal financial management. The total allocation of R300 million in 2009/10 was disbursed in terms of the Division of Revenue Act.

The review of internal processes, delegations, implementation plans, changing of past practices, introduction of risk management, and development of financial management skills, continued to receive attention during 2009/10. The unit continued to assist municipalities with budgeting, accounting and reporting as well as risk management and auditing. The skills development programme included the facilitation and accreditation of 39 independent service providers, and the development of quality training material to support the countrywide rollout of the minimum competency regulations. Municipalities also used the grant to fund the graduate internship programme and increased the in-take of graduates from 537 in 2009 to 894 by the end of the financial year. National Treasury will continue to use the grant to accelerate skills development, and develop further training material, guidelines and manuals.

#### Neighbourhood development partnership grant

Since the start of the NDPG, R730.8 million has been disbursed to local government for township capital investment (see Programme 2 for more details).

## SERVICE DELIVERY ACHIEVEMENTS

### Programme 7: Provincial and Local Government Transfers

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
Infrastructure Grant to Provinces	Monitoring provincial infrastructure development	Transfers in compliance with conditions	Transfers made in accordance with the Division of Revenue Act	Transfers were made in accordance with Division of Revenue Act. All five instalments were transferred to provinces as planned
		Reporting on compliance, transfers and spending	Quarterly reporting by nine provinces on aggregate infrastructure spending and outputs	All nine provinces have complied with the reporting requirements of the Division of Revenue Act
		Improvement of infrastructure delivery management systems, through implementation of Infrastructure Delivery Improvement Programme (IDIP) in provinces	Technical assistance teams appointed to assist education, health and public works departments in nine provinces IDIP fully rolled out in the health departments (health sector is able to implement the IDIP Toolkit and the infrastructure alignment model) Timely submission of infrastructure plans by provinces which comply with guidelines developed by National Treasury	The principles of the delivery management system through the IDIP Toolkit were fully supported and institutionalised through the technical support given to the targeted departments. All health departments received technical support and 6 have been able to submit improved infrastructure plans Infrastructure plans were submitted by all nine provinces by end of August 2009, assessed and feedback submitted to provinces

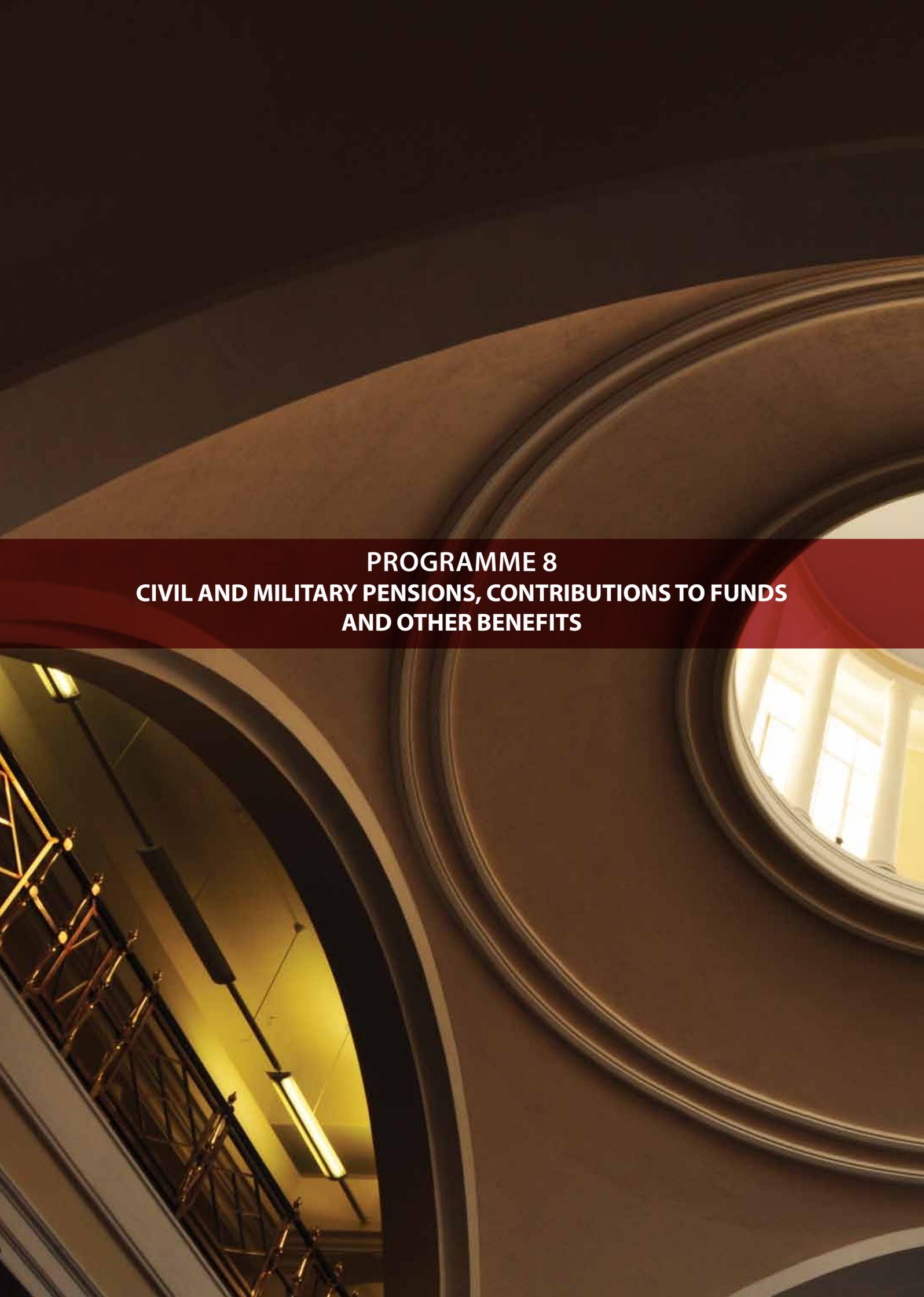
## PROGRAMME 7

### PROVINCIAL AND LOCAL GOVERNMENT TRANSFERS - CONTINUED

## PROGRAMME 7

### PROVINCIAL AND LOCAL GOVERNMENT TRANSFERS – CONTINUED

Local Government Financial Management Grant	Monitoring of municipal financial management reforms	Transfers made according to conditions	<p>Transfers made by 31 March 2010</p> <p>Appointment of at least three interns in each of the 283 municipalities (a total of 849 interns)</p> <p>Improved reporting in all municipalities</p>	<p>All transfers made by 31 March 2010</p> <p>894 graduate interns appointed in municipalities</p> <p>249 municipalities reported regularly on the financial management grant programme. Correspondence and follow-ups were made with all non-complying municipalities</p> <p>283 municipalities tabled their budgets on time</p> <p>247 municipalities submitted their Annual Financial Statements by 31 August 2009</p> <p>137 municipalities submitted their Annual Reports for the past financial year</p>
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**PROGRAMME 8**  
**CIVIL AND MILITARY PENSIONS, CONTRIBUTIONS TO FUNDS**  
**AND OTHER BENEFITS**

## 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 pensions and contributions 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 the democratic constitutional order.
- *Military Pensions and Other Benefits* provides for the payment of military pensions 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 administration of the Government Employees Pension Fund (GEPF) was separated from the fund and the government component responsible for administering both programme 8 and civil pensions was established.

The following was achieved during the review period:

- Absorption by the GEPF of all employees on permanent or long-term contracts
- Shortening of time taken to process applications
- Employment of qualified staff to speed up the processing of applications and reduce backlog by 20 per cent
- Finalisation of a comprehensive communications strategy for the Special Pensions Amendment Act

*Military Pensions* made payments to more than 6000 beneficiaries, exceeding target. There was a huge influx of applications from Military Veterans; this influx is expected to continue in the 2010/11 financial year.

The *Injury-on-Duty* unit improved its processes for the payment of client benefits, and implemented increases on time. The unit initiated regular meetings with the Compensation Commissioner to discuss challenges and to improve stakeholder relationships.

## PROGRAMME 8 CIVIL AND MILITARY PENSIONS, CONTRIBUTIONS TO FUNDS AND OTHER BENEFITS - CONTINUED

*Government contributions* to medical schemes amounting to R1 451 578 000 were made on behalf of 68 352 members.

During 2009/10, the administration continued its effort to verify the members' roll for eligible beneficiaries by comparing the database with the Home Affairs system for the main members as well as for all beneficiaries. It also strengthened administrative processes to improve the reconciliation of arrear and monthly claims received from medical schemes.

There was a marked increase in pensioners receiving post-retirement medical aid subsidy payments electing to transfer their medical scheme membership to the Government Employees Medical Scheme (GEMS). Over 11 762 pensioners were paid out by 1 April 2009 and the number had increased to 14 248 by 31 March 2010. To improve co-operation and streamline processes, the administration and GEMS meet every quarter.

## SERVICE DELIVERY ACHIEVEMENTS

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

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
Civil Pensions and Contributions to Medical Schemes	Payment of pension benefits and contributions to funds (including special pensions)	All beneficiaries paid monthly	10 142 injury-on-duty (IOD) beneficiaries	Actual beneficiaries paid: 9 981
			8 596 special pensions monthly beneficiaries	Actual beneficiaries paid: 6 483, due to the incomplete information on application forms and the slow uptake of the under 35 applications.
			75 400 members per month	71 005 members paid; less than anticipated new GEMS members because employees on salary level five and downwards are applying at a slow rate
	Payment of contributions to medical aid schemes	All contributions paid timeously		Actual members paid: 873, as some members did not serve a full term and therefore did not qualify for payments
	Payment of risk and administration fees to the Political Office Bearers' Pension Fund	Payment of risk and administration fees in respect of all members monthly	Payment of risk and administration fees in respect of 1 100 members monthly	Application forms collected and processed as part of provincial road shows
	Special pensions awareness campaign	Notify beneficiaries about special pensions amendments	Collect and process application forms	

## SERVICE DELIVERY ACHIEVEMENTS

### 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 entities in terms of various statutes, collective-bargaining agreements and other commitments.

Subprogramme	Output	Measure / indicator	Actual performance against target	
			Target	Actual
Military Pensions and Other Benefits	Payment of military pension benefits	All beneficiaries paid monthly	7 024	6 028 paid monthly, due to less than anticipated Military Pension applicants from Non Statutory Forces
	Payment to service providers for medical expenses	All claims paid to service providers monthly	806	843 paid

# PROGRAMME 8 CIVIL AND MILITARY PENSIONS, CONTRIBUTIONS TO FUNDS AND OTHER BENEFITS - CONTINUED

A vertical sequence of three glowing pendant lamps in a dark interior. The lamps are suspended from the ceiling and emit a warm, yellow light. In the background, a large arched window with a grid pattern is visible, and a dark wooden railing is in the foreground. The overall atmosphere is dim and elegant.

**PROGRAMME 9  
FISCAL TRANSFERS**

## PROGRAMME 9 FISCAL TRANSFERS

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

**Measurable objective:** To meet 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 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

South Africa contributes to the World Bank Group's International Development Association (IDA), which is replenished by donors every three years. Fifty percent of IDA's resources are ring-fenced for expenditure in sub-Saharan Africa. South Africa is the only Sub Saharan African country that contributes to IDA resources, and continues to lobby for additional resources for IDA and improved processes for their effective use.

The 15th replenishment of IDA was negotiated during 2007 and totalled US\$42 billion. South Africa's share of the donor component is R204 million, to be paid in three annual payments of R68 million, with the first payment made in 2008/09 and the second in 2009/10. The 16th replenishment of IDA (IDA16) is currently being negotiated.

South Africa is the only African country that donates to the African Development Fund (ADF) of the African Development Bank (AfDB). The fund lends money at reduced interest rates to low-income African countries in support of poverty alleviation and foster economic growth and development. South Africa has been contributing to ADF replenishments since 1998. During the 11th ADF replenishment, South Africa doubled its contribution to R67.4 million in line with the AfDB positioning to make a greater contribution to the development of Africa. This contribution is payable in instalments of R22.5 million per year over a three year period. South Africa paid its 2nd instalment of R22.4 million in 2009/10. Consultations for ADF-12 replenishments are currently underway.

## PROGRAMME 9

### FISCAL TRANSFERS - CONTINUED

South Africa's shareholding in the AfDB stands at just over 4.5 per cent and total transfers to the AfDB for the 2009/10 period stood at R 36.3 million.

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 2009/10, R409 million was transferred for this purpose.

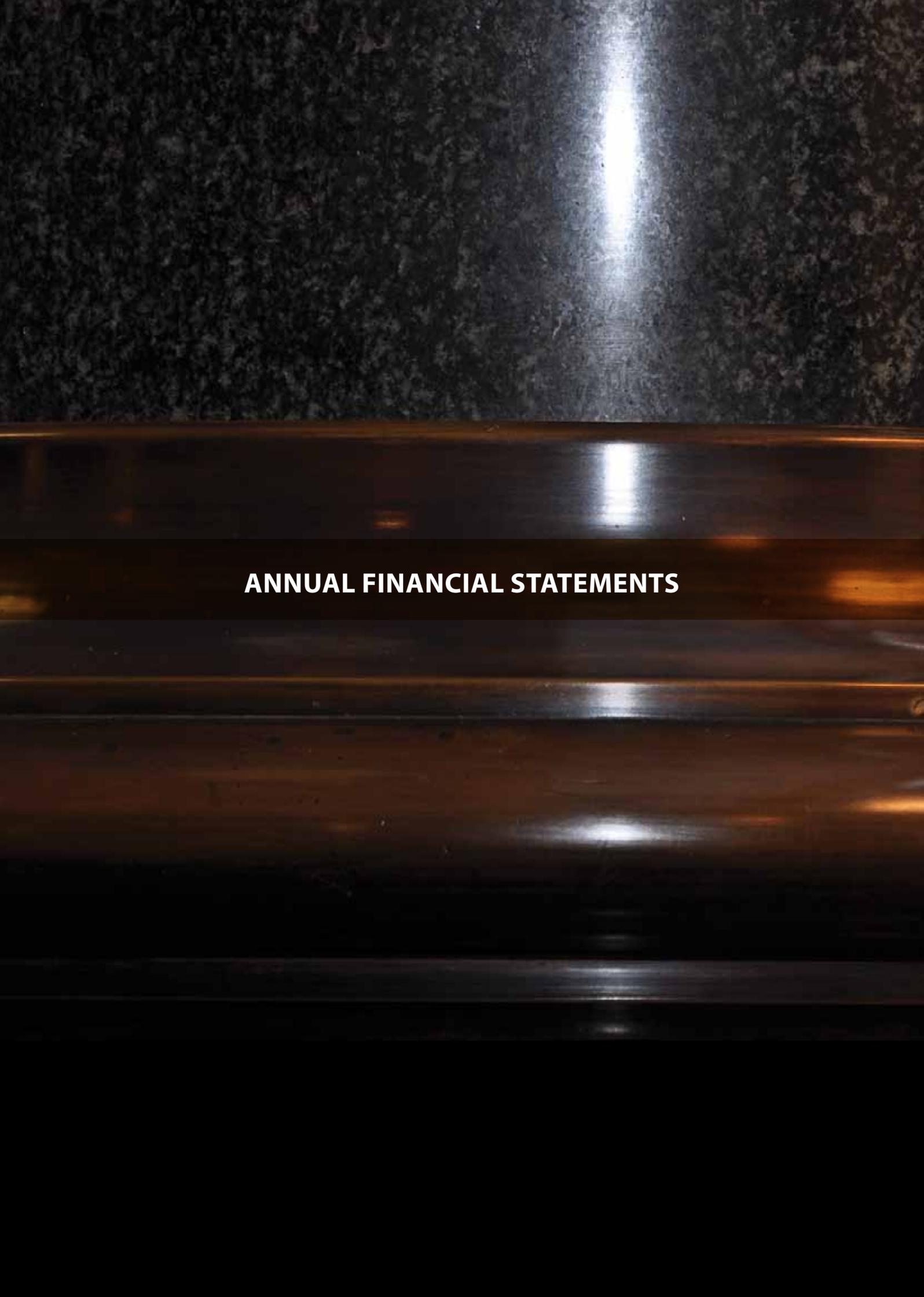
*Commonwealth Fund for Technical Cooperation* (CFTC) resources are used to further the Commonwealth Secretariat's goals and programmes, which are closely aligned to the Millennium Development Goals (MDGs). The primary objective of the fund is to assist developing member countries to acquire the knowledge and institutional capacity needed to address their development priorities. Public sector development is a central theme of the 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 R3.5 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 contribute US\$1 million a year for 20 years towards the achievement of the health-related objectives of the MDGs. The purpose of this arrangement is to 'lock-in' donor support for accelerated progress towards health MDGs. 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 2009/10 South Africa transferred US\$ 970 000 (R7.5 million) to the facility.

In the 2008/09 year, R10 billion was transferred to Eskom as part of the subordinated loan of R60 billion over three years. During the reporting period a further R30 billion was transferred. These funds are for the sustainable development of infrastructure for electricity in South Africa.

In June 2006, South Africa pledged to contribute US\$3 million to the *Investment Climate Facility* (ICF). Payable in three equal instalments of US\$1 million, the final contribution of R7.4 million was paid to the ICF in November 2009.

Name of institution	R'000
African Development Bank and African Development Fund	58 715
Commonwealth Fund for Tech Cooperation	3 659
Common Monetary Area Compensation	359 400
Development Bank of Southern Africa [Siyenza Manje]	246 809
Eskom	10 000 00
Financial and Fiscal Commission	26 125
Financial Intelligence Centre	111 474
International Funding Facility for Immunisation	9 618
Investment Climate Facility	7 306
Secret Services	2 843 583
South African Revenue Service	6 302 778
World Bank Group and IDA	68 000
Total:	20 078 580



**ANNUAL FINANCIAL STATEMENTS**

# NATIONAL TREASURY VOTE 7

## ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

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## NATIONAL TREASURY VOTE 7

### REPORT OF THE AUDIT COMMITTEE

FOR THE YEAR ENDED 31 MARCH 2010

We are pleased to present our report for the financial year ended 31 March 2010.

#### 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 2009/10		
Name of member	*Number of meetings attended	Remarks
Ms Mamoroke Lehobye	4 of 5	Contract expired 31 Jan 2010
(Acting Chairperson)	4 of 5	None
Ms Lesibana Fosu	5 of 5	None
Mr Ignatius Sehoole	3 of 5	Contract expired 31 Jan 2010
(Past Chairperson)	4 of 4	Contract expired 31 Jan 2010
Mr Vuyo Jack	3 of 3	Appointment effective 1 October 2009
Ms Matsotso Vuso	3 of 5	Contract expired 31 Jan 2010
Professor Carolina Koornhof	2 of 5	Contract expired 31 Jan 2010
Mr Zach Le Roux	1 of 1	Appointment effective 1 March 2010
Mr Joe Lesejane	1 of 1	Appointment effective 1 March 2010
**Ms Lindie Engelbrecht	1 of 1	Appointment effective 1 March 2010

\* Note 1: The five audit committee meetings included one special meeting

\*\*Note 2: Ms Lindie Engelbrecht resigned on 20 April 2010 due to her new position which resulted in a possible conflict of interest.

#### 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 generally operational and was mainly efficient and effective to ensure that the financial records may be relied upon for preparing the annual financial statements, and accountability for assets and liabilities is maintained. From the various reports of the Internal Auditors, the Audit Report on the Annual Financial Statements and the management letter of the Auditor-General, it was noted that no significant or material non compliance with prescribed policies and procedures have been reported. Accordingly, we can report that the system of internal control for the period under review was efficient and effective.

## NATIONAL TREASURY VOTE 7

### REPORT OF THE AUDIT COMMITTEE - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

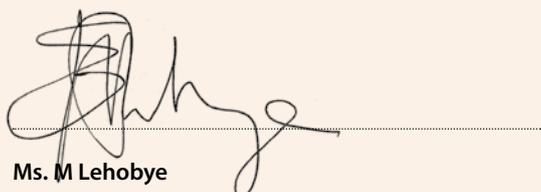
However, attention is drawn to the following areas of concern:

- There were a number of findings raised by the Auditor-General relating to Programme 8 (Civil and Military Pensions, Contributions to Fund and other Benefits) as well as the ineffectiveness to address past audit findings relating to missing files. In order to address this concern, the Audit Committee recommended a forensic review to assess if there were any fraudulent activities that took place relating to the missing files and progress on this will be provided to the Audit Committee on a quarterly basis; and
- The State Information Technology Agency (SITA) is responsible for the Wide Area Network (WAN), security and related controls, such as firewalls for 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 IT controls as they relate to SITA and SITA's functions at National Treasury. In terms of the Integrated Financial Management System (IFMS) project, the Auditor-General has been appointed by National Treasury as the assurance provider who will express a view on the adequacy of the internal controls for the different modules that form part of the IFMS project. Progress with regards to the auditing of the IFMS project will be provided to the Audit Committee on a quarterly basis.

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 2010 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.



**Ms. M Lehobye**

Acting Chairperson of the Audit Committee

Date: 4 August 2010

# NATIONAL TREASURY VOTE 7

## REPORT OF THE ACCOUNTING OFFICER

FOR THE YEAR ENDED 31 MARCH 2010

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

National Treasury's strategic direction is informed by five external strategic focus areas, as depicted in the Department's Strategic Plan and Estimates of National Expenditure: promoting sustainable economic growth and expanded employment levels, fighting poverty and inequality, maintaining optimal allocation and utilisation of financial resources in all spheres of government, ensuring good governance and accountability, and macroeconomic stability along with microeconomic reforms. These are supported by four internal strategic imperatives: improving coordination and communication, matching resources to workload, developing human resource strategies to address attraction and retention challenges, and developing management skills.

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

#### 1.2 KEY POLICY DEVELOPMENTS

##### Improving Accountability

Focusing on improved accountability to both Parliament and the public, National Treasury will continue its efforts at aligning the allocation of resources with expected outputs from departments in line with improved performance and better formulated programme objectives.

##### Review of the Division of Revenue Bill

The review process of the annual Division of Revenue Bill is aimed at ensuring that the grant system contributes to better and quicker decision making, improved accountability and accelerated service delivery.

##### Monitoring the implementation of the Public Finance Management Act

Since implementation of the Public Finance Management Act (PFMA), (Act No. 1 of 1999) with effect from 1 April 2000, the National Treasury has undertaken various initiatives to monitor the implementation of the Act. These initiatives were augmented by the introduction of a Financial Management Capability Maturity Model (FMCMM) which provides a mechanism to assess the financial maturity of departments against predetermined benchmarks. The Model also provides departments with financial management requirements based on the nature, complexity and risks associated with their activities.

# NATIONAL TREASURY VOTE 7

## REPORT OF THE ACCOUNTING OFFICER - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

During the period under review, the Model was used to assess the financial maturity of national and provincial departments. The results of these assessments were made available to the departments who were subsequently required to develop corrective plans to address areas of concern. The results were also used to compile detailed reports to the Standing Committee on Public Accounts (SCOPA) and to the Portfolio Committee on Finance on progress made with implementation of the PFMA (Act No.1 of 1999).

### Improving financial oversight of state owned enterprises

Better financial oversight can improve operational efficiency of state owned enterprises. The appraisal of their treasury operations coupled with financial modeling that will include setting of realistic capital structure and dividend payment targets, as well as assessing funding alternatives, should encourage adherence to treasury management best practices and improvements in financial performance and sustainability.

National Treasury Annual Report 2009/10

## 1.3 ANNUAL APPROPRIATION AND VOTE STRUCTURE

The total appropriation for National Treasury for the year ending 31 March 2010 amounted to **R62.8 billion** (2008/09: R31.4 billion) and is divided into two main components namely: the operational budget and transfers. Programmes 1 to 6 constitute National Treasury's operational budget, which amounted to **R1.3 billion** (2008/09: R1,1 billion). The operational budget comprised **R408 million** (2008/09: R321 million) for compensation of employees, **R788 million** (2008/09: R608 million) for goods and services and **R16 million** (2008/09: R10 million) for the acquisition of capital assets.

The remaining budget of **R61.64 billion** (2008/09: R30.5 billion) falls 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.

## 1.4 PROGRAMME STRUCTURE

There are nine programmes which fall under National Treasury's Vote: *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*. In 2009/10, there were some changes in the programmes following an internal re-organisation; these are outlined in detail in the annual report.

**Administration** provides managerial leadership and administrative support to the National Treasury through continuous refinement of strategy and structure, in compliance with relevant legislation and best practices. The Administration Programme comprises the *Minister, Deputy Minister, Management, Corporate Services and Property Management* sub programmes.

Annual Financial Statements

## NATIONAL TREASURY VOTE 7

### REPORT OF THE ACCOUNTING OFFICER - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

The total appropriation for this Programme amounted to **R247 million** (2008/09: R205 million). Expenditure for Administration totalled **R243 million** (2008/09: R204 million). Expenditure incurred on compensation of employees was **R92 million** (2008/09: R70 million), goods and services **R143 million** (2008/09: R130 million), transfers **R1.4 million** (2008/09: R1,5 million) and capital expenditure **R7.6 million** (2008/09: R3,6 million).

*Public Finance and Budget Management* provides financial and budgetary analysis of government programmes, advises on fiscal policy and public finance matters, coordinates intergovernmental fiscal relations and manages the annual budget process as well as expenditure planning. These activities are organised into four sub programmes: *Public Finance, Budget Management, Intergovernmental Relations* and *Technical and Management Support*.

The total adjusted appropriation for this Programme amounted to **R265 million** (2008/09: R245 million). Current expenditure incurred totalled **R242 million** (2008/09: R222 million) and comprised compensation of employees **R123 million** (2008/09: R107 million) and goods and services **R119 million** (2008/09: R114 million). Capital expenditure amounted to **R1 million** (2008/09: R2 million). Transfer payments amounted to **R20 million** (2008/09: R20 million).

*Asset and Liability Management* manages government's asset and liability portfolio, which includes amongst others prudent cash management, asset restructuring and optimal management of government debt portfolio both domestic and foreign. There are five sub programmes namely: *Management, Asset Management, Liability Management, Financial Operations* and *Strategy and Risk Management*.

The total appropriation amounted to **R61 million** (2008/09: R64 million). Total expenditure incurred amounted to **R53 million** (2008/09: R63 million) and consists of compensation of employees **R38 million** (2008/09: R33 million), goods and services **R15 million** (2008/09: R29 million) and payments for capital expenditure **R0.1 million** (2008/09: R1 million).

*Financial Management and Systems* manage and regulate government's supply chain processes. It also implements and maintains standardised financial systems in the national and provincial spheres of government. This will culminate in the migration from the outdated systems to the new integrated financial management system. The Programme consists of three sub programmes namely: *Management, Supply Chain Management* and *Financial Systems*.

The total adjusted appropriation for this Programme amounted to **R459 million** (2008/09: R279 million). The total expenditure incurred amounted to **R406 million** (2008/09: R273 million) and comprises compensation of employees **R40 million** (2008/09: R33 million), goods and services **R365 million** (2008/09: R237 million) and payments for capital expenditure **R1 million** (2008/09: R2 million). The major cost pressure on this Programme relates to professional service providers for maintaining the transversal systems.

*Financial Accounting and Reporting* enforces and encourages accountability, transparency and effective management of revenue, expenditure, assets and liabilities of departments, public entities, constitutional

## NATIONAL TREASURY VOTE 7

### REPORT OF THE ACCOUNTING OFFICER – CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

institutions and local government, thus ensuring effective service delivery. The Programme consists of six sub programmes: *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 total appropriation for this Programme amounted to **R139 million** (2008/09: R203 million) and consisted of an operational budget of **R86 million** (2008/09: R69 million). The total amount spent by the Programme was **R137 million** (2008/09: R203 million), comprised compensation of employees **R51 million** (2008/09: R31 million), goods and services **R33 million** (2008/09: R38 million), and capital expenditure **R1 million** (2008/09: R1 million). Transfer payments amounted to **R53 million** (2008/09: R134 million).

In addition, this Programme is responsible for transfer payments to the Auditor-General of South Africa in terms of the Public Audit Act (2004), whereby National Treasury is obliged to pay audit costs in respect of the auditing of statutory bodies for any financial year concerned where such costs exceeds one per cent of the total expenditure of such bodies. The transfer payments in respect of these statutory audit costs amounted to **R19 million** (2008/09: R106 million).

**Economic Policy and International Financial Relations** is responsible for specialist policy analysis and advisory services in the areas of macroeconomics, microeconomics, financial sector, regulatory reform, tax policies, regional integration and international financial relations. The Programme is made up of five sub programmes namely: *Management and Research, Financial Sector Policy, Tax Policy, International Economics and Economic Policy.* The final adjusted appropriation for this Programme amounted to **R96 million** (2008/09: R91 million). Total expenditure incurred amounted to **R94 million** (2008/09: R90 million) and comprised compensation of employees **R59 million** (2008/09: R46 million), goods and services **R30 million** (2008/09: R38 million) and capital expenditure **R0.5 million** (2008/09: R1 million). Transfer payments amounted to **R5 million** (2008/09: R5 million) for economic research.

**Provincial and Local Government Transfers** facilitates and manages the transfer of conditional grants to the provincial and local spheres of government. The final adjusted appropriation for this programme amounted to **R14.4 billion** (2008/09: R7.9 billion). The total expenditure amounted to **R14.3 billion** (2008/09: R7.8 billion) and included conditional grants transferred directly from National Treasury's vote to provinces and municipalities amounting to **R9.2 billion** (2008/09: R7.4 billion) and **R300 million** (2008/09: R180 million) respectively and once off payment of Gautrain Loan amounting to **R4.2 billion**. The balance of **R578 million** (2008/09: R262 million) was in respect of the Neighbourhood Development Partnership grant to municipalities.

**Civil and Military Pensions, Contributions to Funds and Other Benefits** is responsible for payment of benefits and awards to beneficiaries of departments, state aided bodies and other entities in terms of various statutes, collective bargaining agreements and other commitments. The final appropriation for this Programme amounted to **R4.9 billion** (2008/09: R2.3 billion).

Expenditure for the period under review amounted to **R4.9 billion** (2008/09: R2.3 billion) which comprised civil pensions and other contributions **R4.8 billion** (2008/09: R2.2 billion) and military pensions and other contributions **R164 million** (2008/09: R157 million) and goods and service amount to **R25 million** (2008/09: R18 million).

# NATIONAL TREASURY VOTE 7

## REPORT OF THE ACCOUNTING OFFICER - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

*Fiscal Transfers* transfer funds to other countries and multilateral and domestic institutions and public entities, including international development institutions of which South Africa is a member. This Programme comprises the following sub programmes: *Domestic Budgetary Transfers, Domestic Programme Transfers, African Integration and Support, Multilateral Institutions and International Projects.*

Transfers are made to the South African Revenue Service, Financial Intelligence Centre and the Financial and Fiscal Commission for the fulfilment of their statutory obligations, and to the Development Bank of Southern Africa for specified government programmes. In addition, funds are also paid to augment the Secret Services Account. Domestic transfers accounted for 96 per cent of the total transfers allocated to this programme and amounted to **R41.6 billion** (2008/09: R19.5 billion), of which the largest transfers went to the South African Revenue Service, Secret Services and Eskom totalling **R40.2 billion** (2008/09: R19.1 billion).

Foreign transfer payments were made to:

- The World Bank Group;
- The African Development Bank (AfDB) and African Development Fund;
- Common Monetary Area Compensation to Lesotho, Namibia and Swaziland;
- The African integration and support programmes; and
- Various international programmes, such as Common Wealth Fund for Technical Cooperation, the Investment Climate Facility, and the Global Alliance for Vaccines and Immunisation.

The total foreign transfers made by National Treasury amounted to **R554 million** (2008/09: R548 million) of which the transfer to Lesotho, Namibia and Swaziland makes up the largest portion of foreign transfers totalling **R410 million** (2008/09: R363 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.

### 1.5 DEPARTMENTAL REVENUE

Departmental revenue received during the reporting period amounted to **R3.5 billion** (2008/09: R5.3 billion) and consisted of sales of goods and services of **R300 million** (2008/09: R49 million), fines, interest and dividends of **R2 billion** (2008/09: R5 billion) and other recoveries amounting to **R1.2 billion** (2008/09: R268 million).

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

### 1.6 UTILISATION OF DONOR FUNDS

Local and foreign assistance received in cash during the reporting period amounted to **R15 million** (2008/09: R50 million). Expenditure incurred amounted to **R16 million** (2008/09: R42 million). Other funds amounting to **R10.3 million** (2008/09: R5 million) were transferred to external spending agencies on behalf of the Reconstruction and Development Fund. However, these amounts are not disclosed on the face of the Annual Financial Statements

# NATIONAL TREASURY VOTE 7

## REPORT OF THE ACCOUNTING OFFICER - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

because National Treasury was only channelling the funds as a link between the donors and spending agencies.

### 1.7 EVENTS AFTER THE REPORTING DATE

Payments amounting to **R81 million** (2008/09: R67 million) were processed during April 2010, which relate to the 2009/10 financial year. These payments were not included in the financial statements for the 2009/10 financial year, which were prepared on the modified cash basis of accounting. (Refer to Note 21). Departmental revenue amounting to **R203 million** (2008/09: R87 million) was received after year-end and surrendered to the National Revenue Fund. (Refer to note 25).

### 1.8 2010 WORLD CUP TICKET EXPENDITURE

During the period under review there was no expenditure incurred on 2010 world cup tickets or clothing by National Treasury, Technical Assistance Unit (TAU) and Project Development Facility (PDF).

## 2. SERVICE RENDERED BY THE DEPARTMENT

The core business of the National Treasury 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 with the exception of Programme 8 which provides pensions and post retirement civil and military benefits. National Treasury is not a service delivery department and does not render any services in the public domain on a recoverable basis. Other technical assistance is disclosed with the Project Development Facility (PDF) and the 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 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 closer with our line managers in order 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 yet another challenge. The Department has managed to improve our vacancy rates from 9.0% to 6.8% and turnaround time for filling vacancies for all areas from average of 11 to 9.5 weeks. The Department's resourcing focus also led to the improvement in filling pipeline requirements at entry levels.

## NATIONAL TREASURY VOTE 7

### REPORT OF THE ACCOUNTING OFFICER - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

Senior Management Leadership Development Programme initiatives were implemented in the period under review which included the new Directors Development Programme, Managing for Results, Chief Directors Development Programme, Coaching for Results and Choice at Work.

#### External focus

The National Treasury, in enhancing public service capacity through training and development, and especially in financial management, will roll-out the 2009/10 business plan through the Institute of Public Finance & Auditing (IPFA). This is a non-profit organisation providing professional training, mainly on finance and auditing. This institution will play a major role in the implementation of the Capacity Building Model for Financial Management.

## 4. TRADING ENTITIES AND PUBLIC ENTITIES

### 4.1 TRADING ENTITIES

#### Project Development Facility

The Project Development Facility (PDF) is a single function trading entity in the National Treasury's Public Private Partnership (PPP) unit, created in accordance with the PFMA (Act No. 1 of 1999). 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.

#### Technical Assistance Unit

The Technical Assistance Unit (TAU) is a facility that was established in 2001 in the National Treasury. It provides project management support and technical assistance through a wide range of services to all spheres of government. The TAU trading entity 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.

# NATIONAL TREASURY VOTE 7

## REPORT OF THE ACCOUNTING OFFICER - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

### 4.2 PUBLIC ENTITIES AND BUSINESS ENTERPRISES REPORTING TO THE MINISTER OF FINANCE

The Minister of Finance is responsible for several entities. These entities are as follows:

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

The Development Bank of Southern Africa (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 socio-economic 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 (Schedule 3A: National public entity)

The South African Revenue Service (SARS) is mandated to support government in meeting its key growth 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, ensuring delivery on revenue targets and ensuring good governance and administration.

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

The Financial Services Board (FSB) was established in terms of the Financial Services Board Act (1990). It supervises and regulates the non-banking financial services industry namely long 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 (Schedule 3A: National public entity)

The Financial Intelligence Centre (FIC) was established in terms of the Financial Intelligence Centre Act (2001). The core mandate of the FIC is to assist in identifying the proceeds of unlawful activities, combating money laundering activities and combating 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.

## NATIONAL TREASURY VOTE 7

### REPORT OF THE ACCOUNTING OFFICER - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

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

The Accounting Standards Board (ASB) was established in 2002 in accordance with the PFMA (ACT NO.1 OF 1999). 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.

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

The Independent Regulatory Board for Auditors (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 (SASRIA) Limited (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 disorders.

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

The Public Investment Corporation (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 (GEPF), the Unemployment Insurance Fund (UIF), the Associated Institutions Pension Fund (AIPF), the Compensation Commissioner: Pension Fund (CC: PF), the Compensation Fund (CF) and the Guardian's Fund.

#### **The Land and Agricultural Bank of South Africa (Land Bank) (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 support, especially for training and capacity building of (developmental) farmers and the sustainability of the sector.

#### **Co-operative Banks Development Agency (Schedule 3A; National Public Entity)**

The Co-operative Banks Development Agency (CBDA) was established in terms of the Co-operative Banks Act (2007). The objectives of the CBDA are to provide for the registration of co-operative banks comprising deposit taking financial services co-operatives, savings and credit co-operatives, 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 co-operative banks.

# NATIONAL TREASURY VOTE 7

## REPORT OF THE ACCOUNTING OFFICER - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

CBDA were exempted for the 2009/10 financial year to prepare financial statements and the annual report. However, expenditure of R3.6 million was incurred and audited as part of National Treasury Annual Financial Statements.

### Government Employees Pension Fund

The Government Employees Pension Fund 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 WHOM 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. Kindly refer to annexures 1A to 1I.

In addition to the Fiscal Transfer Programme, funds for the Project Development Facility, Technical Assistance Unit, Accounting Standards Board and Independent Regulatory Board for Auditors have been provided for, under Programmes 2 and 5.

## 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 Public Finance Management Act (1 of 1999), 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, risk management and governance processes within National Treasury. In pursuing this activity the IAF is guided by a fully functional Audit Committee which operates in terms of an approved Audit Charter.

The IAF organisational structure was approved by the audit committee and the accounting officer. All positions as per the approved organisational structure have since been filled, which will result in the conclusion of the co-sourced service provider's contract by the end of December 2010. 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.

# NATIONAL TREASURY VOTE 7

## REPORT OF THE ACCOUNTING OFFICER - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

The IAF through engagement with 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 fully executed during the year under review. The IAF also performed a number of consulting activities and relationships with management improved as evidenced by the number of unplanned specialized audits, which, in turn, indicate that management sees the value of the IAF within its system of governance.

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 Internal Audit activities.

### 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 of South Africa (AGSA) or the staff of the AGSA is always invited to attend, thus ensuring that such meetings are as effective as possible.

### 6.3 RISK MANAGEMENT

The Enterprise Risk Management (ERM) Unit has continued to coordinate and support the implementation of risk management activities throughout the National Treasury under the leadership of the Chief Risk Officer (CRO). The Unit has reviewed its Enterprise Risk Management Strategy, which informed the continuous integration of risk management into the day-to-day activities of the National Treasury.

The Unit has championed good governance practices by creating awareness and instituting approved risk management processes and procedures in alignment with regulations and the Public Sector Risk Management Framework. The ongoing risk management activities have culminated in an updated Risk Profile for the National Treasury that is monitored, on an ongoing basis, by internal governance structures, including ExCo, the Audit Committee and the Risk Management Committee. The Unit has commenced a process of coordinating the National Treasury's Business Continuity and Disaster Recovery processes, and will continue to manage this process going forward.

During the course of developing its risk profile, the National Treasury has identified corruption risks that it may face. In line with the National Treasury's zero tolerance stance on corruption, activities to mitigate corruption risks have been incorporated into the reviewed Fraud Prevention Plan for implementation by the identified risk owners. The implementation of the Plan will be monitored to ensure that corruption risks are managed and a strong ethical culture is maintained throughout the National Treasury.

The formally appointed Risk Management Committee held four meetings during the financial year under review. It operated within its approved Terms of Reference and provided objective oversight and advice in the institutionalisation of risk management throughout the National Treasury.

# NATIONAL TREASURY VOTE 7

## REPORT OF THE ACCOUNTING OFFICER - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

National Treasury Annual Report 2009/10

### 6.4 INTERNAL POLICY REVIEW

During the 2009/10 financial year, the Governance Review Committee (GRC) approved fifteen corporate governance policies and prescripts for implementation and final approval by the Accounting Officer.

The policies are as follows:

- Employment Equity;
- Peripheral;
- Anti-virus;
- Labour Relations;
- Probation;
- Information Sensitivity;
- Chartered Accountants Academy;
- Recruitment and Selection;
- System Lockdown;
- Employee Handbook;
- Internship;
- Revised GRC Terms of Reference;
- Framework for Policy Development;
- LAN security; and
- Mobile and Remote Computers.

National Treasury reviews its policies, prescripts and related business processes, at least once a quarter to ensure compliance with statutory requirements and best practices.

### 6.5 OTHER GOVERNANCE MATTERS

In addition to the above-mentioned 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 the 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;

Annual Financial Statements

## NATIONAL TREASURY VOTE 7

### REPORT OF THE ACCOUNTING OFFICER - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

- Complied with the provision of the Division of Revenue Act (12 of 2009), prior to transferring funds to provincial or local governments and ensured that all 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 subsistence and travelling manual; and
- Submitted all required reports to the relevant authorities.

## 7. DISCONTINUED DEPARTMENTAL ACTIVITIES

The 2010 FIFA World Cup was completed in July 2010. The specialist unit will prepare a lessons learned report which will be closed before 31 March 2011.

## 8. NEW DEPARTMENTAL ACTIVITIES

### Migration of 2010 FIFA World Cup Unit to New Mega Capital Projects Analysis Unit

The 2010 FIFA World Cup Unit has developed significant institutional knowledge during the delivery of the 2010 FIFA World Cup. The National Treasury recruited, on a contract basis, high calibre expertise to deliver on the National Treasury's 2010 FIFA World Cup mandate. This has been successfully done with considerable savings to the fiscus. The 2010 FIFA World Cup Unit's mandate expires on 31 March 2011, and it would be unwise for the National Treasury to lose such expertise given the considerable resources that are annually allocated to Mega Capital Projects. Therefore it is recommended that this 2010 FIFA World Cup Unit migrate to the new Mega Capital Projects Analysis Unit.

The new unit will have six key functions and will commence operations during financial year 2010/11:

- Develop sound relationships with the National Treasury Divisions, line departments and state owned enterprises companies implementing mega capital projects.
- Collect data on a monthly basis from each of the forty nominated mega capital projects until the project construction and commissioning phase has been completed.
- Analyse data to determine project delays, cost overruns, risks going forward and forward data for use in economic modeling.
- Preparation of reports on a regular basis to guide decision makers (National Treasury Divisions, Offices of the Director-General and Minister of Finance).
- Develop relationships with private sector companies implementing mega capital projects.

# NATIONAL TREASURY VOTE 7

## REPORT OF THE ACCOUNTING OFFICER - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

### 9. ASSET MANAGEMENT

In terms of Sub-section 38(1) (b) of the Public Finance Management Act (1 of 1999) as amended, the Accounting Officer for the Department is responsible for the effective, efficient, economical and transparent use of the resources of the Department.

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:

#### 9.1 ASSET VERIFICATION

Assets are departmental resources that should be disclosed in the Department's annual financial statements. As such the Department ensured that all departmental assets are properly tagged, verified and accounted for and that any lost or redundant assets are identified and removed from the asset register on a timely basis.

An asset verification process was conducted during the current financial year in order to ensure that departmental assets are accounted for and reported accurately in the annual financial statement.

#### 9.2 ASSET DISPOSAL

During the 2009/10 financial year, the Asset Management Unit, in line with the National Treasury Asset Management Disposal Policy, National Regulations and Governance report pertaining to corporate social responsibility, managed to dispose redundant and obsolete assets as follows:

- Donated 80 desktop computers to four state schools in Venda, in support of the community project that was initiated by the University of Pretoria (Meteorology Community Project).
- The schools that benefited from the above mentioned project are Gonde Primary, Tshanowa Primary, Tshivha Primary and Gilbert Mulondo Primary School.
- Identified and disposed 268 assets through a bid process to National Treasury staff members. These comprised of 2 motor vehicles, 81 computer equipment and 105 office machinery and equipment items.

The department will continue to support needy communities in the 2010/11 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 (ICT) Procurement Committee, which comprises Financial Management and Information Technology. The terms of reference of the committee will be reviewed in the 2010/11 financial year and this includes effectiveness of its operation.

## NATIONAL TREASURY VOTE 7

### REPORT OF THE ACCOUNTING OFFICER - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

#### 10. PERFORMANCE INFORMATION

Divisional heads have reported to the Director-General on a regular basis on the progress made with regard to the 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 the National Treasury from the 2008/09 financial year.

#### 12. PRIOR MODIFICATIONS TO AUDIT REPORTS

No matters of significance were reported on by the AGSA regarding the Department's administration. Those internal control related matters highlighted in the management letter were addressed and required control processes implemented to prevent the re-occurrence of those matters.

#### 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.

#### 14. APPROVAL

The Annual Financial Statements set out on pages 133 to 214 have been approved by the Accounting Officer.



Lesetja Kganyago

**Director-General, National Treasury**

Date: 15 July 2010

# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF VOTE NO. 7: NATIONAL TREASURY

FOR THE YEAR ENDING 31 MARCH 2010



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

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## NATIONAL TREASURY VOTE 7

# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF VOTE 7: NATIONAL TREASURY

FOR THE YEAR ENDED 31 MARCH 2010

## REPORT ON THE FINANCIAL STATEMENTS

### INTRODUCTION

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 2010, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 133 to 214.

### ACCOUNTING OFFICER'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accounting officer is responsible for the preparation and fair presentation of the 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 of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Division of Revenue Act of South Africa, 2009 (Act No. 12 of 2009) (DoRA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### AUDITOR-GENERAL'S RESPONSIBILITY

As required by section 188 of the Constitution of South Africa and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with International Standards on Auditing and *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*. 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.

## NATIONAL TREASURY VOTE 7

### REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF VOTE 7: NATIONAL TREASURY - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

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 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.

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

#### **OPINION**

In my opinion, these financial statements present fairly, in all material respects, the financial position of the National Treasury as at 31 March 2010, 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.

#### **EMPHASIS OF MATTERS**

I draw attention to the matters below. My opinion is not modified in respect of these matters:

#### **BASIS OF ACCOUNTING**

The National Treasury'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.

## NATIONAL TREASURY VOTE 7

### REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF VOTE 7: NATIONAL TREASURY - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

#### RESTATEMENT OF CORRESPONDING FIGURES

As disclosed in the statements of changes in net assets and notes 9, 12, 16, 17, 20, 24 and 28 to the financial statements, the corresponding figures for 31 March 2009 have been restated as a result of an error discovered during the 2009-10 year in the financial statements of the National Treasury at, and for the year ended, 31 March 2009.

#### IRREGULAR EXPENDITURE

As disclosed in note 26 to the financial statements, irregular expenditure of R2,746,235 relating to the prior year was incurred, as a proper tender process had not been followed.

#### ADDITIONAL MATTER

I draw attention to the matter below. My opinion is not modified in respect of this matter:

#### UNAUDITED SUPPLEMENTARY SCHEDULES

Annexure 1 A (statement of conditional grants paid to provinces) on page 178, Annexure 1 C (statement of unconditional grants paid to municipalities) on pages 181 to 195 and Annexure 1 D (statement of in-kind conditional grants and transfers to municipalities) on page 196, include a column of amounts spent by the provinces and municipalities. I have not audited these amounts and accordingly I do not express an opinion thereon.

#### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the PAA and *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*, I include below my findings on the report on predetermined objectives, compliance with the PFMA, DoRA, Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) and the Public Service Act of South Africa, 1994 (Proclamation No. 103 of 1994), and financial management (internal control).

#### FINDINGS

##### Predetermined objectives

No matters to report.

# NATIONAL TREASURY VOTE 7

## REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF VOTE 7: NATIONAL TREASURY - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

### Compliance with laws and regulations

Public Service Act of South Africa, 1994 (Proclamation No. 103 of 1994)

#### Non adherence to legislation

Contrary to requirements of Public Service Regulation 1/III/B2(d) no human resource plan was in place for the medium -term expenditure framework period 2009/10.

## INTERNAL CONTROL

I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives and compliance with the PFMA and DoRA, but not for the purposes of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the deficiencies identified during the audit.

No matters to report.

## OTHER REPORTS

### INVESTIGATIONS

An investigation was conducted in terms of Proclamation R50 of 2006 published in the Government Gazette on 7 December 2006. Investigation was initiated based on the allegation of possible maladministration of the Special Pensions Board (board) and improper or unlawful conduct by officials of the board. The investigation identified 374 (6.9%) disentitled beneficiaries in respect of fraud and/or a schedule 1 conviction as well as 683 (12,6%) instances of misinterpretation of the Special Pensions Act of South Africa, 1996 (Act No. 69 of 1996) by the board. The investigation resulted in 141 (2.6%) criminal matters that have been handed to the South African Police Service.

A forensic investigation was conducted but the results were not yet made available for review at the time of finalising the audit.

## NATIONAL TREASURY VOTE 7

### REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF VOTE 7: NATIONAL TREASURY - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

#### PERFORMANCE AUDITS

A performance audit was conducted on the department's use of consultants during the year under review. The audit is currently in the reporting phase and the findings will be reported in a separate report.

*Auditor-General*

Pretoria

29 July 2010



AUDITOR - GENERAL  
SOUTH AFRICA

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## ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2010

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 Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999), and the Treasury Regulations issued in terms of the Act and the Division of Revenue Act, Act 12 of 2009.

### 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 2010

## 2. REVENUE

### 2.1 APPROPRIATED FUNDS

Appropriated funds comprises of departmental allocations as well as direct charges against revenue fund (i.e. statutory appropriation).

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

The total appropriated funds received during the year are presented in the statement of financial performance.

Unexpended appropriated funds are surrendered to the National Revenue Fund. Any amounts owing to the National Revenue Fund at the end of the financial year are recognised as payable in the statement of financial position.

### 2.2 DEPARTMENTAL REVENUE

All departmental revenue is recognised in the statement of financial performance when received and is subsequently paid into the National Revenue Fund, unless stated otherwise.

Any amount owing to the National Revenue Fund is recognised as a payable in the statement of financial position.

No accrual is made for the amount receivable from the last receipt date to the end of the reporting period. These amounts are however disclosed in the disclosure note to the annual financial statements.

### 2.3 DIRECT EXCHEQUER RECEIPTS / PAYMENTS

All direct exchequer receipts are recognised in the statement of financial performance when the cash is received and subsequently paid into the National Revenue Fund, unless otherwise stated. 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). Any amount owing to the National Revenue Funds at the end of the financial year is recognised as a payable in the statement of financial position.

# NATIONAL TREASURY VOTE 7

## ACCOUNTING POLICIES - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

National Treasury Annual Report 2009/10

### 2.4 AID ASSISTANCE

Aid assistance is recognised as revenue when received.

All in-kind aid assistance is disclosed at fair value on the date of receipt in the annexures to the annual financial statements.

The cash payments made during the year relating to aid assistance projects are recognised as expenditure in the statement of financial performance when final authorisation for payments is effected on the system (by no later than 31 March of each year).

The value of the assistance expensed prior to the receipt of funds is recognised as a receivable in the statement of financial position.

Inappropriately expensed amounts using aid assistance and any unutilised amounts are recognised as payables in the statement of financial position.

All Conservation of Agricultural Resources Act, Act No. 43 of 1983 (CARA) funds received must be recorded as revenue when funds are received. The cash payments made during the year relating to CARA earmarked projects are recognised as expenditure in the statement of financial performance when final authorisation for payments effected on the system (by no later than 31 March of each year).

Inappropriately expensed amounts using CARA funds are recognised as payables in the statement of financial position. Any unutilised amounts are transferred to retained funds as they are not surrendered to the revenue fund.

## 3. EXPENDITURE

### 3.1 COMPENSATION OF EMPLOYEES

#### 3.1.1 Short-term employee benefits

The costs of short-term employee benefits are expensed in the statement of financial performance when financial authorisation for payment is effected on the system (by no later than 31 March each year).

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 must not be recognised in the statement of financial performance or position.

Employee costs are capitalised to the cost of a capital project when an employee spends more than 50% of his/her time in the project. These payments form part of expenditure for capital assets in the statement of financial performance.

Annual Financial Statements

# NATIONAL TREASURY VOTE 7

## ACCOUNTING POLICIES - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

### 3.1.2 Post retirement benefits

Employer contribution (i.e. social contributions) are expensed in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March 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 Funds and not in the financial statements of the employer department.

Social contribution (such as medical benefits) made by the department for certain of its ex-employees are classified as transfers to households in the statement of financial performance.

### 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.

## 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/or services were acquired for a capital project or if the total purchase price exceeds the capitalisation threshold (currently R5, 000). All other expenditures are classified as current.

## 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 2010

National Treasury Annual Report 2009/10

#### 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 an estimate is included in the disclosure notes to the financial statements amounts.

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 confirmed 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 derecognised from the statement of financial position when the unauthorised expenditure is approved and the related funds are received.

Where the amount is approved without funding it is recognised as expenditure 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 according to the nature of the payment and not as a separate line item on the face of the statement. 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 authority it is treated as an asset until it is recovered or written off as irrecoverable.

Annual Financial Statements

# NATIONAL TREASURY VOTE 7

## ACCOUNTING POLICIES - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

### 4. ASSETS

#### 4.1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the statement of financial position at cost.

Bank overdrafts are shown separately on the face of the statement of financial position.

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 and where the goods and services have not been received by year end.

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 or from the sale of goods/rendering of services.

Receivables outstanding at year-end are carried in the statement of financial position at cost plus any accrued interest. Amounts that are potentially irrecoverable are included in the disclosure notes.

#### 4.5 INVESTMENTS

Capitalised investments are shown at cost in the statement of financial position.

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

# NATIONAL TREASURY VOTE 7

## ACCOUNTING POLICIES - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

### 4.6 LOANS

Loans are recognised in the statement of financial position when the cash is paid to the beneficiary. Loans that are outstanding at year-end are carried in the statement of financial position at cost plus accrued interest.

Amounts that are potentially irrecoverable are included in the disclosure notes.

### 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

##### Initial recognition

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. All assets acquired prior to 1 April 2002 are included in the register R1.

##### Subsequent recognition

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.

#### 4.8.2 Immovable assets

##### Initial recognition

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 immovable capital asset is stated at R1 unless the fair value for the asset has been reliably estimated.

##### Subsequent recognition

Work-in-progress of a capital nature is recorded in the statement of financial performance as "expenditure for capital asset". On completion, the total cost of the project is included in the asset register of the department that legally owns the asset or the provincial/national department of public works. Repairs and maintenance is expensed as current "goods and services" in the statement of financial performance.

# NATIONAL TREASURY VOTE 7

## ACCOUNTING POLICIES - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

### 5. LIABILITIES

#### 5.1 PAYABLES

Recognised payables mainly comprise of amounts owing to other governmental entities. These payables are carried at cost in the statement of financial position.

#### 5.2 CONTINGENT LIABILITIES

Contingent liabilities are included in the disclosure notes to the financial statements when it is possible that economic benefits will flow from the department, or when an outflow of economic benefits or service potential is probable but cannot be measured reliably.

#### 5.3 CONTINGENT ASSETS

Contingent assets are included in the disclosure notes to the financial statements when it is possible that an inflow of economic benefits will flow to the entity.

#### 5.4 COMMITMENTS

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes.

#### 5.5 ACCRUALS

Accruals are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes.

#### 5.6 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.

## NATIONAL TREASURY VOTE 7

### ACCOUNTING POLICIES - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

National Treasury Annual Report 2009/10

#### 5.7 LEASE COMMITMENTS

##### Finance lease

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 statement of financial performance and are apportioned between the capital and interest portions. The finance lease liability is disclosed in the disclosure notes of the annual financial statements.

##### Operating lease

Operating lease payments are recognised as an expense in the statement of financial performance. The operating lease commitments are disclosed in the disclosure notes of the annual financial statements.

#### 5.8 PROVISIONS

Provisions are disclosed when there is a present legal or constructive obligation to forfeit economic benefits as a result of events in the past 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 obligation can be made.

### 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 of 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 recognised in the capitalisation reserves when identified in the current period and are transferred to the National Revenue Fund when the underlining asset is disposed and the related funds are received.

Annual Financial Statements

## NATIONAL TREASURY VOTE 7

### ACCOUNTING POLICIES - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

#### **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. Amounts are either transferred to the National Revenue Fund when recovered or are transferred to the statement of financial performance when written-off.

#### **8. RELATED PARTY TRANSACTIONS**

Specific information with regards to related party transactions is included in the disclosure notes.

#### **9. KEY MANAGEMENT PERSONNEL**

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

#### **10. PUBLIC PRIVATE PARTNERSHIPS**

A description of the PPP arrangement, the contract fees and current and capital expenditure relating to the PPP arrangement is included in the disclosure notes.

# NATIONAL TREASURY VOTE 7

## APPROPRIATION STATEMENT

FOR THE YEAR ENDED 31 MARCH 2010

Appropriation per programme	2009/10						2008/09		
	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
<b>1. Administration</b>									
Current expenditure	226,379	-	8,470	234,849	233,803	1,046	99.6%	199,770	199,062
Transfers and subsidies	1,454	-	-	1,454	1,373	81	94.4%	1,510	1,500
Capital expenditure	10,506	-	-	10,506	7,614	2,892	72.5%	3,683	3,101
<b>2. Public Finance and Budget Management</b>									
Current expenditure	232,304	(497)	11,500	243,307	241,646	1,661	99.3%	216,913	221,692
Transfers and subsidies	19,634	497	-	20,131	20,126	5	100.0%	26,456	20,456
Capital expenditure	1,712	-	-	1,712	1,144	568	66.8%	1,919	1,908
<b>3. Asset and Liability Management</b>									
Current payment	65,867	-	(5,200)	60,667	53,070	7,597	87.5%	63,132	61,930
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	307	-	-	307	104	203	33.9%	664	573
<b>4. Financial Management and Systems</b>									
Current payment	497,181	-	(39,900)	457,281	404,299	52,982	88.4%	276,514	270,387
Payment for capital assets	2,198	-	-	2,198	1,333	865	60.6%	2,337	2,333
<b>5. Financial Accounting and Reporting</b>									
Current expenditure	100,273	(4,698)	(10,926)	84,649	83,393	1,256	98.5%	68,427	68,313
Transfers and subsidies	48,600	4,698	-	53,298	52,832	466	99.1%	134,216	134,097
Capital expenditure	935	-	-	935	885	50	94.7%	765	577
<b>6. Economic Policy and International Financial Relations</b>									
Current expenditure	97,833	(10)	(7,600)	90,223	88,905	1,318	98.5%	85,011	84,355
Transfers and subsidies	5,000	10	-	5,010	5,010	-	100.0%	5,000	5,000
Capital expenditure	629	-	-	629	572	57	90.9%	947	939
<b>7. Provincial and Local Government Transfers</b>									
Current payment	-	-	-	-	-	-	-	-	-
Transfers and subsidies	14,410,631	-	-	14,410,631	14,327,371	83,260	99.4%	7,938,027	7,825,044
<b>8. Civil and Military Pensions, Contributions to Funds and Other Benefits</b>									
Current expenditure	34,220	(8,721)	-	25,499	25,497	2	100.0%	18,867	18,218
Transfers and subsidies	4,886,082	8,721	35,000	4,929,803	4,929,643	160	100.0%	2,294,821	2,313,044
<b>9. Fiscal Transfers</b>									
Transfers and subsidies	42,203,825	-	8,656	42,212,481	42,190,108	22,373	99.9%	20,085,185	20,078,580
<b>Total annual appropriation per programme</b>	<b>62,845,570</b>	<b>-</b>	<b>-</b>	<b>62,845,570</b>	<b>62,668,728</b>	<b>176,842</b>	<b>99.7%</b>	<b>31,424,164</b>	<b>31,312,109</b>
<b>Reconciliation with Statement of Financial Performance</b>									
<b>Add:</b>									
Departmental receipts				3,543,597				5,270,354	
Aid assistance				14,837				50,486	
<b>Actual amounts per Statement of Financial Performance (total revenue)</b>				<b>66,404,004</b>				<b>36,745,004</b>	
<b>Add:</b>									
Aid assistance					16,476				41,724
<b>Actual amounts per Statement of Financial Performance (total expenditure)</b>					<b>62,685,204</b>				<b>31,353,833</b>

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## NATIONAL TREASURY VOTE 7

## APPROPRIATION STATEMENT - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

Economic classification	Appropriation per economic classification									
	2009/10					2008/09				
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure	
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000
<b>Current expenditure</b>										
Compensation of employees	438,472	(17,092)	(12,826)	408,554	402,073	6,481	98.4%	321,057	321,000	
Goods and services	815,585	3,166	(30,830)	787,921	728,123	59,798	92.4%	607,577	602,501	
Financial transactions in assets and liabilities	-	-	-	-	418	(418)	-	-	-	456
<b>Transfers and subsidies</b>										
Provinces and municipalities	14,300,631	-	-	14,300,631	14,257,371	43,260	99.7%	7,853,006	7,745,944	
Departmental agencies and accounts	10,568,722	4,698	-	10,573,420	10,510,985	62,435	99.4%	9,529,482	9,518,441	
Universities and technikons	5,456	-	-	5,456	5,456	-	100.0%	5,456	5,456	
Foreign governments and international organisations	549,045	(2,381)	8,656	555,320	555,186	134	100.0%	557,054	550,501	
Public corporations and private enterprises	31,267,473	-	-	31,267,473	31,267,444	29	100.0%	10,246,845	10,246,845	
Non-profit institutions	71	-	-	71	68	3	95.8%	68	-	
Households	4,883,828	11,609	35,000	4,930,437	4,929,952	485	100.0%	2,293,304	2,311,534	
<b>Payments for capital assets</b>										
Machinery and equipment	16,287	-	-	16,287	11,652	4,635	71.5%	10,315	9,431	
<b>Total annual appropriation per economic classification</b>	<b>62,845,570</b>	<b>-</b>	<b>-</b>	<b>62,845,570</b>	<b>62,668,728</b>	<b>176,842</b>	<b>99.7%</b>	<b>31,424,164</b>	<b>31,312,109</b>	

# NATIONAL TREASURY VOTE 7

## APPROPRIATION STATEMENT - CONTINUED

### DETAIL PER PROGRAMME 1: ADMINISTRATION

FOR THE YEAR ENDED 31 MARCH 2010

Programme 1 per Economic classification	2009/10						2008/09			
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000
<b>Current expenditure</b>										
Compensation of employees	101,436	(9,496)	-	91,940	91,802	138	99,8%	69,832	69,819	
Goods and services	124,943	9,496	8,470	142,909	141,957	952	99,3%	129,938	129,128	
Financial transactions in assets and liabilities	-	-	-	-	44	(44)	-	-	-	115
<b>Transfers and subsidies</b>										
Departmental agencies and accounts	388	-	-	388	358	30	92,3%	285	284	
Public corporations and private enterprises	66	-	-	66	37	29	56,1%	36	36	
Households	1,000	-	-	1,000	977	23	97,7%	1,189	1,180	
<b>Payments for capital assets</b>										
Machinery and equipment	10,506	-	-	10,506	7,615	2,891	72,5%	3,683	3,101	
<b>Total appropriation per economic classification</b>	<b>238,339</b>	-	<b>8,470</b>	<b>246,809</b>	<b>242,790</b>	<b>4,019</b>	<b>98,4%</b>	<b>204,963</b>	<b>203,663</b>	
Programme 1 per sub-programme	2009/10						2008/09			
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual expenditure	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000
<b>1.1 Minister</b>										
Current expenditure	1,709	(160)	-	1,549	1,543	6	99,6%	1,365	1,364	
<b>1.2 Deputy Minister</b>										
Current expenditure	1,407	(180)	-	1,227	1,207	20	98,4%	1,001	1,000	
<b>1.3 Management</b>										
Current expenditure	51,963	(4,156)	-	47,807	47,310	497	99,0%	46,361	46,163	
Transfers and subsidies	66	-	-	66	37	29	56,1%	825	824	
Capital expenditure	1,881	85	-	1,966	1,846	120	93,9%	821	568	
<b>1.4 Corporate Services</b>										
Current expenditure	122,999	3,800	1,250	128,049	127,580	469	99,6%	103,014	102,953	
Transfers and subsidies	1,388	(26)	-	1,362	1,310	52	96,2%	685	676	
Capital expenditure	5,755	166	-	5,921	3,963	1,958	66,9%	2,755	2,427	
<b>1.5 Property Management</b>										
Current expenditure	48,301	696	7,220	56,217	56,163	54	99,9%	48,029	47,582	
Transfers and subsidies	-	26	-	26	26	-	100,0%	-	-	
Capital expenditure	2,870	(251)	-	2,619	1,805	814	68,9%	107	106	
<b>Total appropriation per programme 1</b>	<b>238,339</b>	-	<b>8,470</b>	<b>246,809</b>	<b>242,790</b>	<b>4,019</b>	<b>98,4%</b>	<b>204,963</b>	<b>203,663</b>	

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## NATIONAL TREASURY VOTE 7

## APPROPRIATION STATEMENT - CONTINUED

## DETAIL PER PROGRAMME 2: PUBLIC FINANCE AND BUDGET MANAGEMENT

FOR THE YEAR ENDED 31 MARCH 2010

Programme 2 per Economic classification	2009/10					2008/09				
	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	
<b>Current expenditure</b>										
Compensation of employees	130,560	(7,596)	-	122,964	122,687	277	99,8%	107,348	107,328	
Goods and services	101,744	7,099	11,500	120,343	118,906	1,437	98,8%	109,565	114,339	
Financial transactions in assets and liabilities	-	-	-	-	53	(53)	-	-	25	
<b>Transfers and subsidies</b>										
Departmental agencies and accounts	18,898	-	-	18,898	18,898	-	100,0%	26,000	20,000	
Universities and technicians	456	-	-	456	456	-	100,0%	456	456	
Households	280	497	-	777	772	5	99,4%	-	-	
<b>Payment for capital assets</b>										
Machinery and equipment	1,712	-	-	1,712	1,144	568	66,8%	1,919	1,908	
<b>Total appropriation per economic classification</b>	<b>253,650</b>	<b>-</b>	<b>11,500</b>	<b>265,150</b>	<b>262,916</b>	<b>2,234</b>	<b>99,2%</b>	<b>245,288</b>	<b>244,056</b>	
Programme 2 per sub-programme	2009/10					2008/09				
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		
<b>2.1 Public Finance</b>										
Current expenditure	45,960	(4,927)	-	41,033	40,659	374	99,1%	32,620	32,538	
Transfers and subsidies	456	497	-	953	952	1	99,9%	456	456	
Payment for capital assets	543	-	-	543	405	138	74,6%	453	451	
<b>2.2 Budget Management</b>										
Current expenditure	41,826	(1,290)	-	40,536	39,932	604	98,5%	37,958	37,904	
Transfers and subsidies	280	-	-	280	276	4	98,6%	-	-	
Payment for capital assets	379	-	-	379	210	169	55,4%	491	487	
<b>2.3 Intergovernmental Relations</b>										
Current expenditure	34,941	(2,045)	-	32,896	32,541	355	98,9%	35,963	35,771	
Payment for capital assets	450	-	-	450	329	121	73,1%	402	400	
<b>2.4 Technical and Management Support</b>										
Current expenditure	109,577	7,765	11,500	128,842	128,514	328	99,7%	110,372	115,479	
Transfer and subsidies	18,898	-	-	18,898	18,898	-	100,0%	26,000	20,000	
Payment for capital assets	340	-	-	340	200	140	58,8%	573	570	
<b>Total appropriation per programme 2</b>	<b>253,650</b>	<b>-</b>	<b>11,500</b>	<b>265,150</b>	<b>262,916</b>	<b>2,234</b>	<b>99,2%</b>	<b>245,288</b>	<b>244,056</b>	

# NATIONAL TREASURY VOTE 7

## APPROPRIATION STATEMENT - CONTINUED

### DETAIL PER PROGRAMME 3: ASSET AND LIABILITY MANAGEMENT

FOR THE YEAR ENDED 31 MARCH 2010

Programme 3 per economic classification	2009/10					2008/09				
	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	
<b>Current expenditure</b>										
Compensation of employees	41,333	-	-	41,333	38,070	3,263	92.1%	33,421	33,413	
Goods and services	24,534	-	(5,200)	19,334	14,999	4,335	77.6%	29,711	28,517	
Financial transactions in assets and liabilities	-	-	-	-	1	(1)	-	-	-	
<b>Payment for capital assets</b>										
Machinery and equipment	307	-	-	307	104	203	33.9%	664	573	
<b>Total appropriation per economic classification</b>	<b>66,174</b>	<b>-</b>	<b>(5,200)</b>	<b>60,974</b>	<b>53,174</b>	<b>7,800</b>	<b>87.2%</b>	<b>63,796</b>	<b>62,503</b>	
<b>Programme 3 per sub-programme</b>										
<b>3.1 Management</b>										
Current expenditure	17,512	(450)	(3,700)	13,362	11,982	1,380	89.7%	23,886	22,720	
Payment for capital assets	61	-	-	61	-	61	-	107	20	
<b>3.2 Asset Management</b>										
Current expenditure	16,942	(35)	-	16,907	13,792	3,115	81.6%	11,891	11,878	
Payment for capital assets	-	70	-	70	67	3	95.7%	-	-	
<b>3.3 Liability Management</b>										
Current expenditure	11,614	450	-	12,064	11,247	817	93.2%	10,498	10,486	
Payment for capital assets	-	-	-	-	-	-	-	10	7	
<b>3.4 Financial Operations</b>										
Current expenditure	12,764	35	(1,500)	11,299	10,089	1,210	89.3%	10,418	10,411	
Payment for capital assets	239	(70)	-	169	30	139	17.8%	547	546	
<b>3.5 Strategy and Risk Management</b>										
Current expenditure	7,035	-	-	7,035	5,960	1,075	84.7%	6,439	6,435	
Payment for capital assets	7	-	-	7	7	-	100.0%	-	-	
<b>Total appropriation per programme 3</b>	<b>66,174</b>	<b>-</b>	<b>(5,200)</b>	<b>60,974</b>	<b>53,174</b>	<b>7,800</b>	<b>87.2%</b>	<b>63,796</b>	<b>62,503</b>	

# NATIONAL TREASURY VOTE 7

## APPROPRIATION STATEMENT - CONTINUED

### DETAIL PER PROGRAMME 4: FINANCIAL MANAGEMENT AND SYSTEMS

FOR THE YEAR ENDED 31 MARCH 2010

Programme 4 per Economic classification	2009/10					2008/09				
	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	
<b>Current expenditure</b>										
Compensation of employees	40,836	-	-	40,836	39,583	1,253	96.9%	33,445	33,438	
Goods and services	456,345	-	(39,900)	416,445	364,708	51,737	87.6%	243,069	236,948	
Financial transactions in assets and liabilities	-	-	-	-	8	(8)	-	-	1	
<b>Payment for capital assets</b>										
Machinery and equipment	2,198	-	-	2,198	1,333	865	60.6%	2,337	2,333	
<b>Total appropriation per economic classification</b>	<b>499,379</b>	<b>-</b>	<b>(39,900)</b>	<b>459,479</b>	<b>405,632</b>	<b>53,847</b>	<b>88.3%</b>	<b>278,851</b>	<b>272,720</b>	
<b>Programme 4 per sub-programme</b>										
<b>4.1 Management</b>										
Current expenditure	1,736	-	-	1,736	1,575	161	90.7%	1,539	1,487	
Payment for capital assets	10	-	-	10	-	10	-	23	23	
<b>4.2 Supply Chain Management</b>										
Current expenditure	37,787	(350)	-	37,437	30,436	7,001	81.3%	20,501	20,480	
Payment for capital assets	321	-	-	321	172	149	53.6%	273	272	
<b>4.3 Financial Systems</b>										
Current expenditure	457,658	350	(39,900)	418,108	372,288	45,820	89.0%	254,474	248,420	
Payment for capital assets	1,867	-	-	1,867	1,161	706	62.2%	2,041	2,038	
<b>Total appropriation per programme 4</b>	<b>499,379</b>	<b>-</b>	<b>(39,900)</b>	<b>459,479</b>	<b>405,632</b>	<b>53,847</b>	<b>88.3%</b>	<b>278,851</b>	<b>272,720</b>	

# NATIONAL TREASURY VOTE 7

## APPROPRIATION STATEMENT - CONTINUED

### DETAIL PER PROGRAMME 5: FINANCIAL ACCOUNTING AND REPORTING

FOR THE YEAR ENDED 31 MARCH 2010

Programme 5 per Economic classification	2009/10					2008/09				
	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	
<b>Current expenditure</b>										
Compensation of employees	56,613	-	(5,426)	51,187	50,786	401	99.2%	30,659	30,656	
Goods and services	43,660	(4,698)	(5,500)	33,462	32,589	873	97.4%	37,768	37,649	
Financial transactions in assets and liabilities	-	-	-	-	19	(19)	-	-	8	
<b>Transfers and subsidies</b>										
Departmental agencies and accounts	48,300	4,698	-	52,998	52,832	166	99.7%	134,216	134,097	
Households	300	-	-	300	-	300	-	-	-	
<b>Payment for capital assets</b>										
Machinery and equipment	935	-	-	935	884	51	94.5%	765	577	
<b>Total appropriation per economic classification</b>	<b>149,808</b>	<b>-</b>	<b>(10,926)</b>	<b>138,882</b>	<b>137,110</b>	<b>1,772</b>	<b>98.7%</b>	<b>203,408</b>	<b>202,987</b>	
<b>Programme 5 per sub-programme</b>										
<b>5.1 Financial Reporting for National Accounts</b>										
Current expenditure	52,201	(616)	(5,870)	45,715	45,172	543	98.8%	39,078	38,989	
Transfers and subsidies	29,560	-	-	29,560	29,260	300	99.0%	27,669	27,669	
Payment for capital assets	298	229	-	527	519	8	98.5%	656	490	
<b>5.2 Financial Management Improvement</b>										
Current expenditure	47,966	(4,249)	(5,056)	38,661	38,063	598	98.5%	29,261	29,237	
Transfers and subsidies	-	4,100	-	4,100	3,936	164	96.0%	-	-	
Payment for capital assets	637	(229)	-	408	366	42	89.7%	109	87	
<b>5.3 Investment of Public Monies</b>										
Transfers and subsidies	1	-	-	1	-	1	-	1	-	
<b>5.4 Service Charges (Commercial Banks)</b>										
Current expenditure	106	167	-	273	158	115	57.9%	88	87	
<b>5.5 Audit Statutory Bodies</b>										
Transfers and subsidies	19,038	598	-	19,636	19,636	-	100.0%	106,545	106,428	
<b>5.6 Contingent Liabilities: Reinsurance</b>										
<b>Liabilities</b>										
Transfers and subsidies	1	-	-	1	-	1	-	1	-	
<b>Total appropriation per programme 5</b>	<b>149,808</b>	<b>-</b>	<b>(10,926)</b>	<b>138,882</b>	<b>137,110</b>	<b>1,772</b>	<b>98.7%</b>	<b>203,408</b>	<b>202,987</b>	



# NATIONAL TREASURY VOTE 7

## APPROPRIATION STATEMENT - CONTINUED

### DETAIL PER PROGRAMME 7: PROVINCIAL AND LOCAL GOVERNMENT TRANSFERS

FOR THE YEAR ENDED 31 MARCH 2010

Programme 7 per Economic classification	2009/10					2008/09				
	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	
<b>Transfers and subsidies</b>										
Provinces and municipalities	14,300,631	-	-	14,300,631	14,257,371	43,260	99.7%	7,853,006	7,745,944	
Departmental agencies and accounts	110,000	-	-	110,000	70,000	40,000	63.6%	85,021	80,100	
<b>Total appropriation per economic classification</b>	<b>14,410,631</b>	<b>-</b>	<b>-</b>	<b>14,410,631</b>	<b>14,327,371</b>	<b>83,260</b>	<b>99.4%</b>	<b>7,938,027</b>	<b>7,826,044</b>	
<b>Programme 7 per sub-programme</b>										
<b>7.1 Provincial Infrastructure Grant</b>										
Transfers and subsidies	9,249,247	-	-	9,249,247	9,249,246	1	100.0%	7,384,487	7,384,487	
<b>7.2 Local Government Financial Management</b>										
<b>Restructuring Grants</b>										
Transfers and subsidies	299,990	-	-	299,990	299,990	-	100.0%	180,000	180,000	
<b>7.3 Neighbourhood Development Partnership Grant</b>										
Transfers and subsidies	661,394	-	-	661,394	578,135	83,259	87.4%	373,540	261,557	
<b>7.4 Gautrain Loan</b>										
Transfers and subsidies	4,200,000	-	-	4,200,000	4,200,000	-	100.0%	-	-	
<b>Total appropriation per programme 7</b>	<b>14,410,631</b>	<b>-</b>	<b>-</b>	<b>14,410,631</b>	<b>14,327,371</b>	<b>83,260</b>	<b>99.4%</b>	<b>7,938,027</b>	<b>7,826,044</b>	

## NATIONAL TREASURY VOTE 7

## APPROPRIATION STATEMENT - CONTINUED

## DETAIL PER PROGRAMME 8: CIVIL AND MILITARY PENSIONS, CONTRIBUTIONS TO FUNDS AND OTHER BENEFITS

FOR THE YEAR ENDED 31 MARCH 2010

Programme 8 per Economic classification	2009/10					2008/09				
	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	
<b>Current expenditure</b>										
Goods and services	34,220	(8,721)	-	25,499	25,254	245	99.0%	18,867	17,913	
Financial transactions in assets and liabilities	-	-	-	-	243	(243)	-	-	305	
<b>Transfers and subsidies</b>										
Foreign governments and international organisations	3,763	(2,381)	-	1,382	1,382	-	100.0%	2,638	2,690	
Non-profit institutions	71	-	-	71	68	3	95.8%	68	-	
Households	4,882,248	11,102	35,000	4,928,350	4,928,193	157	100.0%	2,292,115	2,310,354	
<b>Total appropriation per economic classification</b>	<b>4,920,302</b>	<b>-</b>	<b>35,000</b>	<b>4,955,302</b>	<b>4,955,140</b>	<b>162</b>	<b>100.0%</b>	<b>2,313,688</b>	<b>2,331,262</b>	
Programme 8 per sub-programme	2009/10					2008/09				
	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	
<b>8.1 Civil Pensions and Contributions to Funds</b>										
Current expenditure	29,304	(6,793)	-	22,511	22,510	1	100.0%	15,609	15,014	
Transfers and subsidies	4,712,476	20,375	35,000	4,767,851	4,767,721	130	100.0%	2,140,393	2,158,758	
<b>8.2 Military Pensions and Other Benefits</b>										
Current expenditure	4,916	(1,928)	-	2,988	2,987	1	100.0%	3,258	3,204	
Transfers and subsidies	173,606	(11,654)	-	161,952	161,922	30	100.0%	154,428	154,286	
<b>Total appropriation per programme 8</b>	<b>4,920,302</b>	<b>-</b>	<b>35,000</b>	<b>4,955,302</b>	<b>4,955,140</b>	<b>162</b>	<b>100.0%</b>	<b>2,313,688</b>	<b>2,331,262</b>	

# NATIONAL TREASURY VOTE 7

## APPROPRIATION STATEMENT - CONTINUED

### DETAIL PER PROGRAMME 9: FISCAL TRANSFERS

FOR THE YEAR ENDED 31 MARCH 2010

Programme 9 per Economic classification	2009/10					2008/09				
	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	
<b>Transfers and subsidies</b>										
Departmental agencies and accounts	10,391,136	-	-	10,391,136	10,368,897	22,239	99.8%	9,283,960	9,283,960	
Foreign governments and international organisations	545,282	-	8,656	553,938	553,804	134	100.0%	554,416	547,811	
Public corporations and private enterprises	31,267,407	-	-	31,267,407	31,267,407	-	100.0%	10,246,809	10,246,809	
<b>Total appropriation per economic classification</b>	<b>42,203,825</b>	<b>-</b>	<b>8,656</b>	<b>42,212,481</b>	<b>42,190,108</b>	<b>22,373</b>	<b>99.9%</b>	<b>20,085,185</b>	<b>20,078,580</b>	
<b>Programme 9 per sub-programme</b>										
<b>9.1 Domestic Budgetary Transfer</b>										
Transfers and subsidies	41,391,136	-	-	41,391,136	41,368,897	22,239	99.8%	19,283,960	19,283,960	
<b>9.2 Domestic Programme Transfers</b>										
Transfers and subsidies	267,407	-	-	267,407	267,407	-	100.0%	246,809	246,809	
<b>9.3 African Integration and Support</b>										
Transfers and subsidies	379,476	21,748	8,656	409,880	409,878	2	100.0%	362,469	362,468	
<b>9.4 Multilateral Institutions</b>										
Transfers and subsidies	1,44,006	(18,547)	-	1,25,459	1,25,329	130	99.9%	168,452	161,849	
<b>9.5 International Projects</b>										
Transfers and subsidies	21,800	(3,201)	-	18,599	18,597	2	100.0%	23,495	23,495	
<b>Total appropriation per programme 9</b>	<b>42,203,825</b>	<b>-</b>	<b>8,656</b>	<b>42,212,481</b>	<b>42,190,108</b>	<b>22,373</b>	<b>99.9%</b>	<b>20,085,185</b>	<b>20,078,580</b>	

## NATIONAL TREASURY VOTE 7

# NOTES TO THE APPROPRIATION STATEMENT

FOR THE YEAR ENDED 31 MARCH 2010

### **1. DETAIL OF TRANSFERS AND SUBSIDIES AS PER APPROPRIATION ACT (AFTER VIREMENT):**

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

### **2. DETAIL 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. DETAIL ON 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.

# NATIONAL TREASURY VOTE 7

## NOTES TO THE APPROPRIATION STATEMENT - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

### 4. EXPLANATIONS OF MATERIAL VARIANCES FROM AMOUNTS VOTED (AFTER VIREMENT):

Per programme	Final appropriation R'000	Actual expenditure R'000	Variance R'000	Variance as a % of final appropriation %	Explanations of variances
<b>Programme 1:</b> Administration	246,809	242,790	4,019	1.6	The deviation is mainly due to the capital projects, delay in the delivery of the server equipment by Dell, and delay in the finalisation of the PABX upgrade.
<b>Programme 2:</b> Public Finance and Budget Management	265,150	262,916	2,234	0.8	The deviation is mainly due to saving on operational expenditure.
<b>Programme 3:</b> Asset and Liability Management	60,974	53,174	7,800	12.8	The deviation is mainly due to delay on the finalisation of the Capital Structure and Financial Distribution Policy project, delays in the development of the treasury management system and saving on operational expenditure.
<b>Programme 4:</b> Financial Management and Systems	459,479	405,632	53,847	11.7	The deviation is mainly due to lesser than anticipated spending on the Integrated Financial Management System (IFMS) project, transversal systems and saving on operational expenditure.
<b>Programme 5:</b> Financial Accounting and Reporting	138,882	137,110	1,772	1.3	The deviation is mainly due to the delay in the commencement of the development and implementation of a capacity building model for the financial management project and saving on operational expenditure.
<b>Programme 6:</b> Economic Policy and International Financial Relations	95,862	94,487	1,375	1.4	The deviation is mainly due to saving on operational expenditure.
<b>Programme 7:</b> Provincial and Local Government Transfers	14,410,631	14,327,371	83,260	0.6	The deviation is mainly due to the Neighbourhood Development Partnership Grant (NDPG) as there is slower spending by municipalities than projected in the milestone payment schedule.
<b>Programme 8:</b> Civil and Military Pensions, Contributions to Funds and Other Benefits	4,955,302	4,955,140	162	0.0	The actual expenditure for the year is on par with the final appropriation.
<b>Programme 9:</b> Fiscal Transfers	42,212,481	42,190,108	22,373	0.1	The deviation is mainly due to lesser than anticipated transfer payment to the Financial Intelligence Centre (FIC) and the non-transfer payment to the Co-operative Banking Development Agency (CBDA).
<b>Total per programme</b>	<b>62,845,570</b>	<b>62,668,728</b>	<b>176,842</b>	<b>0.3</b>	

## NATIONAL TREASURY VOTE 7

### NOTES TO THE APPROPRIATION STATEMENT - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

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Per economic classification	Final appropriation	Actual expenditure	Variance	Variance as a % of final appropriation
	R'000	R'000	R'000	%
<b>Current expenditure</b>	<b>1,196,475</b>	<b>1,130,614</b>	<b>65,861</b>	<b>5.5</b>
Compensation of employees	408,554	402,073	6,481	1.6
Goods and services	787,921	728,123	59,798	7.6
Financial transactions in assets and liabilities	-	418	(418)	0.0
<b>Transfers and subsidies</b>	<b>61,632,808</b>	<b>61,526,462</b>	<b>106,346</b>	<b>0.2</b>
Provinces and municipalities	14,300,631	14,257,373	43,258	0.3
Departmental agencies and accounts	10,573,420	10,510,985	62,435	0.5
Universities and technikons	5,456	5,456	-	0.0
Public corporations and private enterprises	31,267,473	31,267,444	29	0.0
Foreign governments and international organisations	555,320	555,186	134	0.0
Non-profit institutions	71	68	3	4.2
Households	4,930,437	4,929,950	487	0.0
<b>Payments for capital assets</b>	<b>16,287</b>	<b>11,652</b>	<b>4,635</b>	<b>28.5</b>
Machinery and equipment	16,287	11,652	4,635	28.5
<b>Total per economic classification</b>	<b>62,845,570</b>	<b>62,668,728</b>	<b>176,842</b>	<b>0.3</b>

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# NATIONAL TREASURY VOTE 7

## STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2010

PERFORMANCE	Note	2009/10 R'000	2008/09 R'000
<b>REVENUE</b>			
Annual appropriation	<u>1</u>	62,845,570	31,424,164
Departmental revenue	<u>2</u>	3,543,597	5,270,354
Aid assistance	<u>3</u>	14,837	50,486
<b>TOTAL REVENUE</b>		<b>66,404,004</b>	<b>36,745,004</b>
<b>EXPENDITURE</b>			
<b>Current expenditure</b>			
Compensation of employees	<u>4</u>	402,073	321,000
Goods and services	<u>5</u>	728,123	602,501
Financial transactions in assets and liabilities	<u>6</u>	418	456
Aid assistance	<u>3</u>	16,139	41,103
<b>Total current expenditure</b>		<b>1,146,753</b>	<b>965,060</b>
<b>Transfers and subsidies</b>		<b>61,526,462</b>	<b>30,378,721</b>
Transfers and subsidies	<u>7</u>	61,526,462	30,378,721
<b>Expenditure for capital assets</b>		<b>11,989</b>	<b>10,052</b>
Tangible capital assets	<u>8</u>	11,989	10,052
<b>Total expenditure for capital assets</b>		<b>11,989</b>	<b>10,052</b>
<b>TOTAL EXPENDITURE</b>		<b>62,685,204</b>	<b>31,353,833</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>3,718,800</b>	<b>5,391,171</b>
<b>Reconciliation of net surplus/(deficit) for the year</b>			
Voted funds		176,842	112,055
Annual appropriation		176,842	112,055
Departmental revenue	<u>2</u>	3,543,597	5,270,354
Aid assistance	<u>3</u>	(1,639)	8,762
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>3,718,800</b>	<b>5,391,171</b>

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## NATIONAL TREASURY VOTE 7

# STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2010

National Treasury Annual Report 2009/10

	Note	2009/10 R'000	2008/09 R'000
<b>ASSETS</b>			
<b>Current assets</b>		<b>194,233</b>	<b>148,221</b>
Cash and cash equivalents	<u>9</u>	50,191	1,710*
Prepayments and advances	<u>10</u>	1,373	982
Receivables	<u>11</u>	140,001	144,603
Aid assistance receivable	<u>3</u>	2,668	926
<b>Non-current assets</b>		<b>44,947,667</b>	<b>10,400,956</b>
Investments	<u>12</u>	400,956	400,956*
Loans	<u>13</u>	44,546 711	10,000,000
<b>TOTAL ASSETS</b>		<b>45,141,900</b>	<b>10,549,177</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>193,984</b>	<b>147,967</b>
Voted funds to be surrendered to the Revenue Fund	<u>14</u>	176,842	112,055
Cash and cash equivalents	<u>16</u>	-	14,734*
Departmental revenue to be surrendered to the Revenue Fund	<u>15</u>	2,841	1,753
Payables	<u>17</u>	11,349	8,765*
Aid assistance repayable	<u>3</u>	-	7,811*
Aid assistance unutilised	<u>3</u>	2,952	2,849*
<b>TOTAL LIABILITIES</b>		<b>193,984</b>	<b>147,967</b>
<b>NET ASSETS</b>		<b>44,947,916</b>	<b>10,401,210</b>
<b>Represented by:</b>			
Capitalisation reserve		400,956	400,956*
Recoverable revenue		44,546,960	10,000,254*
<b>TOTAL</b>		<b>44,947,916</b>	<b>10,401,210</b>

\*Reclassification of the prior year amount.

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## NATIONAL TREASURY VOTE 7

### STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 MARCH 2010

	<b>Note</b>	<b>2009/10</b> <b>R'000</b>	<b>2008/09</b> <b>R'000</b>
<b>Capitalisation reserves</b>			
Opening balance		400,956	400,956*
Closing balance		<b>400,956</b>	<b>400,956</b>
<b>Recoverable revenue</b>			
Opening balance		10,000,254	98
Transfers:		34,546,706	10,000,156
Irrecoverable amounts written off		-	(1)
Debts recovered (included in departmental receipts)		(2,768)	(5,426)*
Debts raised		34,549,474	10,005,583*
Closing balance		<b>44,546,960</b>	<b>10,000,254</b>
<b>TOTAL</b>		<b>44,947,916</b>	<b>10,401,210</b>

\*Reclassification of the prior year amount.

# NATIONAL TREASURY VOTE 7

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2010

National Treasury Annual Report 2009/10

<b>CASH FLOW</b>	<b>Note</b>	<b>2009/10</b> R'000	<b>2008/09</b> R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts		<b>66,324,881</b>	<b>36,625,675</b>
Annual appropriated funds received	<u>1</u>	62,845,570	31,424,164
Departmental revenue received	<u>2</u>	3,464,474	5,151,025
Aid assistance received	<u>3</u>	14,837	50,486
Net decrease/(increase) in working capital		6,795	(135,733)
Surrendered to Revenue Fund		(3,654,564)	(6,060,393)
Surrendered to RDP Fund/Donor		(7,811)	(8)
Current payments		(1,146,753)	(965,060)
Transfers and subsidies paid		(61,526,462)	(30,378,721)
<b>Net cash flow available from operating activities</b>	<u>18</u>	<b>(3,914)</b>	<b>(914,240)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for capital assets	<u>8</u>	(11,989)	(10,052)
Proceeds from sale of capital assets	<u>2.3</u>	212	324
Increase in loans		(34,546,711)	(10,000,000)
<b>Net cash flows from investing activities</b>		<b>(34,558,488)</b>	<b>(10,009,728)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Distribution/dividend received	<u>2.2</u>	78,911	119,005
Increase in net assets		34,546,706	10,000,130
<b>Net cash flows from financing activities</b>		<b>34,625,617</b>	<b>10,119,135</b>
Net increase/(decrease) in cash and cash equivalents		63,215	(804,833)
Cash and cash equivalents at beginning of period		(13,024)	791,809
<b>Cash and cash equivalents at end of period</b>	<u>9 &amp; 19</u>	<b>50,191</b>	<b>(13,024)</b>

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# NATIONAL TREASURY VOTE 7

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

National Treasury Annual Report 2009/10

### 1. ANNUAL APPROPRIATION

	Final Appropriation R'000	Actual Funds Received R'000	Funds not requested/not received R'000	Appropriation received 2008/09 R'000
Administration	246,809	246,809	-	204,963
Public Finance and Budget Management	265,150	265,150	-	245,288
Asset and Liability Management	60,974	60,974	-	63,796
Financial Management and Systems	459,479	459,479	-	278,851
Financial Accounting and Reporting	138,882	138,882	-	203,408
Economic Policy and International Financial Relations	95,862	95,862	-	90,958
Provincial and Local Government Transfers	14,410,631	14,410,631	-	7,938,027
Civil and Military Pensions, Contribution to Funds and Other benefits	4,955,302	4,955,302	-	2,313,688
Fiscal transfers	42,212,481	42,212,481	-	20,085,185
<b>Total</b>	<b>62,845,570</b>	<b>62,845,570</b>		<b>31,424,164</b>

### 2. DEPARTMENTAL REVENUE

	Note	2009/10 R'000	2008/09 R'000
Sales of goods and services other than capital assets	2.1	300,421	49,280
Interest, dividends and rent on land	2.2	2,085,054	4,953,175
Sales of capital assets	2.3	212	324
Financial transactions in assets and liabilities	2.4	1,157,910	267,575
<b>Departmental revenue collected</b>		<b>3,543,597</b>	<b>5,270,354</b>

#### 2.1 Sales of goods and services other than capital assets

Sales of goods and services produced by the department	300,418	49,273
Sales by market establishment	85	86
Other sales	300,333	49,187
Sales of scrap, waste and other used current goods	3	7
<b>Total</b>	<b>300,421</b>	<b>49,280</b>

#### 2.2 Interest, dividends and rent on land

Interest	2,006,143	4,834,170
Dividends	78,911	119,005
<b>Total</b>	<b>2,085,054</b>	<b>4,953,175</b>

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# NATIONAL TREASURY VOTE 7

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS – CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

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	Note	2009/10 R'000	2008/09 R'000
<b>4. COMPENSATION OF EMPLOYEES</b>			
<b>4.1 Salaries and Wages</b>			
Basic salary		260,326	203,843
Performance award		18,087	19,615
Service Based		1,132	1,326
Compensative/circumstantial		1,401	1,503
Other non-pensionable allowances		81,788	63,274
<b>Total</b>		<b>362,734</b>	<b>289,561</b>
<b>4.2 Social contributions</b>			
<b>Employer contributions</b>			
Pension		30,319	24,293
Medical		8,990	7,120
Bargaining council		30	26
<b>Total</b>		<b>39,339</b>	<b>31,439</b>
<b>Total compensation of employees</b>		<b>402,073</b>	<b>321,000</b>
Average number of employees		1,007	861
<b>5. GOODS AND SERVICES</b>			
Administrative fees		11,637	14,975
Advertising		1,897	4,451
Assets less than R5,000	5.1	1,546	1,058
Bursaries (employees)		1,985	2,189
Catering		1,973	2,506
Communication		7,400	5,473
Computer services	5.2	386,698	252,693
Consultants, contractors and agency/outsourced services	5.3	183,401	184,466
Entertainment		137	248
Audit cost – external	5.4	8,468	7,579
Inventory	5.5	16,825	16,612
Operating leases*		30,739	24,789
Owned and leasehold property expenditure	5.6	13,358	8,715
Travel and subsistence	5.7	36,214	43,914
Venues and facilities		8,458	17,427
Training and staff development		9,957	9,910
Other operating expenditure	5.8	7,430	5,496
<b>Total</b>		<b>728,123</b>	<b>602,501</b>

\*Operating leases includes rental payments and copy expenses that do not form part of lease commitments.

## NATIONAL TREASURY VOTE 7

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

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	<b>Note</b>	<b>2009/10</b> <b>R'000</b>	<b>2008/09</b> <b>R'000</b>
5.1			
Assets less than R5,000			
<b>Tangible assets</b>			
Machinery and equipment		1,546	1,058
<b>Total</b>		<b>1,546</b>	<b>1,058</b>
5.2			
Computer services			
SITA computer services		34,303	44,327
External computer service providers		352,395	208,366
<b>Total</b>		<b>386,698</b>	<b>252,693</b>
5.3			
Consultants, contractors and agency/outsourced services			
Business and advisory services		161,619	135,581
Legal costs		10,512	12,324
Contractors		2,019	3,710
Agency and support/outsourced services		9,251	32,851
<b>Total</b>		<b>183,401</b>	<b>184,466</b>
5.4			
Audit cost – External			
Regularity audits		7,603	6,620
Performance audits		731	550
Forensic investigations		134	409
<b>Total</b>		<b>8,468</b>	<b>7,579</b>
5.5			
Inventory			
Food and food supplies		810	654
Fuel, oil and gas		341	802
Other consumable materials		825	795
Maintenance material		242	52
Stationery and printing		14,607	14,309
<b>Total</b>		<b>16,825</b>	<b>16,612</b>
5.6			
Owned and leasehold property expenditure			
Municipal services		-	8,656
Property management fees		8,340	-
Property maintenance and repairs		4,944	-
Other		74	59
<b>Total</b>		<b>13,358</b>	<b>8,715</b>

# NATIONAL TREASURY VOTE 7

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS – CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

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	Note	2009/10 R'000	2008/09 R'000
<b>5.7</b>	<b>Travel and subsistence</b>		
	Local	20,786	22,071
	Foreign	15,428	21,843
	<b>Total</b>	<b>36,214</b>	<b>43,914</b>
<b>5.8</b>	<b>Other operating expenditure</b>		
	Professional bodies, membership and subscription fees	6,181	4,054
	Resettlement costs	916	1,039
	Other	333	403
	<b>Total</b>	<b>7,430</b>	<b>5,496</b>
<b>6.</b>	<b>FINANCIAL TRANSACTIONS IN ASSETS AND LIABILITIES</b>		
	Other material losses written off	6.1 338	148
	Debts written off	6.2 80	308
	<b>Total</b>	<b>418</b>	<b>456</b>
<b>6.1</b>	<b>Other material losses written off</b>		
	<b>Nature of losses</b>		
	Accident damages	124	19
	Miscellaneous	214	129
	<b>Total</b>	<b>338</b>	<b>148</b>
<b>6.2</b>	<b>Debts written off</b>		
	Civil and military pension (bad debts)	50	304
	Staff debt written off	30	4
	<b>Total</b>	<b>80</b>	<b>308</b>
<b>7.</b>	<b>TRANSFERS AND SUBSIDIES</b>		
	Provinces and municipalities	<i>Annex 1A, Annex 1B, Annex 1C, Annex 1D</i> 14,257,373	7,745,944
	Departmental agencies and accounts	<i>Annex 1E</i> 10,510,985	9,518,441
	Universities and technikons	<i>Annex 1F</i> 5,456	5,456
	Foreign governments and international organisations	<i>Annex 1H</i> 555,186	550,501
	Public corporations and private enterprises	<i>Annex 1G</i> 31,267,444	10,246,845
	Non-profit institutions	<i>Annex 1I</i> 68	-
	Households	<i>Annex 1J</i> 4,929,950	2,311,534
	<b>Total</b>	<b>61,526,462</b>	<b>30,378,721</b>

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## NATIONAL TREASURY VOTE 7

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

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	Note	2009/10 R'000	2008/09 R'000
<b>8. EXPENDITURE FOR CAPITAL ASSETS</b>			
<b>Tangible assets</b>			
Machinery and equipment	29	11,989	10,052
<b>Total</b>		<b>11,989</b>	<b>10,052</b>

#### 8.1 Analysis of funds utilised to acquire capital assets – 2009/10

	Voted funds R'000	Aid assistance R'000	Total R'000
<b>Tangible assets</b>			
Machinery and equipment	11,652	337	11,989
<b>Total</b>	<b>11,652</b>	<b>337</b>	<b>11,989</b>

#### 8.2 Analysis of funds utilised to acquire capital assets – 2008/09

	Voted funds R'000	Aid assistance R'000	Total R'000
<b>Tangible assets</b>			
Machinery and equipment	9,431	621	10,052
<b>Total</b>	<b>9,431</b>	<b>621</b>	<b>10,052</b>

## 9. CASH AND CASH EQUIVALENTS

Consolidated Paymaster General Account	42,996	-*
Cash on hand	21	21
Cash with commercial banks (Local)	7,174	1,689
<b>Total</b>	<b>50,191</b>	<b>1,710</b>

\*Reclassification of the prior year amount.

## 10. PREPAYMENTS AND ADVANCES

Travel and subsistence	108	117
Prepayments	1,265	865
<b>Total</b>	<b>1,373</b>	<b>982</b>

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# NATIONAL TREASURY VOTE 7

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS – CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

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### 11. RECEIVABLES

	Note	2009/10			Total	2008/09
		R'000	R'000	R'000		R'000
		Less than one year	One to three years	Older than three years		Total
Claims recoverable	11.1	4,608	127,663	6,163	138,434	141,795
Staff debt	11.2	172	354	17	543	578
Other debtors	11.3	544	44	436	1,024	2,230
<b>Total</b>		<b>5,360</b>	<b>128,025</b>	<b>6,616</b>	<b>140,001</b>	<b>144,603</b>

	Note	2009/10 R'000	2008/09 R'000
<b>11.1 Claims recoverable</b>			
National departments		2,356	6,887
Provincial departments		126,267	126,478
Foreign governments		316	481
Households and non-profit institutions		9,495	7,949
<b>Total</b>		<b>138,434</b>	<b>141,795</b>
<b>11.2 Staff debt</b>			
Departmental Debt		455	515
Other staff debts		88	63
<b>Total</b>		<b>543</b>	<b>578</b>
<b>11.3 Other debtors</b>			
Theft and losses		436	465
Value added tax (SARS)		347	1,681
Miscellaneous		241	84
<b>Total</b>		<b>1,024</b>	<b>2,230</b>

### 12. INVESTMENTS

#### Non-Current (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*	Annex 2A & 2B	-	-
Land Bank	Annex 2A & 2B	200,955	200,955**
<b>Total</b>		<b>400,956</b>	<b>400,956</b>

\*Total shareholding in SASRIA Limited amounts to R1. Refer to Annexure 2A for more details.

\*\*Disclosure of Land Bank equity.

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## NATIONAL TREASURY VOTE 7

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

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	<b>Note</b>	<b>2009/10</b> <b>R'000</b>	<b>2008/09</b> <b>R'000</b>
<b>Analysis of non current investments</b>			
Opening balance		400,955	400,955*
<b>Closing balance</b>		<b>400,956</b>	<b>400,956</b>
*Adjustment of opening balance of investment in Land Bank			
<b>13. LOANS</b>			
Public corporations		44,456,711	10,000,000
<b>Total</b>		<b>44,546,711</b>	<b>10 000 000</b>
<b>Analysis of balance</b>			
Opening balance		10,000,000	-
New issues		34,546,711	10,000,000
<b>Closing balance</b>		<b>44,546,711</b>	<b>10,000,000</b>
<b>14. VOTED FUNDS TO BE SURRENDERED TO THE REVENUE FUND</b>			
Opening balance		112,055	782,199
Transfer from statement of financial performance		176,842	112,055
Paid during the year		(112,055)	(782,199)
<b>Closing balance</b>		<b>176,842</b>	<b>112,055</b>
<b>15. DEPARTMENTAL REVENUE TO BE SURRENDERED TO THE REVENUE FUND</b>			
Opening balance		1,753	9,593
Transfer from Statement of Financial Performance		3,543,597	5,270,354
Paid during the year		(3,542,509)	(5,278,194)
<b>Closing balance</b>		<b>2,841</b>	<b>1,753</b>
<b>16. BANK OVERDRAFT</b>			
Consolidated Paymaster General Account		-	(14,734)*
*Reclassification of the prior year amount.			
<b>17. PAYABLES – CURRENT</b>			
Advances received	17.1	93	-
Clearing accounts	17.2	66	44*
Other payables	17.3	11,190	8,721
<b>Total</b>		<b>11,349</b>	<b>8,765</b>

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# NATIONAL TREASURY VOTE 7

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS – CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

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	Note	2009/10 R'000	2008/09 R'000
17.1	<b>Advances received</b>		
	Local Government	93	-
	<b>Total</b>	<b>93</b>	<b>-</b>
17.2	<b>Clearing accounts</b>		
	Receivable interest	-	-*
	Income tax	29	27
	ABC recalls	36	16
	Pension fund	1	1
	<b>Total</b>	<b>66</b>	<b>44</b>

\*Reclassification of the prior year amount.

17.3	<b>Other payables</b>		
	Civil and military pensions	6,869	6,470*
	Special pensions	4,321	2,251
	Other	-	-*
	<b>Total other pension</b>	<b>11,190</b>	<b>8,721</b>

\*Reclassification of the prior year amount.

### 18. NET CASH FLOW AVAILABLE FROM OPERATING ACTIVITIES

	Net surplus as per Statement of Financial Performance	3,718,800	5,391,171
	Add back non cash/cash movements not deemed operating activities	(3,722,714)	(6,305,411)
	Decrease/(increase) in receivables – current	4,602	(131,823)
	Increase in prepayments and advances	(391)	(702)
	Increase/(decrease) in payables – current	2,584	(3,208)
	Proceeds from sale of capital assets	(212)	(324)
	Expenditure on capital assets	11,989	10,052
	Surrenders to Revenue Fund	(3,654,564)	(6,060,393)
	Surrenders to RDP Fund/Donor	3 (7,811)	(8)
	Dividend received	2.2 (78,911)	(119,005)
	<b>Net cash flow generated by operating activities</b>	<b>(3,914)</b>	<b>(914,240)</b>

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## NATIONAL TREASURY VOTE 7

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

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	<b>Note</b>	<b>2009/10</b>	<b>2008/09</b>
		<b>R'000</b>	<b>R'000</b>
<b>19. RECONCILIATION OF CASH AND CASH EQUIVALENTS FOR CASH FLOW PURPOSES</b>			
Consolidated Paymaster General account		42,996	(14,734)*
Cash on hand		21	21
Cash with commercial banks (local)		7,174	1,689
<b>Total</b>		<b>50,191</b>	<b>(13,024)</b>

\* Bank overdraft

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## NATIONAL TREASURY VOTE 7

### DISCLOSURES TO THE ANNUAL FINANCIAL STATEMENTS

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#### 20. CONTINGENT LIABILITIES

		Note	2009/10 R'000	2008/09 R'000
<b>Liable to</b>	<b>Nature</b>			
Motor vehicle guarantees	Employees	<i>Annex 3A</i>	53	205
Housing loan guarantees	Employees	<i>Annex 3A</i>	193	243
Other guarantees		<i>Annex 3A</i>	29,154,578	14,290,293
Local guarantees	Financial institutions	<i>Annex 3A</i>	17,907,902	1,863,638*
Local guarantees interest	Financial institutions	<i>Annex 3A</i>	76,665	78,694
Foreign guarantees	Financial institutions	<i>Annex 3A</i>	11,130,224	12,290,574*
Foreign guarantees interest	Financial institutions	<i>Annex 3A</i>	39,787	57,387
Claims against the department		<i>Annex 3B</i>	1,333,012	226,616*
Other		<i>Annex 3B</i>	146,795	473,980*
<b>Total</b>			<b>30,634,631</b>	<b>14,991,337</b>

\* Reclassification of the prior year amount.

#### 21. COMMITMENTS\*

<b>Current expenditure</b>			
Approved and contracted		44	183
<b>Capital expenditure</b>			
Approved and contracted		-	10
<b>Total</b>		<b>44</b>	<b>193</b>

\*Commitments are for a shorter period.

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## NATIONAL TREASURY VOTE 7

### DISCLOSURES TO THE ANNUAL FINANCIAL STATEMENTS

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		<b>Note</b>	<b>2009/10</b>	<b>2008/09</b>
			<b>R'000</b>	<b>R'000</b>
<b>22. ACCRUALS</b>				
<b>Listed by economic classification</b>				
	<b>30 Days</b>	<b>30+ Days</b>	<b>Total</b>	<b>Total</b>
Goods and services	6,438	77	6,515	18,097
Transfers and subsidies	64,653	15	64,668	49,225
Machinery and equipment	-	-	-	8
Other	12	42	54	135
<b>Total</b>	<b>71,103</b>	<b>134</b>	<b>71,237</b>	<b>67,465</b>

Listed by programme level

Administration	3,483	3,110
Public Finance and Budget Management	766	2,679
Asset and Liability Management	295	534
Financial Management and Systems	91	8,599
Financial Accounting and Reporting	682	812
Economic Policy and International Financial Relations	1,252	2,506
Civil and Military Pensions, Contributions to Funds and Other Benefits	64,569	49,225
<b>Total</b>	<b>71,237</b>	<b>67,465</b>

### 23. EMPLOYEE BENEFITS

Leave entitlement	11,656	11,248
Service bonus (thirteenth cheque)	7,963	6,519
Performance awards	17,944	21,000
Capped leave commitments	14,103	14,300
<b>Total</b>	<b>51,666</b>	<b>53,067</b>

### 24. LEASE COMMITMENTS

#### 24.1 Operating leases expenditure

<b>2009/10</b>	<b>Buildings and other fixed structures</b>	<b>Machinery and equipment</b>	<b>Total</b>
Not later than 1 year	2,382	3,020	5,402
Later than 1 year and not later than 5 years	5,012	2,561	7,573
<b>Total lease commitments</b>	<b>7,394</b>	<b>5,581</b>	<b>12,975</b>

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## NATIONAL TREASURY VOTE 7

### DISCLOSURES TO THE ANNUAL FINANCIAL STATEMENTS

- CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

	Note	2009/10 R'000	2008/09 R'000
		<b>Buildings and other fixed structures</b>	<b>Machinery and equipment</b>
			<b>Total</b>
<b>2008/09</b>			
Not later than 1 year	2,762*	2,748*	5,510*
Later than 1 year and not later than 5 years	7,394*	4,649*	12,043*
<b>Total</b>	<b>10,156</b>	<b>7,397</b>	<b>17,553</b>

\*Reclassification of the prior year amount.

## 25. RECEIVABLES FOR DEPARTMENTAL REVENUE

Sales of goods and services other than capital assets	4,037	-
Interest, dividends and rent on land	197,790	86,214
Financial transactions in assets and liabilities	814	807
<b>Total</b>	<b>202,641</b>	<b>87,021</b>

## 26. IRREGULAR EXPENDITURE

### 26.1 Reconciliation of irregular expenditure

Opening balance	176	176
Add: irregular expenditure - relating to current year		2,746*
Less: Amounts condoned		(2,746)
<b>Irregular expenditure awaiting condonation</b>	<b>176</b>	<b>176</b>
<b>Analysis of awaiting condonation per age classification</b>		
Prior years	176	176
<b>Total</b>	<b>176</b>	<b>176</b>

\*Irregular expenditure were condoned during 2008/09

## 27. KEY MANAGEMENT PERSONNEL

	No. of Individuals	2009/10 R'000	2008/09 R'000
Political office bearers (provide detail below)	3	3,301	3,056
Officials:			
Level 15 to 16	13	13,457	11,985
Level 14 (incl. CFO if at a lower level)	70	54,394	40,105
<b>Total</b>		<b>71,152</b>	<b>55,146</b>

## NATIONAL TREASURY VOTE 7

### DISCLOSURES TO THE ANNUAL FINANCIAL STATEMENTS

- CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

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	Note	2009/10 R'000	2008/09 R'000
<b>28. PROVISIONS</b>			
<b>Potential irrecoverable debts</b>			
Households and non profit institutions		6,085	4,106
Staff debtors		298	87
Other debtors		436	232
<b>Total</b>		<b>6,819</b>	<b>4,425</b>
<b>Other provisions</b>			
Special pension		-	12,717*
Military Pension		222	309*
Injury on duty		31,377	2,237*
Medical benefits		2,484	1,624*
<b>Total</b>		<b>34,083</b>	<b>16,887</b>

\*Reclassification of the prior year amount.

### 29. MOVABLE TANGIBLE CAPITAL ASSETS

Movement in movable tangible capital assets per asset register for the year ended 31 March 2010

	Opening balance R'000	Current Year adjust-ments to prior year balances R'000	Additions R'000	Disposals R'000	Closing balance R'000
<b>Machinery and equipment</b>					
Transport assets	2,488	(1)	1,440	(1,235)	2,692
Computer equipment	45,297	(1,098)	6,862	(4,738)	46,323
Furniture and office equipment	14,266	(230)	1,269	(78)	15,227
Other machinery and equipment	2,733	7	3,135	(62)	5,813
<b>Total movable tangible capital assets</b>	<b>64,784</b>	<b>(1,322)</b>	<b>12,706</b>	<b>(6,113)</b>	<b>70,055</b>

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## NATIONAL TREASURY VOTE 7

### DISCLOSURES TO THE ANNUAL FINANCIAL STATEMENTS

- CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

#### 29.1 Additions

##### Additions to movable tangible capital assets per asset register for the year ended 31 March 2010

	Cash	Non-cash	(Capital work in Progress current costs and finance lease payments)	Received current, not paid (paid current year, received prior year)	Total
	R'000	R'000	R'000	R'000	R'000
<b>Description</b>					
Transport assets	1,440	-	-	-	1,440
Computer equipment	6,533	329	-	-	6,862
Furniture and office equipment	927	342	-	-	1,269
Other machinery and equipment	3,047	88	-	-	3,156
<b>Total additions of movable tangible capital assets</b>	<b>11,947*</b>	<b>759</b>	<b>-</b>	<b>-</b>	<b>12,706</b>

\*The difference between total cash addition in this note and note 8 relates to the purchase of cellphone and telecommunication equipment that are not regarded as assets per the Departmental Reporting Framework Guide.

#### 29.2 Disposals

##### Disposals of movable tangible capital assets per asset register for the year ended 31 March 2010

	Sold for cash	Transfer out or destroyed or scrapped	Total disposals	Cash received actual
	R'000	R'000	R'000	R'000
<b>Description</b>				
Transport assets	571	664	1,235	202
Computer equipment	647	4,091	4,738	10
Furniture and office equipment	23	55	78	-
Other machinery and equipment	-	62	62	-
<b>Total Disposal of movable tangible capital assets</b>	<b>1,241</b>	<b>4,872</b>	<b>6,113</b>	<b>212</b>

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## NATIONAL TREASURY VOTE 7

### DISCLOSURES TO THE ANNUAL FINANCIAL STATEMENTS

- CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

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#### 29.3 Movement for 2008/09

##### Movement in movable tangible capital assets per asset register for the year ended 31 March 2009

	Opening balance	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000
Transport assets	3,221	93	(826)	2,488
Computer equipment	46,227	9,233	(10,163)	45,297
Furniture and office equipment	13,622	657	(13)	14,266
Other machinery and equipment	2,650	162	(79)	2,733
<b>Total movable tangible assets</b>	<b>65,720</b>	<b>10,145</b>	<b>(11,081)</b>	<b>64,784</b>

#### 29.4 Minor assets

##### Minor assets of the department as at 31 March 2010

Description	Opening balance	Current year adjustment to prior year balances	Additions	Disposal	Closing balance
	R'000	R'000	R'000	R'000	R'000
Computer equipment	4,088	-	1,184	(502)	4,770
Furniture and office equipment	24,681	(1)	2,343	(383)	26,640
Other machinery and equipment	1,690	1	192	(50)	1,833
<b>TOTAL</b>	<b>30,459</b>	<b>-</b>	<b>3,719</b>	<b>(935)</b>	<b>33,243</b>

	Machinery and equipment	Total
<b>Minor assets for the department as at 31 March 2010</b>		
Minor assets	33,243	33,243
<b>Total minor assets</b>	<b>33,243</b>	<b>33,243</b>
	<b>Machinery and equipment</b>	<b>Total</b>
Number of R1 minor assets		
Number of minor assets at cost	23	23
<b>Total number of minor assets</b>	<b>23</b>	<b>23</b>

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## NATIONAL TREASURY VOTE 7

### DISCLOSURES TO THE ANNUAL FINANCIAL STATEMENTS

- CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

#### 29.4 Minor assets - continued

##### Minor assets of the department as at 31 March 2009

	Opening balance	Current year adjustment to prior year balances	Additions	Disposal	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
<b>Total</b>	<b>28,482</b>	<b>1,863</b>	<b>1,108</b>	<b>(994)</b>	<b>30,459</b>

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## ANNEXURE 1A

## STATEMENT OF CONDITIONAL GRANTS PAID TO THE PROVINCES

NAME OF PROVINCE / GRANT	GRANT ALLOCATION				TRANSFER			SPENT			2008/09 Actual Transfer R'000
	Division of Revenue Act	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	Re-allocations by National Treasury or National Department	Amount received by department	Amount spent by department	% of available funds spent by department	
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	%	
Eastern Cape	1,661,391	-	-	1,661,391	1,661,391	-	-	-	-	-	1,317,909
Free State	717,182	-	-	717,182	717,182	-	-	-	-	-	569,278
Gauteng	4,970,400	-	-	4,970,400	4,970,400	-	-	-	-	-	606,206
Gautrain	4,200,000	-	-	4,200,000	4,200,000	-	-	-	-	-	-
Kwa-Zulu Natal	1,970,933	-	-	1,970,933	1,970,933	-	-	-	-	-	1,560,290
Limpopo	1,407,445	-	-	1,407,445	1,407,445	-	-	-	-	-	1,076,297
Mpumalanga	771,968	-	-	771,968	771,968	-	-	-	-	-	710,024
Northern Cape	492,388	-	-	492,388	492,388	-	-	-	-	-	390,161
North West	807,577	-	-	807,577	807,577	-	-	-	-	-	641,035
Western Cape	649,963	-	-	649,963	649,963	-	-	-	-	-	513,287
<b>Total</b>											
<b>conditional grants to provinces</b>	<b>13,449,247</b>	-	-	<b>13,449,247</b>	<b>13,449,247</b>	-	-	-	-	-	<b>7,384,487</b>

# NATIONAL TREASURY VOTE 7

## ANNEXURES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

### ANNEXURE 1B

#### STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES

NAME OF MUNICIPALITY	GRANT ALLOCATION			TRANSFER			
	Division of Revenue Act R'000	Rollovers R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	% of Available Funds Transferred %	Re-allocation by National Treasury or National Department R'000
Amatole District Municipality	4,500	-	-	4,500	4,500	100%	-
Ba-Phalaborwa	10,000	-	-	10,000	10,000	100%	-
Bitou	5,000	-	-	5,000	5,000	100%	-
Breede Rivier Wineands	800	-	-	800	800	100%	-
Buffalo City	6,000	-	-	6,000	5,980	100%	-
Bushbuckridge	2,388	-	-	2,388	2,388	100%	-
Cape Town	70,000	-	-	70,000	65,000	93%	-
Ekurhuleni Metro	44,430	-	-	44,430	44,429	100%	-
Ethekwini	98,334	-	-	98,334	98,334	100%	-
Greater Tzaneen	9,500	-	-	9,500	6,033	64%	-
Johannesburg	64,837	-	-	64,837	64,836	100%	-
King Sabata Dalindyebo	20,000	-	-	20,000	20,000	100%	-
Knysna	4,000	-	-	4,000	-	0%	-
Kouga	19,000	-	-	19,000	18,096	95%	-
Lekwa	21,898	-	-	21,898	21,898	100%	-
Makana	23,851	-	-	23,851	21,929	92%	-
Mandeni	14,000	-	-	14,000	14,000	100%	-
Matzikama	400	-	-	400	400	100%	-
Mbombela	8,976	-	-	8,976	8,976	100%	-
Metsweding	5,000	-	-	5,000	-	0%	-
Ndwedwe	5,000	-	-	5,000	1,500	30%	-
Nelson Mandela Bay	31,500	-	-	31,500	31,500	100%	-
Oudshoorn	5,000	-	-	5,000	4,675	94%	-

**ANNEXURE 1B - CONTINUED****STATEMENT OF CONDITIONAL GRANTS PAID TO MUNICIPALITIES - continued**

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER		
	Division of Revenue Act	Rollovers	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Re-allocation by National Treasury or National Department
	R'000	R'000	R'000	R'000	R'000	%	R'000
Overstrand	2,500	-	-	2,500	2,264	91%	-
Moiloa	7,000	-	-	7,000	7,000	100%	-
Sedibeng	23,873	-	-	23,873	23,873	100%	-
Sisonke	3,501	-	-	3,501	-	0%	-
Sol Plaatjies	15,000	-	-	15,000	-	0%	-
Thulamela	7,000	-	-	7,000	7,000	100%	-
Tshwane	6,726	-	-	6,726	6,725	100%	-
Umgeni	11,000	-	-	11,000	11,000	100%	-
Zululand	380	-	380	760	-	0%	-
<b>Subtotal carried forward</b>	<b>551,394</b>	<b>-</b>	<b>380</b>	<b>551,774</b>	<b>508,136</b>		<b>-</b>

**NATIONAL TREASURY VOTE 7****ANNEXURES TO THE FINANCIAL STATEMENTS - CONTINUED**

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# NATIONAL TREASURY VOTE 7

## ANNEXURES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

### ANNEXURE 1C

#### STATEMENT OF UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER		SPENT		2008/09	
	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
iKaitl'Garib	1,000	-	-	1,000	1,000	100%	1,000	367	37%	500
iYkhels	750	-	-	750	750	100%	750	267	36%	500
//Khara Hais	1,000	-	-	1,000	1,000	100%	1,000	325	33%	500
Abaqulusi	1,000	-	-	1,000	1,000	100%	1,000	676	68%	500
Aganang	1,000	-	-	1,000	1,000	100%	1,000	840	84%	750
Albert Luthuli	2,750	-	-	2,750	2,750	100%	2,750	702	26%	1,250
Alfred Nzo	750	-	-	750	750	100%	750	437	58%	500
Amahlathi	1,500	-	-	1,500	1,500	100%	1,500	394	26%	500
Amajuba	750	-	-	750	750	100%	750	234	31%	500
Amatole	750	-	-	750	750	100%	750	439	59%	750
Ba-Phalaborwa	750	-	-	750	750	100%	750	427	57%	500
Baviaans	1,000	-	-	1,000	1,000	100%	1,000	610	61%	500
Beaufort West	1,000	-	-	1,000	1,000	100%	1,000	323	32%	500
Bela-Bela	750	-	-	750	750	100%	750	343	46%	1,000
Bergivier	750	-	-	750	750	100%	750	750	100%	750
Bitou	2,750	-	-	2,750	2,750	100%	2,750	1,372	50%	1,250
Blouberg	1,000	-	-	1,000	1,000	100%	1,000	678	68%	500
Blue Crane Route	1,000	-	-	1,000	1,000	100%	1,000	358	36%	250
<b>Subtotal carried forward</b>	<b>20,250</b>	<b>-</b>	<b>-</b>	<b>20,250</b>	<b>20,250</b>		<b>20,250</b>	<b>9,542</b>		<b>11,500</b>

## ANNEXURE 1C - CONTINUED

## STATEMENT OF UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES - continued

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER		SPENT		2008/09	
	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
<b>Subtotal brought forward</b>	<b>20,250</b>	<b>-</b>	<b>-</b>	<b>20,250</b>	<b>20,250</b>	<b>100%</b>	<b>20,250</b>	<b>9,542</b>	<b>47%</b>	<b>11,500</b>
Bojanala Platinum	750	-	-	750	750	100%	750	45	6%	500
Dr. Ruth Segomotsi Mompati District	750	-	-	750	750	100%	750	321	43%	500
Breede Rivier Winelands	750	-	-	750	750	100%	750	739	99%	500
Breede Valley	750	-	-	750	750	100%	750	750	100%	250
Buffalo City	1,000	-	-	1,000	1,000	100%	1,000	33	3%	500
Bushbuckridge	750	-	-	750	750	100%	750	2	0%	500
Cacadu	750	-	-	750	750	100%	750	750	100%	750
Camdeboo	2,000	-	-	2,000	2,000	100%	2,000	1,329	66%	1,750
Cape Agulhas	1,000	-	-	1,000	1,000	100%	1,000	514	51%	500
Cape Town	750	-	-	750	750	100%	750	750	100%	750
Cape Winelands	750	-	-	750	750	100%	750	750	100%	500
Capricorn	750	-	-	750	750	100%	750	590	79%	500
Cederberg	1,000	-	-	1,000	1,000	100%	1,000	862	86%	750
Central Karoo	750	-	-	750	750	100%	750	104	14%	750
Chris Hani	750	-	-	750	750	100%	750	750	100%	750
Dannhauser	2,750	-	-	2,750	2,750	100%	2,750	423	15%	1,250
Delmas	750	-	-	750	750	100%	750	378	50%	500
Ditlabeng	750	-	-	750	750	100%	750	390	52%	500
Dikgatlong	750	-	-	750	750	100%	750	388	52%	500
Dipaleseng	1,000	-	-	1,000	1,000	100%	1,000	637	64%	500
<b>Subtotal carried forward</b>	<b>39,500</b>	<b>-</b>	<b>-</b>	<b>39,500</b>	<b>39,500</b>	<b>100%</b>	<b>39,500</b>	<b>20,047</b>	<b>51%</b>	<b>24,500</b>

# NATIONAL TREASURY VOTE 7

## ANNEXURES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

### ANNEXURE 1C - CONTINUED

#### STATEMENT OF UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES - continued

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER		SPENT		2008/09	
	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
<b>Balance brought forward</b>	<b>39,500</b>	<b>-</b>	<b>-</b>	<b>39,500</b>	<b>39,500</b>		<b>39,500</b>	<b>20,047</b>		<b>24,500</b>
Ditsobotla	1,000	-	-	1,000	1,000	100%	1,000	1,000	100%	1,500
Dr JS Moroka	2,750	-	-	2,750	2,750	100%	2,750	892	32%	1,250
Drakenstein	750	-	-	750	750	100%	750	642	86%	250
Eden	750	-	-	750	750	100%	750	377	50%	500
Edumbe	750	-	-	750	750	100%	750	399	53%	500
Ehlanzeni	750	-	-	750	750	100%	750	481	64%	500
Ekurhuleni Metro	750	-	-	750	750	100%	750	750	100%	750
Elundini	1,000	-	-	1,000	1,000	100%	1,000	419	42%	250
Emadlangeni	1,000	-	-	1,000	1,000	100%	1,000	431	43%	250
Emakhazeni	1,000	-	-	1,000	1,000	100%	1,000	136	14%	1,500
Emalaheni (Eastern Cape)	1,000	-	-	1,000	1,000	100%	1,000	576	58%	500
Emalaheni (Mpumalanga)	750	-	-	750	750	100%	750	386	51%	1,500
Ermfuleni	750	-	-	750	750	100%	750	523	70%	500
Emnambithi (Ladysmith)	750	-	-	750	750	100%	750	738	98%	500
Emthanjeni	750	-	-	750	750	100%	750	499	67%	500
Endumeni	750	-	-	750	750	100%	750	356	47%	500
Engcobo	1,000	-	-	1,000	1,000	100%	1,000	451	45%	1,500
Ethekwini	750	-	-	750	750	100%	750	750	100%	750
Ezinqoleni	1,000	-	-	1,000	1,000	100%	1,000	969	97%	250
Fetakgomo	1,000	-	-	1,000	1,000	100%	1,000	1,000	100%	500
<b>Subtotal carried forward</b>	<b>58,500</b>	<b>-</b>	<b>-</b>	<b>58,500</b>	<b>58,500</b>		<b>58,500</b>	<b>31,822</b>		<b>38,750</b>

## ANNEXURE 1C - CONTINUED

## STATEMENT OF UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES - continued

NAME OF MUNICIPALITY	GRANT ALLOCATION			TRANSFER		SPENT			2008/09			
	Division of Revenue Act	R'000	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
<b>Balance brought forward</b>	<b>58,500</b>	-	-	-	<b>58,500</b>	<b>58,500</b>		<b>58,500</b>	<b>31,822</b>			<b>38,750</b>
Fezile Dabi	750	-	-	-	750	750	100%	750	734	98%	250	250
Frances Baard	750	-	-	-	750	750	100%	750	350	47%	500	500
Gamagara	750	-	-	-	750	750	100%	750	315	42%	500	500
Gariep	1,000	-	-	-	1,000	1,000	100%	1,000	430	43%	500	500
Ga-Segonyana	750	-	-	-	750	750	100%	750	750	100%	500	500
George	750	-	-	-	750	750	100%	750	750	100%	750	750
Gert Sibande	750	-	-	-	750	750	100%	750	566	75%	500	500
Govan Mbeki	750	-	-	-	750	750	100%	750	407	54%	500	500
Great Kei	1,000	-	-	-	1,000	1,000	100%	1,000	238	24%	1,500	1,500
Greater Giyani	750	-	-	-	750	750	100%	750	420	56%	500	500
Greater Kokstad	2,750	-	-	-	2,750	2,750	100%	2,750	405	15%	1,250	1,250
Greater Letaba	750	-	-	-	750	750	100%	750	50	7%	500	500
Greater Marble Hall	750	-	-	-	750	750	100%	750	616	82%	500	500
Greater Sekhukhune	1,500	-	-	-	1,500	1,500	100%	1,500	373	25%	500	500
Greater Taung	750	-	-	-	750	750	100%	750	198	26%	500	500
Greater Tubatse	750	-	-	-	750	750	100%	750	305	41%	500	500
Greater Tzaneen	750	-	-	-	750	750	100%	750	750	100%	500	500
Hantam	750	-	-	-	750	750	100%	750	550	73%	500	500
Hessequa	750	-	-	-	750	750	100%	750	735	98%	500	500
Hibiscus Coast	750	-	-	-	750	750	100%	750	404	54%	500	500
<b>Subtotal carried forward</b>	<b>76,750</b>	-	-	-	<b>76,750</b>	<b>76,750</b>		<b>76,750</b>	<b>41,168</b>			<b>50,500</b>

# NATIONAL TREASURY VOTE 7

## ANNEXURES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

### ANNEXURE 1C - CONTINUED

#### STATEMENT OF UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES - continued

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER		SPENT			2008/09	
	Division of Revenue Act	R'000	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
<b>Balance brought forward</b>	<b>76,750</b>	-	-	-	<b>76,750</b>	<b>76,750</b>		<b>76,750</b>	<b>41,168</b>		<b>50,500</b>
Hlabisa	1,500	-	-	-	1,500	1,500	100%	1,500	1,000	67%	500
Ikwezi	1,000	-	-	-	1,000	1,000	100%	1,000	630	63%	750
iLembe	750	-	-	-	750	750	100%	750	599	80%	500
Imbabazane	1,000	-	-	-	1,000	1,000	100%	1,000	767	77%	250
Impendle	1,000	-	-	-	1,000	1,000	100%	1,000	411	41%	500
Indaka	1,000	-	-	-	1,000	1,000	100%	1,000	206	21%	250
Ingwe	750	-	-	-	750	750	100%	750	643	86%	250
Inkwanca	1,750	-	-	-	1,750	1,750	100%	1,750	817	47%	500
Intsika Yethu	1,000	-	-	-	1,000	1,000	100%	1,000	577	58%	250
Inxuba Ye Themba	1,500	-	-	-	1,500	1,500	100%	1,500	374	25%	500
City of Johannesburg	750	-	-	-	750	750	100%	750	204	27%	750
Jozini	1,500	-	-	-	1,500	1,500	100%	1,500	1,000	67%	500
Kagisano	750	-	-	-	750	750	100%	750	180	24%	500
Kamiesberg	750	-	-	-	750	750	100%	750	523	70%	500
Kannaland	1,000	-	-	-	1,000	1,000	100%	1,000	691	69%	250
Kareeberg	750	-	-	-	750	750	100%	750	639	85%	250
Karoo Hoogland	2,750	-	-	-	2,750	2,750	100%	2,750	750	27%	1,250
Kgalagadi	750	-	-	-	750	750	100%	750	372	50%	500
Kgatelopele	1,000	-	-	-	1,000	1,000	100%	1,000	328	33%	500
Kgetlrvier	2,750	-	-	-	2,750	2,750	100%	2,750	144	5%	1,500
<b>Subtotal carried forward</b>	<b>100,750</b>	-	-	-	<b>100,750</b>	<b>100,750</b>		<b>100,750</b>	<b>52,023</b>		<b>61,250</b>

## ANNEXURE 1C - CONTINUED

## STATEMENT OF UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES - continued

NAME OF MUNICIPALITY	GRANT ALLOCATION			TRANSFER		SPENT		2008/09 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
<b>Balance brought forward</b>	<b>100,750</b>	-	-	<b>100,750</b>	<b>100,750</b>		<b>100,750</b>	<b>52,023</b>		<b>61,250</b>
Khai-Ma	2,750	-	-	2,750	2,750	100%	2,750	730	27%	1,250
King Sabata Dalindyebo	1,250	-	-	1,250	1,250	100%	1,250	750	60%	500
Knysna	1,000	-	-	1,000	1,000	100%	1,000	933	93%	750
Kopanong	750	-	-	750	750	100%	750	332	44%	500
Kouga	1,000	-	-	1,000	1,000	100%	1,000	750	75%	750
Koukamma	2,750	-	-	2,750	2,750	100%	2,750	905	33%	1,250
Kungwini	750	-	-	750	750	100%	750	0	-	500
Kwa Dukuza	750	-	-	750	750	100%	750	199	27%	500
Kwa Sani	2,500	-	-	2,500	2,500	100%	750	1,248	50%	1,750
Laingsburg	750	-	-	750	750	100%	750	536	71%	500
Lejweleputswa	750	-	-	750	750	100%	750	750	100%	500
Lekwa	750	-	-	750	750	100%	750	40	5%	500
Lekwa-Temane	1,000	-	-	1,000	1,000	100%	1,000	515	52%	500
Lepelle-Nkumpi	2,750	-	-	2,750	2,750	100%	2,750	793	29%	1,250
Lephalale	750	-	-	750	750	100%	750	220	29%	1,000
Lesedi	2,750	-	-	2,750	2,750	100%	2,750	1,900	69%	1,250
Letsemeng	1,000	-	-	1,000	1,000	100%	1,000	280	28%	500
Lukhanji	1,000	-	-	1,000	1,000	100%	1,000	750	75%	500
Elias Mootsoaledi	750	-	-	750	750	100%	750	490	65%	250
Madibeng	750	-	-	750	750	100%	750	429	57%	500
<b>Subtotal carried forward</b>	<b>127,250</b>	-	-	<b>127,250</b>	<b>127,250</b>		<b>125,500</b>	<b>64,573</b>		<b>76,250</b>

# NATIONAL TREASURY VOTE 7

## ANNEXURES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

### ANNEXURE 1C - CONTINUED

#### STATEMENT OF UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES - continued

NAME OF MUNICIPALITY	GRANT ALLOCATION			TRANSFER		SPENT		2008/09 Actual Transfer R'000		
	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
	R'000	R'000	R'000	R'000	R'000	%	R'000		R'000	%
<b>Balance brought forward</b>	<b>127,250</b>	-	-	<b>127,250</b>	<b>127,250</b>		<b>127,250</b>	<b>64,573</b>		<b>76,250</b>
Mafikeng	1,000	-	-	1,000	1,000	100%	1,000	1,000	100%	500
Mafube	750	-	-	750	750	100%	750	423	56%	500
Magareng	750	-	-	750	750	100%	750	283	38%	500
Makana	1,000	-	-	1,000	1,000	100%	1,000	750	75%	500
Makhado	750	-	-	750	750	100%	750	366	49%	500
Makhudutamaga	1,500	-	-	1,500	1,500	100%	1,500	983	66%	2,000
Maletswai	1,000	-	-	1,000	1,000	100%	1,000	422	42%	1,500
Maluti-A-Phofung	750	-	-	750	750	100%	750	240	32%	500
Mamusa	750	-	-	750	750	100%	750	383	51%	1,000
Mandeni	750	-	-	750	750	100%	750	724	97%	500
Mangaung	750	-	-	750	750	100%	750	355	47%	500
Mantsopa	2,750	-	-	2,750	2,750	100%	2,750	2,750	100%	1,250
Maphumulo	750	-	-	750	750	100%	750	750	100%	500
Maquassi Hill	750	-	-	750	750	100%	750	353	47%	1,500
Maruleng	1,000	-	-	1,000	1,000	100%	1,000	820	82%	500
Masilonyana	2,750	-	-	2,750	2,750	100%	2,750	2,429	88%	1,250
Matatiele	1,000	-	-	1,000	1,000	100%	1,000	734	73%	500
Matjabeng	750	-	-	750	750	100%	750	96	13%	500
City of Matlosana	750	-	-	750	750	100%	750	210	28%	500
Matzikama	750	-	-	750	750	100%	750	713	95%	500
<b>Subtotal carried forward</b>	<b>148,250</b>	-	-	<b>148,250</b>	<b>148,250</b>		<b>148,250</b>	<b>79,357</b>		<b>91,750</b>

## ANNEXURE 1C - CONTINUED

## STATEMENT OF UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES - continued

NAME OF MUNICIPALITY	GRANT ALLOCATION			TRANSFER		SPENT		2008/09 Actual Transfer R'000		
	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
	R'000	R'000	R'000	R'000	R'000	%	R'000		R'000	%
<b>Balance brought forward</b>	<b>148,250</b>	-	-	<b>148,250</b>	<b>148,250</b>		<b>148,250</b>	<b>79,357</b>		<b>91,750</b>
Mbhashe	1,000	-	-	1,000	1,000	100%	1,000	654	65%	500
Mbizana	1,000	-	-	1,000	1,000	100%	1,000	133	13%	500
Mbombela	750	-	-	750	750	100%	750	631	84%	500
Mbonambi	750	-	-	750	750	100%	750	571	76%	500
Merafong City	750	-	-	750	750	100%	750	199	27%	500
Metsimaholo	750	-	-	750	750	100%	750	407	54%	500
Metsweding	1,000	-	-	1,000	1,000	100%	1,000	722	72%	500
Mhlontlo	1,000	-	-	1,000	1,000	100%	1,000	268	27%	500
Midvaal	750	-	-	750	750	100%	750	613	82%	500
Mier	1,000	-	-	1,000	1,000	100%	1,000	414	41%	500
Mkhambathini	1,500	-	-	1,500	1,500	100%	1,500	1,500	100%	2,000
Mkhondo	1,000	-	-	1,000	1,000	100%	1,000	0	-	500
Mnquma	1,000	-	-	1,000	1,000	100%	1,000	520	52%	500
Modimolle	2,750	-	-	2,750	2,750	100%	2,750	1,503	55%	1,250
Mogalakwena	750	-	-	750	750	100%	750	455	61%	500
Mogale City	750	-	-	750	750	100%	750	391	52%	500
Mohokare	1,000	-	-	1,000	1,000	100%	1,000	816	82%	500
Molemole	750	-	-	750	750	100%	750	370	49%	500
Molopo	1,000	-	-	1,000	1,000	100%	1,000	409	41%	500
Mpofana	1,500	-	-	1,500	1,500	100%	1,500	1,462	97%	250
<b>Subtotal carried forward</b>	<b>169,000</b>	-	-	<b>169,000</b>	<b>169,000</b>		<b>169,000</b>	<b>91,395</b>		<b>103,750</b>

# NATIONAL TREASURY VOTE 7

## ANNEXURES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

### ANNEXURE 1C - CONTINUED

#### STATEMENT OF UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES - continued

NAME OF MUNICIPALITY	GRANT ALLOCATION			TRANSFER		SPENT		2008/09 Actual Transfer R'000		
	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
	R'000	R'000	R'000	R'000	R'000	%	R'000		R'000	%
<b>Balance brought forward</b>	<b>169,000</b>	-	-	<b>169,000</b>	<b>169,000</b>		<b>169,000</b>	<b>91,395</b>		<b>103,750</b>
Mookgopong	750	-	-	750	750	100%	750	608	81%	1,000
Mopani	750	-	-	750	750	100%	750	400	53%	250
Moqhaka	750	-	-	750	750	100%	750	750	100%	500
Moretele	750	-	-	750	750	100%	750	165	22%	500
Moses Kotane	750	-	-	750	750	100%	750	665	89%	500
Moshaweng	1,000	-	-	1,000	1,000	100%	1,000	549	55%	500
Mossel Bay	750	-	-	750	750	100%	750	574	77%	500
Motheo	750	-	-	750	750	100%	750	630	84%	500
Msinga	1,000	-	-	1,000	1,000	100%	1,000	246	25%	500
Msakaligwa	1,000	-	-	1,000	1,000	100%	1,000	581	58%	500
Msunduzi	750	-	-	750	750	100%	750	750	100%	500
Mthonjaneni	750	-	-	750	750	100%	750	643	86%	500
Mtubatuba	2,750	-	-	2,750	2,750	100%	2,750	1,456	53%	1,250
Musina	2,750	-	-	2,750	2,750	100%	2,750	718	26%	1,250
Mutale	1,000	-	-	1,000	1,000	100%	1,000	280	28%	500
Nala	1,500	-	-	1,500	1,500	100%	1,500	572	38%	500
Naledi (Free State)	1,000	-	-	1,000	1,000	100%	1,000	407	41%	500
Naledi (North West)	750	-	-	750	750	100%	750	55	7%	500
Nama Khoi	750	-	-	750	750	100%	750	750	100%	500
Namakwa	750	-	-	750	750	100%	750	708	94%	500
<b>Subtotal carried forward</b>	<b>190,000</b>	-	-	<b>190,000</b>	<b>190,000</b>		<b>190,000</b>	<b>102,902</b>		<b>115,500</b>

## ANNEXURE 1C - CONTINUED

## STATEMENT OF UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES - continued

NAME OF MUNICIPALITY	GRANT ALLOCATION			TRANSFER		SPENT		2008/09 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
<b>Balance brought forward</b>	<b>190,000</b>	-	-	<b>190,000</b>	<b>190,000</b>		<b>190,000</b>	<b>102,902</b>		<b>115,500</b>
Ndlambe	2,000	-	-	2,000	2,000	100%	2,000	1,118	56%	3,000
Ndwedwe	1,000	-	-	1,000	1,000	100%	1,000	917	92%	500
Nelson Mandela Bay	750	-	-	750	750	100%	750	750	100%	750
Newcastle	1,500	-	-	1,500	1,500	100%	1,500	750	50%	500
Ngakamodiri	1,000	-	-	1,000	1,000	100%	1,000	60	6%	500
Molema	1,000	-	-	1,000	1,000	100%	1,000	503	50%	500
Ngqushwa	750	-	-	750	750	100%	750	578	77%	500
Ngwathe	1,500	-	-	1,500	1,500	100%	1,500	667	44%	500
Nkandla	750	-	-	750	750	100%	750	0	0%	500
Nkangala	750	-	-	750	750	100%	750	750	100%	500
Nketoana	750	-	-	750	750	100%	750	350	47%	500
Nkomazi	1,000	-	-	1,000	1,000	100%	1,000	277	28%	500
Nkonkobe	2,750	-	-	2,750	2,750	100%	2,750	1,067	39%	1,250
Nokeng Tsa Taemane	750	-	-	750	750	100%	750	90	12%	500
Nongoma	1,000	-	-	1,000	1,000	100%	1,000	616	62%	500
Nquthu	1,000	-	-	1,000	1,000	100%	1,000	385	39%	500
Ntabankulu	750	-	-	750	750	100%	750	556	74%	500
Ntambanana	1,000	-	-	1,000	1,000	100%	1,000	342	34%	500
Nxuba	1,500	-	-	1,500	1,500	100%	1,500	429	29%	500
Nyanderi	750	-	-	750	750	100%	750	734	98%	500
O.R Tambo										
<b>Subtotal carried forward</b>	<b>212,250</b>	-	-	<b>212,250</b>	<b>212,250</b>		<b>212,250</b>	<b>113,841</b>		<b>129,000</b>

# NATIONAL TREASURY VOTE 7

## ANNEXURES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

### ANNEXURE 1C - CONTINUED

#### STATEMENT OF UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES - continued

NAME OF MUNICIPALITY	GRANT ALLOCATION			TRANSFER		SPENT		2008/09 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
<b>Balance brought forward</b>	<b>212,250</b>	-	-	<b>212,250</b>	<b>212,250</b>		<b>212,250</b>	<b>113,841</b>		<b>129,000</b>
Okhahlamba	750	-	-	750	750	100%	750	167	22%	250
Oudtshoorn	750	-	-	750	750	100%	750	118	16%	500
Overberg	750	-	-	750	750	100%	750	479	64%	500
Overstrand	750	-	-	750	750	100%	750	750	100%	500
Phokwane	750	-	-	750	750	100%	750	290	39%	500
Phumelela	2,750	-	-	2,750	2,750	100%	2,750	1,390	51%	1,250
Pixley Ka Seme (Mpumalanga)	750	-	-	750	750	100%	750	79	11%	250
Karoo District	750	-	-	750	750	100%	750	252	34%	500
Polokwane	750	-	-	750	750	100%	750	750	100%	500
Port St John	1,750	-	-	1,750	1,750	100%	1,750	1,750	100%	250
Prince Albert	750	-	-	750	750	100%	750	147	20%	500
Ngqiza Hill	1,000	-	-	1,000	1,000	100%	1,000	229	23%	250
Ramontshere	1,000	-	-	1,000	1,000	100%	1,000	1,000	100%	1,500
Moliso	750	-	-	750	750	100%	750	402	54%	500
Randfontein	1,000	-	-	1,000	1,000	100%	1,000	222	22%	1,000
Renosterberg	750	-	-	750	750	100%	750	385	51%	500
Richmond	2,500	-	-	2,500	2,500	100%	2,500	571	23%	250
<b>Subtotal carried forward</b>	<b>230,500</b>	-	-	<b>230,500</b>	<b>230,500</b>		<b>230,500</b>	<b>122,822</b>		<b>138,500</b>

## ANNEXURE 1C - CONTINUED

## STATEMENT OF UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES - continued

NAME OF MUNICIPALITY	GRANT ALLOCATION			TRANSFER		SPENT		2008/09 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
<b>Balance brought forward</b>	<b>230,500</b>	-	-	<b>230,500</b>	<b>230,500</b>		<b>230,500</b>	<b>122,822</b>		<b>138,500</b>
Richtersveld	750	-	-	750	750	100%	750	399	53%	500
Rustenburg	750	-	-	750	750	100%	750	14	2%	500
Sakhisizwe	2,750	-	-	2,750	2,750	100%	2,750	2,008	73%	1,250
Saldanha Bay	750	-	-	750	750	100%	750	287	38%	500
Sedibeng	750	-	-	750	750	100%	750	318	42%	500
Senqu	1,000	-	-	1,000	1,000	100%	1,000	353	35%	500
Setsoto	750	-	-	750	750	100%	750	226	30%	500
Sisonke	750	-	-	750	750	100%	750	750	100%	250
Siyancuma	750	-	-	750	750	100%	750	677	90%	500
Siyanda	750	-	-	750	750	100%	750	353	47%	500
Siyathemba	750	-	-	750	750	100%	750	750	100%	500
SolPlaatjie	750	-	-	750	750	100%	750	502	67%	750
Dr. Kenneth Kaunda District	750	-	-	750	750	100%	750	680	91%	500
Stellenbosch	750	-	-	750	750	100%	750	326	43%	250
Steve Tshwete	750	-	-	750	750	100%	750	750	100%	500
Sunday's River Valley	1,500	-	-	1,500	1,500	100%	1,500	173	12%	2,500
Swartland	750	-	-	750	750	100%	750	552	74%	500
Swellendam	2,750	-	-	2,750	2,750	100%	2,750	1,385	50%	1,250
<b>Subtotal carried forward</b>	<b>249,000</b>	-	-	<b>249,000</b>	<b>249,000</b>		<b>249,000</b>	<b>133,325</b>		<b>150,750</b>

# NATIONAL TREASURY VOTE 7

## ANNEXURES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

### ANNEXURE 1C - CONTINUED

#### STATEMENT OF UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES - continued

NAME OF MUNICIPALITY	GRANT ALLOCATION			TRANSFER		SPENT		2008/09 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
<b>Balance carried forward</b>	<b>249,000</b>	-	-	<b>249,000</b>	<b>249,000</b>		<b>249,000</b>	<b>133,325</b>		<b>150,750</b>
Thaba Chweu	750	-	-	750	750	100%	750	140	19%	250
Thabazimbi	750	-	-	750	750	100%	750	495	66%	500
Thabo	750	-	-	750	750	100%	750	453	60%	500
Mofutsanyane	1,500	-	-	1,500	1,500	100%	1,500	1,000	67%	500
The Big 5 False Bay	1,000	-	-	1,000	1,000	100%	1,000	471	47%	500
Theewaterskloof	1,000	-	-	1,000	1,000	100%	1,000	864	86%	500
Thembelihle	2,750	-	-	2,750	2,750	100%	2,750	327	12%	1,500
Thembisile	750	-	-	750	750	100%	750	72	10%	500
Thulamela	750	-	-	750	750	100%	750	750	100%	500
Tlokwe	750	-	-	750	750	100%	750	348	46%	500
Tokologo	1,000	-	-	1,000	1,000	100%	1,000	801	80%	500
Tsantsabane	750	-	-	750	750	100%	750	524	70%	750
City Of Tshwane	2,750	-	-	2,750	2,750	100%	2,750	974	35%	1,250
Tsolwana	1,000	-	-	1,000	1,000	100%	1,000	1,000	100%	1,250
Tswaing	750	-	-	750	750	100%	750	750	100%	250
Tswelopele	1,500	-	-	1,500	1,500	100%	1,500	842	56%	500
Ubuhlebezwe	750	-	-	750	750	100%	750	185	25%	500
<b>Subtotal carried forward</b>	<b>268,250</b>	-	-	<b>268,250</b>	<b>268,250</b>		<b>268,250</b>	<b>143,321</b>		<b>161,500</b>

## ANNEXURE 1C - CONTINUED

## STATEMENT OF UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES - continued

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER		SPENT		2008/09 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 %
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000		%
<b>Balance brought forward</b>	<b>268,250</b>	-	-	<b>268,250</b>	<b>268,250</b>		<b>268,250</b>	<b>143,321</b>	<b>161,500</b>	
Ugu	750	-	-	750	750	100%	750	493	66%	
Ukhahlamba	750	-	-	750	750	100%	750	92	12%	
Ulundi	750	-	-	750	750	100%	750	577	77%	
Umdoni	1,500	-	-	1,500	1,500	100%	1,500	750	50%	
Umgungundlovu	750	-	-	750	750	100%	750	750	100%	
Umkhambayalinga	1,740	-	-	1,740	1,740	100%	1,740	251	14%	
Umlalazi	750	-	-	750	750	100%	750	750	100%	
Umgungundlovu	750	-	-	750	750	100%	750	218	29%	
Umkhanyakude	750	-	-	750	750	100%	750	365	49%	
Umlalazi	1,000	-	-	1,000	1,000	100%	1,000	637	64%	
Umgungundlovu	750	-	-	750	750	100%	750	120	16%	
Umgungundlovu	1,500	-	-	1,500	1,500	100%	1,500	962	64%	
Umgungundlovu	1,000	-	-	1,000	1,000	100%	1,000	591	59%	
Umgungundlovu	750	-	-	750	750	100%	750	750	100%	
Umgungundlovu	1,000	-	-	1,000	1,000	100%	1,000	795	80%	
Umgungundlovu	750	-	-	750	750	100%	750	478	64%	
Umgungundlovu	750	-	-	750	750	100%	750	449	60%	
Umgungundlovu	1,000	-	-	1,000	1,000	100%	1,000	288	29%	
Umgungundlovu	1,000	-	-	1,000	1,000	100%	1,000	451	45%	
<b>Subtotal carried forward</b>	<b>286,240</b>	-	-	<b>286,240</b>	<b>286,240</b>		<b>286,240</b>	<b>153,088</b>	<b>172,000</b>	

# NATIONAL TREASURY VOTE 7

## ANNEXURES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

### ANNEXURE 1C - CONTINUED

#### STATEMENT OF UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES - continuedd

NAME OF MUNICIPALITY	GRANT ALLOCATION			TRANSFER		SPENT			2008/09	
	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	
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	%	
<b>Balance brought forward</b>	<b>286,240</b>	-	-	<b>286,240</b>	<b>286,240</b>		<b>286,240</b>	<b>153,088</b>		<b>172,000</b>
Umzombe	1,000	-	-	1,000	1,000	100%	1,000	758	76%	250
Uphongolo	1,000	-	-	1,000	1,000	100%	1,000	181	18%	500
Uthukela	750	-	-	750	750	100%	750	42	6%	250
Uthungulu	750	-	-	750	750	100%	750	424	57%	500
Ventersdorp	750	-	-	750	750	100%	750	154	21%	1,250
Vhembe	750	-	-	750	750	100%	750	366	49%	500
Vulamehlo	1,000	-	-	1,000	1,000	100%	1,000	146	15%	500
Waterberg	1,000	-	-	1,000	1,000	100%	1,000	590	59%	500
West Coast	750	-	-	750	750	100%	750	700	93%	500
West Rand	750	-	-	750	750	100%	750	488	65%	500
Westonaria	750	-	-	750	750	100%	750	532	71%	500
Witzenberg	2,750	-	-	2,750	2,750	100%	2,750	1,800	65%	1,250
Xhariep	1,000	-	-	1,000	1,000	100%	1,000	813	81%	500
Zululand	750	-	-	750	750	100%	750	420	56%	500
<b>Total<sup>1</sup></b>	<b>299,990</b>	-	-	<b>299,990</b>	<b>299,990</b>		<b>299,990</b>	<b>160,502</b>		<b>180,000</b>

<sup>1</sup>Transfers made to municipalities are planned for July each year to align with the commencement of the municipal financial year. During this financial year, transfers were delayed for municipalities who showed slow spending patterns from previous year's allocations, and others who did not report, as required by the Division of Revenue Act. Certain transfers were delayed until January 2010.

## ANNEXURE 1D

## STATEMENT OF IN-KIND CONDITIONAL GRANTS AND TRANSFERS TO MUNICIPALITIES

NAME OF MUNICIPALITY	GRANT ALLOCATION			TRANSFER		SPENT			2008/09 Total Available R'000	
	Division of Revenue Act	Rollovers	Adjustments	Total Available	Actual Transfer	Available funds Transferred	Amount received by municipality	Amount spent by municipality		% of available funds spent by municipality
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000		%
Neighbourhood Development Partnership Grant	551,394	-	-	551,394	508,136	92.1%	508,136	304,882	60.0%	181,457
<b>Total</b>	<b>551,394</b>	<b>-</b>	<b>-</b>	<b>551,394</b>	<b>508,136</b>		<b>508,136</b>	<b>304,882</b>		<b>181,457</b>

## NATIONAL TREASURY VOTE 7

## ANNEXURES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

# NATIONAL TREASURY VOTE 7

## ANNEXURES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

### ANNEXURE 1E

#### STATEMENT OF TRANSFERS TO DEPARTMENTAL AGENCIES AND ACCOUNTS

DEPARTMENT/ AGENCY/ ACCOUNT	TRANSFER ALLOCATION				TRANSFER		2008/09	
	Adjusted Appropriation	Rollovers	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	Actual Transferred	
	R'000	R'000	R'000	R'000	R'000	%	R'000	
Accounting Standards Board	7,242	-	-	7,242	7,242	100%	7,411	
Audit Statutory Bodies	19,638	-	-	19,638	19,636	100%	106,428	
Financial and Fiscal Commission	26,580	-	-	26,580	26,580	100%	26,125	
Financial Intelligence Centre	157,884	-	-	157,884	141,645	90%	111,474	
Finance, Accounting, Management Consulting and other Financial Services	388	-	-	388	358	92%	284	
Independent Regulatory Board for Auditors	22,018	-	-	22,018	22,018	100%	20,258	
Institute of Public Finance and Auditing	4,100	-	-	4,100	3,936	96%	-	
Project Development Facility <sup>2</sup>	110,000	-	-	110,000	70,000	64%	-	
Secret Services	3,052,226	-	-	3,052,226	3,052,226	100%	2,843,583	
South African Revenue Service	7,148,446	-	-	7,148,446	7,148,446	100%	6,302,778	
Technical Assistance Unit Trading Account	18,898	-	-	18,898	18,898	100%	20,000	
<b>Total transfers to departmental agencies</b>	<b>10,567,420</b>	<b>-</b>	<b>-</b>	<b>10,567,420</b>	<b>10,510,985</b>		<b>9,438,341</b>	

<sup>2</sup> The Project Development Facility includes the technical experts for the Neighbourhood Development Partnership programme

## ANNEXURE 1F

## STATEMENT OF TRANSFERS TO UNIVERSITIES AND TECHNIKONS

UNIVERSITY/ TECHNIKON	TRANSFER ALLOCATION				TRANSFER			2008/09 Appropriation Act R'000
	Adjusted Appropriation	Roll Overs	Adjust-ments	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 <sup>3</sup>	5,000	-	-	5,000	5,000	-	100	5,000
University of Pretoria <sup>4</sup>	456	-	-	456	456	-	100	456
<b>Total transfers to universities</b>	<b>5,456</b>	<b>-</b>	<b>-</b>	<b>5,456</b>	<b>5,456</b>	<b>-</b>		<b>5,456</b>

<sup>3</sup>The transfers made to the University of Cape Town was for the Economic Research South Africa initiative to fund local economic research.

<sup>4</sup>The transfers made to the University of Pretoria was for the conference of the International Institute of Public Finance.

## NATIONAL TREASURY VOTE 7

## ANNEXURES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

# NATIONAL TREASURY VOTE 7

## ANNEXURES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

### ANNEXURE 1G

#### STATEMENT OF TRANSFERS/SUBSIDIES TO PUBLIC CORPORATIONS AND PRIVATE ENTERPRISES

NAME OF PUBLIC CORPORATION/ PRIVATE ENTERPRISE	TRANSFER ALLOCATION				EXPENDITURE				
	Adjusted Appropriation Act	Rollovers	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	Capital	Current	2008/09 Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000
<b>Public Corporations</b>									
Transfers									
Eskom	30,000,000	-	-	30,000,000	30,000,000	100%	40,000,000	-	10,000,000
<b>Total</b>	<b>30,000,000</b>	<b>-</b>	<b>-</b>	<b>30,000,000</b>	<b>30,000,000</b>		<b>40,000,000</b>	<b>-</b>	<b>10,000,000</b>
<b>Private Enterprises</b>									
Transfers									
Development Bank of Southern Africa (Siyenza Manje)	267,407	-	-	267,407	267,407	100%	-	-	246,809
Insurance (departmental vehicles)	66	-	-	66	37	56%	-	-	36
Land Bank	1,000,000	-	-	1,000,000	1,000,000	100%	-	-	-
<b>Total</b>	<b>1,267,473</b>	<b>-</b>	<b>-</b>	<b>1,267,473</b>	<b>1,267,444</b>		<b>-</b>	<b>-</b>	<b>246,845</b>
<b>Total</b>	<b>31,267,473</b>	<b>-</b>	<b>-</b>	<b>31,267,473</b>	<b>31,267,444</b>		<b>40,000,000</b>	<b>-</b>	<b>10,246,845</b>

## ANNEXURE 1H

## STATEMENT OF TRANSFERS TO FOREIGN GOVERNMENT AND INTERNATIONAL ORGANISATIONS

FOREIGN GOVERNMENT/ INTERNATIONAL ORGANISATION	TRANSFER ALLOCATION			EXPENDITURE		2008/09 Actual Transferred R'000
	Adjusted Appropriation Act R'000	Roll overs R'000	Adjust-ments R'000	Total Available R'000	Actual Transfer R'000	
<b>Transfer</b>						
African Development Bank	57,459	-	-	57,459	57,329	100%
Commonwealth Fund for Technical Cooperation	3,536	-	-	3,536	3,536	100%
Global Alliance for Vaccines and Immunisation	7,455	-	-	7,455	7,454	100%
Investment Climate Facility	7,607	-	-	7,607	7,607	100%
Lesotho, Namibia and Swaziland	409,878	-	-	409,878	409,878	100%
United Kingdom Tax	1,382	-	-	1,382	1,382	100%
World Bank Group (International Development Association)	68,000	-	-	68,000	68,000	100%
<b>Total</b>	<b>555,317</b>	<b>-</b>	<b>-</b>	<b>555,317</b>	<b>555,186</b>	<b>550,501</b>

## NATIONAL TREASURY VOTE 7

## ANNEXURES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

# NATIONAL TREASURY VOTE 7

## ANNEXURES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

### ANNEXURE 1 I

#### STATEMENT OF TRANSFERS TO NON-PROFIT INSTITUTIONS

NON-PROFIT INSTITUTIONS	TRANSFER ALLOCATION				EXPENDITURE		2008/09
	Adjusted Appropriation Act	Roll overs	Adjust-ments	Total Available	Actual Transfer	% of Available funds transferred	Actual Transferred
	R'000	R'000	R'000	R'000	R'000	%	R'000
Transfers							
SA Legion	71	-	-	71	68	96%	68
<b>Total</b>	<b>71</b>	<b>-</b>	<b>-</b>	<b>71</b>	<b>68</b>		<b>68</b>

## ANNEXURE 1J

## STATEMENT OF TRANSFERS TO HOUSEHOLDS

HOUSEHOLDS	TRANSFER ALLOCATION				EXPENDITURE		2008/09 Appropriation Act 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 %	
<b>Transfers</b>							
Post-retirement medical scheme contributions <sup>5</sup>	1,451,772	-	-	1,451,772	1,451,744	100%	1,423,032
Injury on duty	376,280	-	-	376,280	376,190	100%	349,322
Medical benefits - ex- service men	22,238	-	-	22,238	22,237	100%	37,756
Other benefits	2,637,964	-	-	2,637,964	2,637,919	100%	107,277
SA Citizen Force	103,521	-	-	103,521	103,520	100%	96,886
Social assistance (bursaries)	1,231	-	-	1,231	909	74%	392
Special pensions	337,431	-	-	337,431	337,431	100%	296,869
<b>Total</b>	<b>4,930,437</b>	<b>-</b>	<b>-</b>	<b>4,930,437</b>	<b>4,929,950</b>		<b>2,311,534</b>

<sup>5</sup>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 FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

### ANNEXURE 1K

#### STATEMENT OF FOREIGN AID ASSISTANCE RECEIVED

NAME OF DONOR	PURPOSE	OPENING	REVENUE	EXPENDITURE	SURRENDERED	CLOSING
		BALANCE			TO RDP	BALANCE
		R'000	R'000	R'000	R'000	R'000
<b>Foreign aid assistance received in cash</b>						
Canada – Capacity Building Technical Assistance Facility (CBTAF)	Contribute to improved service delivery for poor and vulnerable populations in South African government Programme of Action	1,945	-	-	1,945	-
Canada- ABRS AFDB	Provides funding for three CABRI project, namely: Budget Practices and Procedure report; Budget Resource Centre; Regional Public Goods	-	1,413	260	-	1,153
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 organisation) 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	1,147	4,048	5,084	-	111
European Union – International Development Cooperation Support Programme (IDC)	Strengthening governance capacity in coordinating and managing donor assistance to South Africa in line with the country's development prioritise	16	-	-	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	5,647	6,322	8,989	5,647	(2,667)

## ANNEXURE 1K - CONTINUED

## STATEMENT OF FOREIGN AID ASSISTANCE RECEIVED - continued

NAME OF DONOR	PURPOSE	OPENING	REVENUE	EXPENDITURE	SURRENDERED	CLOSING
		BALANCE	R'000	R'000	TO RDP	BALANCE
		R'000	R'000	R'000	R'000	R'000
<b>Foreign aid assistance received in cash</b>						
European Union – Technical Assistance Unit (TAU)	TAU is 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	(926)	926	-	-	-
Ireland – Collaborative African Budget Reform Initiative (CABRI)	Financing of the annual budget reform seminar	416	3,415	2,143	-	1,687
Japan – Japan Development Corporation Information Systems (JDC)	To establish and operationalise a management information system for development assistance to South Africa	51	-	-	51	-
Sweden – Swedish International Development Agency (SIDA) – CABRI	Financial of annual budget reform seminar	1,287	(1,287)	-	-	-
<b>Subtotal foreign aid assistance received in cash</b>		<b>9,734</b>	<b>14,837</b>	<b>16,476</b>	<b>7,811</b>	<b>284</b>

# NATIONAL TREASURY VOTE 7

## ANNEXURES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

### ANNEXURE 1K - CONTINUED

#### STATEMENT OF LOCAL AND FOREIGN ASSISTANCE RECEIVED - continued

NAME OF DONOR	PURPOSE	OPENING	REVENUE	EXPENDITURE	SURRENDERED	CLOSING
		BALANCE			TO RDP	BALANCE
		R'000	R'000	R'000	R'000	R'000
<b>Foreign aid assistance received in kind</b>						
Department for International Development (DFID)	Support for the implementation of MFMA	4,978	-	-	-	4,978
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)	Technical advisor to support the implementation of MFMA	2,996	2,639	-	-	5,635
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)	Provide assistance with the implementation of 2010 FIFA World Cup projects	21,196	13,500	-	-	34,696
European Commission	Supporting the strengthening of public financial management in South Africa	4,503	-	-	-	4,503
National Treasury	Provide financial management support to the Collaborative African Budget Reform Initiative	1,022	-	-	-	1,022
United State Agency for International Development	Limited scope grant agreement	76	-	-	-	76
<b>Total foreign aid assistance received in kind</b>		<b>34,771</b>	<b>16,139</b>	<b>-</b>	<b>-</b>	<b>50,910</b>

## ANNEXURE 2A

## STATEMENT OF INVESTMENTS IN AND AMOUNTS OWING BY/TO NATIONAL/PROVINCIAL PUBLIC ENTITIES

NAME OF PUBLIC ENTITY	State Entity's PFMA Schedule type (state year end if not 31 March)	% Held 09/10	% Held 08/09	Number of shares held		Cost of investment		Net Asset value of investment		Profit/(Loss) for the year		Losses guaranteed
				R'000		R'000		R'000		R'000		
				2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	
<b>National/provincial public entities</b>												
Accounting Standards Board	Schedule 3A	-	-	-	-	-	-	345	330	653	(88)	No
Development Bank of Southern Africa	Schedule 2	100	100	200,000	200,000	200,000	200,000	17,890,287	17,411,701	622,300	1,602,514	No
Financial and Fiscal Commission	Other	-	-	-	-	-	(199)	-	280	(1,055)	(471)	No
Financial Intelligence Centre	Schedule 3A	-	-	-	-	-	-	50,453	32,722	20,932	161,459	No
Financial Services Board	Schedule 3A	-	-	-	-	-	-	134,936	205,186	(18,182)	17,211	No
Independent Regulatory Board for Auditors	Schedule 3A	-	-	-	-	-	-	19,771	12,736	-	(173)	No
Land Bank*	Schedule 2	100	100	-	-	200,955	200,955	3,174,315	2,371,941	202,173	238,110	Yes
Public Investment Corporation Ltd	Schedule 3B	100	100	1	1	1	1	425,029	398,410	74,000	161,229	No
South African Revenue Service	Schedule 3A	-	-	-	-	-	-	1,494,965	1,030,506	538,396	356,619	No
SASRIA Limited	Schedule 3B	100	100	-	-	-	-	3,455,111	2,673,550	491,205	334,647	Yes
Social Responsibility Investment Portfolio	Not applicable	1	1	-	-	-	-	-	517,358	-	-	No
<b>Total Investment</b>				<b>200,001</b>	<b>200,001</b>	<b>400,956</b>	<b>400,956</b>	<b>26,645,013</b>	<b>24,654,720</b>	<b>1,930,422</b>	<b>2,871,057</b>	

The 2009/10 amounts disclosed in this schedule are preliminary figures and are based on unaudited annual financial statements of public entities.

\*Reclassification of the prior year amount.

# NATIONAL TREASURY VOTE 7

## ANNEXURES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

### ANNEXURE 2B

#### STATEMENT OF INVESTMENTS IN AND AMOUNTS OWING BY/TO ENTITIES

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	R'000	R'000	R'000	R'000
		2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09
Accounting Standards Board	Determine standards of generally recognised accounting practice	-	-	345	330	-	-	-	-
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	17,890,287	17,411,701	-	-	-	-
Financial and Fiscal Commission	Assist and maintain the balance between fiscal decentralisation and the unitary state	-	-	(199)	280	-	-	-	-
Financial Intelligence Centre	To assist in the identification of the proceeds of unlawful activities and the combating of money laundering activities	-	-	50,453	32,722	-	-	-	-
Financial Services Board	Supervise compliance with laws regulating financial institutions and the matters connected therewith	-	-	134,936	205,186	-	-	-	-
Independent Regulatory Board for Auditors	Registration of public accountants and auditors and for the regulation of the training of public accountants and auditors	-	-	19,771	12,736	-	-	-	-
Land Bank	Facilitate access to ownership of land for the development of farming enterprises and agricultural purposes for the historically disadvantaged people	200,955	200,955	3,174,315	2,371,941	-	-	-	-
Public Investment Corporation Ltd	Invests funds on behalf of the South African public sector	1	1	425,029	398,410	-	-	-	-
South African Revenue Service	Efficient and effective collection of revenue	-	-	1,494,965	1,030,506	-	-	-	-
SASRIA Limited	Short-term insurance	-	-	3,455,111	2,673,550	-	-	-	-
Social Responsibility Investment Portfolio	To facilitate black economic empowerment transactions and redress the inequalities of the past	-	-	-	517,358	-	-	-	-
<b>Total Investments</b>		<b>400,956</b>	<b>400,956</b>	<b>26,645,013</b>	<b>24,654,720</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The 2009/10 amounts disclosed in this schedule are preliminary figures and are based on unaudited annual financial statements of public entities.

## ANNEXURE 3A

## STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2010 – LOCAL

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2009	Guarantees draw downs during the year	Guarantees repayments/cancelled/reduced/released during the year	Revaluations	Closing balance 31 March 2010	Guaranteed interest for year ended 31 March 2010	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
<b>Motor vehicles guarantees</b>									
Standard Bank	Employees	749	205	-	152	-	53	-	-
Vehicle Finance									
	<b>Subtotal</b>	<b>749</b>	<b>205</b>	<b>-</b>	<b>152</b>	<b>-</b>	<b>53</b>	<b>-</b>	<b>-</b>
<b>Housing guarantees</b>									
ABSA	Employees	70	70	-	-	-	70	-	-
First National Bank	Employees	132	35	-	-	-	35	-	-
Nedbank	Employees	112	75	-	-	-	75	-	-
Standard Bank	Employees	124	63	-	50	-	13	-	-
	<b>Subtotal</b>	<b>438</b>	<b>243</b>	<b>-</b>	<b>50</b>	<b>-</b>	<b>193</b>	<b>-</b>	<b>-</b>

# NATIONAL TREASURY VOTE 7

## ANNEXURES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

### ANNEXURE 3A - continued

STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2010 – LOCAL - continued

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2009	Guarantees draw downs during the year	Guarantees repaid/cancelled/reduced/released during the year	Revaluations	Closing balance 31 March 2010	Guaranteed interest for year ended 31 March 2010	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
<b>Other Local Guarantees</b>									
Development Bank of Southern Africa	Former regional authorities (former Ciskei)	114,406	10,787	-	(3,350)	-	7,457	1,167	-
Development Bank of Southern Africa	Former regional authorities (former Transkei)	139,459	1,428	-	(183)	-	1,245	63	-
Development Bank of Southern Africa	Former regional authorities (former Kwa-Zulu)	226,676	101	-	(101)	-	-	-	-
Development Bank of Southern Africa	Former regional authorities (former Kwangane)	61,176	3,762	-	(1,288)	-	2,474	377	-
Development Bank of Southern Africa	Former regional authorities (former Kwandebele)	55,989	16,569	-	(1,203)	-	15,366	6,242	-
Development Bank of Southern Africa	Former regional authorities (former Bophuthatswana)	288,369	88,908	-	(4,908)	-	84,000	68,520	-
Development Bank of Southern Africa	Former regional authorities (former Venda)	96,681	5,475	-	(2,466)	-	3,009	296	-
Development Bank of Southern Africa	Increase in Capital	15,200,000	-	15,200,000	-	-	15,200,000	-	-
Land Bank and Agriculture Development of South Africa	Consolidation of debt	100,000*	92,728	-	-	-	92,728	-	-
<b>Subtotal</b>		<b>16,282,756</b>	<b>219,758</b>	<b>15,200,000</b>	<b>(13,476)</b>	<b>-</b>	<b>15,406,279</b>	<b>76,665</b>	<b>-</b>

\*Reclassification of the prior year amount.

**ANNEXURE 3A - continued****STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2010 – LOCAL – continued**

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2009	Guarantees draw downs during the year	Guarantees repayments/cancelled/reduced/released during the year	Revaluations	Closing balance 31 March 2010	Guaranteed interest for year ended 31 March 2010	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
<b>Other Local Guarantees</b>									
<b>Subtotal brought forward</b>		<b>16,282,756</b>	<b>219,758</b>	<b>15,200,000</b>	<b>(13,476)</b>	<b>-</b>	<b>15,406,279</b>	<b>76,665</b>	<b>-</b>
Land Bank and Agriculture		200,000*	1,733	-	(110)	-	1,623	-	-
Development of South Africa	Grain Silo Loans								
Land Bank and Agriculture		1,500,000*	1,500,000	-	(1,500,000)	-	-	-	-
Development of South Africa	Recapitalisation								
Land Bank and Agriculture		3,500,000*		3,500,000	(1,000,000)	-	2,500,000	-	-
Development of South Africa	Recapitalisation <sup>1</sup>								
South African Reserve Bank	Saambou Bank Ltd	7,872,262	142,147	-	(142,147)	-	-	-	-
<b>Total local guarantees</b>		<b>29,356,205</b>	<b>1,864,086</b>	<b>18,700,000</b>	<b>(2,655,938)</b>	<b>-</b>	<b>17,908,148</b>	<b>76,665</b>	<b>-</b>

\* Reclassification of the prior year amount.

<sup>1</sup>The letter of understanding of R3.5 million is proportionally decreasing with capital injection by government to the Land Bank; R1 billion (2009/10), R750 million (2010/11 and 2011/12) and R1 billion (2012/13)

# NATIONAL TREASURY VOTE 7

## ANNEXURES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

### ANNEXURE 3A - continued

#### STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2010 – FOREIGN

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2009	Guarantees draw downs during the year	Guarantees repaid/cancelled/reduced/released during the year	Revaluations	Closing balance 31 March 2010	Guaranteed interest for year ended 31 March 2010	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
Development Bank of Southern Africa	Chiao Tung Bank Co. Ltd	113,560*	29,324	-	4,582	(6,619)	18,123	29	-
Development Bank of Southern Africa	African Development Bank	513,450	232,628	-	56,560	(47,705)	128,363	577	-
Development Bank of Southern Africa	Nordic Investment Bank	73,350	37,980	-	7,764	(8,211)	22,005	32	-
Development Bank of Southern Africa	Nordic Investment Bank	73,350	27,926	-	8,897	(6,085)	12,944	34	-
Development Bank of Southern Africa	Nordic Investment Bank	73,350	39,097	-	8,897	(8,626)	21,574	56	-
Development Bank of Southern Africa	European Investment Bank	495,021*	296,610*	-	10,751	(21,888)	263,971	15,478	-
Development Bank of Southern Africa	European Investment Bank	495,021*	267,185	-	41,627	(60,435)	165,123	51	-
Development Bank of Southern Africa	European Investment Bank	792,034*	503,923	-	46,182	(114,252)	343,489	107	-
Development Bank of Southern Africa	African Development Bank	733,500	902,025	-	90,945	(187,605)	623,475	2,617	-
Development Bank of Southern Africa	Agence Francaise de Development	150,931	118,566	-	13,249	(24,047)	81,270	1,201	-
Development Bank of Southern Africa	Kreditanstalt fur Wierderaufbau	289,454	351,026	-	15,683	(74,834)	260,509	1,318	-
Development Bank of Southern Africa	Kreditanstalt fur Wierderaufbau	144,267	184,164	-	-	(39,897)	144,267	729	-
Development Bank of Southern Africa	Kreditanstalt fur Wierderaufbau	124,107	158,426	-	-	(34,321)	124,105	627	-
<b>Subtotal</b>		<b>32,932,579</b>	<b>4,716,356</b>	<b>-</b>	<b>2,950,324</b>	<b>612,637</b>	<b>19,853,395</b>	<b>84,043</b>	<b>-</b>

\* Reclassification of the prior year amount.

**ANNEXURE 3A - continued****STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2010 – FOREIGN - continued**

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2009	Guarantees draw downs during the year	Guarantees repayments/cancelled/reduced/released during the year	Revaluations	Closing balance 31 March 2010	Guaranteed interest for year ended 31 March 2010	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
<b>Subtotal brought forward</b>		<b>32,932,579</b>	<b>4,716,356</b>	-	<b>2,950,324</b>	<b>612,637</b>	<b>19,853,395</b>	<b>84,043</b>	-
Development Bank of Southern Africa	Kreditanstalt für Wiederaufbau	126,550	157,979	-	-	(34,224)	123,755	626	-
Development Bank of Southern Africa	Kreditanstalt für Wiederaufbau	136,473	174,214	-	5,212	(39,352)	129,650	655	-
Development Bank of Southern Africa	European Investment Bank	100,000	100,000	-	100,000	-	-	-	-
Development Bank of Southern Africa	African Development Bank	500,000	209,501	-	41,900	-	167,601	4,775	-
Development Bank of Southern Africa	Eurobonds	8,500,000	8,500,000	-	-	-	8,500,000	10,875	-
<b>Subtotal foreign guarantees</b>		<b>13,434,418</b>	<b>12,290,574</b>	-	<b>452,250</b>	<b>(708,101)</b>	<b>11,130,224</b>	<b>39,787</b>	-
<b>Total financial guarantees</b>	<b>Total</b>	<b>42,790,623</b>	<b>14,154,660</b>	<b>18,700,000</b>	<b>3,108,188</b>	<b>(708,101)</b>	<b>29,038,372</b>	<b>116,452</b>	-

\* Reclassification of the prior year amount.

# NATIONAL TREASURY VOTE 7

## ANNEXURES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

### ANNEXURE 3B

#### STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2010

Nature of Liability	Opening Balance 1 April 2009	Liabilities incurred during the year	Liabilities paid/ cancelled/reduced during the year	Liabilities recoverable (Provide details hereunder)	Closing Balance 31 March 2010
	R'000	R'000	R'000	R'000	R'000
<b>Claims against the department</b>					
Arrears rental claim	425	-	(22)	-	403
RSC levies claim	178,000	-	(6,185)	-	171,815
SARB guarantee claim	35,336	-	-	-	35,336
Tender-related claims	11,849	-	(1,849)	-	-
Theft and losses claim <sup>7</sup>	1,006	21	(241)	-	786
Contract cancellation claim	-	4,500	-	-	4,500
Relocation costs claim	-	7	-	-	7
Promissory note claim	-	1,000,000	-	-	1,000,000
Alexcor claim	-	119,000	-	-	119,000
<b>Total claims against the department</b>	<b>226,616</b>	<b>1,124,693</b>	<b>(18,297)</b>	<b>-</b>	<b>1,333,012</b>
Total other liabilities	473,980*	146,795	(473,980)	-	146,795
Military Pension	1,427	2,955	(1,427)	-	2,955
Injury on duty	12,200	-	(12,200)	-	-
Special Pension	460,353	143,840	(460,353)	-	143,840
<b>Total contingent liabilities</b>	<b>700,596</b>	<b>1,271,488</b>	<b>(492,277)</b>	<b>-</b>	<b>1,479,807</b>

<sup>7</sup>Exchange rate of R7.39 on \$103,493.75 as at 31 March 2010

\*Reclassification of the prior year amount.

**ANNEXURE 4****CLAIMS RECOVERABLE**

Government Entity	Confirmed balance outstanding 31/03/2010		Confirmed balance outstanding 31/03/2009		Unconfirmed balance outstanding 31/03/2010		Unconfirmed balance outstanding 31/03/2009		Total 31/03/2010		Total 31/03/2009	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Department</b>												
Gauteng	-	67	-	67	67	67	-	67	67	67	-	67
KwaZulu-Natal	-	1,108	-	1,108	1,108	1,108	-	1,108	1,108	1,108	-	1,108
Eastern Cape	-	18	-	-	18	18	-	-	18	18	-	-
Northern Cape	-	-	29	-	-	-	-	-	-	-	29	-
North West	-	-	-	-	-	-	165	-	-	-	165	-
Western Cape	-	125,074	35	125,074	125,074	125,074	125,074	125,074	125,074	125,074	125,109	125,109
National Departments	56	2,300	67	6,820	2,300	6,820	6,820	6,820	2,356	2,356	6,887	6,887
<b>Other</b>												
Foreign government	-	316	-	481	316	481	481	481	316	316	481	481
Households and non-profit Institutions	-	9,495	-	7,949*	9,495	7,949*	7,949*	7,949*	9,495	9,495	7,949*	7,949*
<b>Total claims recoverable</b>	<b>56</b>	<b>138,378</b>	<b>131</b>	<b>141,664</b>	<b>138,378</b>	<b>141,664</b>	<b>141,664</b>	<b>141,664</b>	<b>138,434</b>	<b>138,434</b>	<b>141,795</b>	<b>141,795</b>

\*Reclassification of the prior year amount.

**NATIONAL TREASURY VOTE 7****ANNEXURES TO THE FINANCIAL STATEMENTS - CONTINUED**

FOR THE YEAR ENDED 31 MARCH 2010

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 MARCH 2010



NATIONAL  
TREASURY

PPP

unit

**P**roject  
**D**evelopment  
**F**acility

## PROJECT DEVELOPMENT FACILITY (PDF)

A TRADING ENTITY MANAGED BY THE PPP UNIT OF NATIONAL TREASURY

**ANNUAL FINANCIAL STATEMENTS**

AS AT 31 MARCH 2010

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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 2010**



**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*

## REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE PDF

FOR THE YEAR ENDED 31 MARCH 2010

### REPORT ON THE FINANCIAL STATEMENTS

#### INTRODUCTION

I have audited the accompanying financial statements of the Project Development Facility, which comprise the statement of financial position as at 31 March 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 220 to 240.

#### ACCOUNTING OFFICER'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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 of South Africa, 1999 (Act No. 1 of 1999) (PFMA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### AUDITOR-GENERAL'S RESPONSIBILITY

As required by section 188 of the Constitution of South Africa and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with International Standards on Auditing and *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*. 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.

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 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.

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

#### OPINION

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Project Development Facility as at 31 March 2010, and its financial performance and its cash flows for the year then ended, in accordance with the SA Statements of GAAP and in the manner required by the PFMA.

**REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT  
ON THE FINANCIAL STATEMENTS OF THE PDF - CONTINUED**

FOR THE YEAR ENDED 31 MARCH 2010

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

In terms of the PAA and *General Notice 1570 of 2009*, issued in *Government Gazette 32758 of 27 November 2009*, I include below my findings on the report on predetermined objectives, compliance with the PFMA and financial management (internal control).

**FINDINGS**

**Predetermined objectives**

No matters to report.

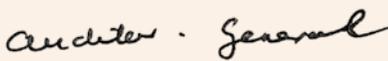
**Compliance with laws and regulations**

No matters to report.

**INTERNAL CONTROL**

I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives and compliance with the PFMA, but not for the purposes of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the deficiencies identified during the audit.

No matters to report.



Pretoria  
28 July 2010



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2010

National Treasury Annual Report 2009/10

	Notes	2009/10 R	2008/09 R
<b>ASSETS</b>			
<b>Current assets</b>			
Receivables	8	283,478	343,813
Cash and cash equivalents	9	59,994,045	94,447,375
<b>Total assets</b>		<b>60,277,523</b>	<b>94,791,188</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Retained earnings		51,084,009	81,829,410
<b>Non Current liabilities</b>			
Revenue Fund	11	1,503,940	-
<b>Current liabilities</b>			
Payables	10	7,278,003	11,850,558
Deferred revenue	14	411,571	1,111,220
<b>Total equity and liabilities</b>		<b>60,277,523</b>	<b>94,791,188</b>

Annual Financial Statements

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2010

	Notes	2009/10 R	2008/09 R
Revenue	5	70,699,649	81,099,780
Project expenses		(103,766,249)	(81,075,980)
Gross profit/(loss)		(33,066,600)	23,800
Investment Income	6	3,369,931	5,887,373
Administration expenses	7	(1,047,570)	(519,511)
Finance cost		(1,162)	(100,832)
<b>Profit/(Loss) for the period</b>		<b>(30,745,401)</b>	<b>5,290,830</b>

National Treasury Annual Report 2009/10

Annual Financial Statements

## STATEMENT OF CHANGES IN EQUITY

AS AT 31 MARCH 2010

National Treasury Annual Report 2009/10

	<b>Retained Earnings</b>	<b>Total</b>
	<b>R</b>	<b>R</b>
Balance at 1 April 2008	76,538,580	76,538,580
Net profit for the year	5,290,830	5,290,830
Balance at 31 March 2009	81,829,410	81,829,410
Net profit/(Loss) for the year	(30,745,401)	(30,745,401)
<b>Balance at 31 March 2010</b>	<b>51,084,009</b>	<b>51,084,009</b>

Annual Financial Statements

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2010

	Notes	2009/10 R	2008/09 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash received from government and other sources		70,999,649	82,211,000
Cash paid to suppliers		(108,882,083)	(74,869 649)
Interest Paid		(1,162)	(100 832)
Cash generated/(utilised) in operations	12	<u>(37,883,596)</u>	<u>7,240,519</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Interest received	13	<u>3,430,266</u>	<u>6,158,070</u>
Net cash inflow/outflow from operating activities		<u>(34,453 330)</u>	<u>13,398,589</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of the year	9	94,447,375	81,048,786
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>9</b>	<b><u>59,994,045</u></b>	<b><u>94,447,375</u></b>

National Treasury Annual Report 2009/10

Annual Financial Statements

## ACCOUNTING POLICIES

AS AT 31 MARCH 2010

### 1. GENERAL INFORMATION

The Project Development Fund (PDF) is a Trading Entity that is incorporated in the Republic of South Africa. The PDF is located within the Public Private Partnership (PPP) unit of National Treasury. Its principle role is to increase the quality and quantity of commercially viable projects that are processed through the PPP unit's project pipeline.

### 2. STANDARDS AND INTERPRETATIONS EARLY ADOPTED

The following used, approved but not yet effective accounting policy was adopted in the current period.

- IFRS 9 – Financial Instruments

All financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 STATEMENT OF COMPLIANCE

The annual financial statements have been prepared in accordance with Statements of Generally Accepted Accounting Practice (GAAP). These require the use of certain accounting estimates. They also require management to exercise its judgement in the process of applying the company's accounting policies based on best available information at the time of preparation.

#### 3.2 CURRENCY

The financial statements are presented in South African Rand since that is the currency in which the majority of the entity's transactions are denominated.

#### 3.3 BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis, except where indicated otherwise. The financial statements incorporate the fundamental assumptions of going concern and accrual.

The principal accounting policies are adopted and set out below. These have been applied consistently with the previous financial year.

## ACCOUNTING POLICIES – CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

**3.4 REVENUE RECOGNITION****Grants**

The grants received from the World Bank (US Grant) are all 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 and that all the conditions are met.

The National Treasury grant is not a conditional grant and it is recognised when it is probable that future economic benefits will flow into the entity and when the amount can be measured reliably. An annual application is made to National Treasury not to surrender the surplus.

**3.5 IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE**

Irregular expenditure relates to expenditure incurred in contravention of, or not in accordance with, a requirement of any applicable legislation, including the Public Financial and Management Act (PFMA), 1999 as amended.

Fruitless and wasteful expenditure relates to expenditure made in vain and could have been avoided had reasonable care or controls been exercised.

All irregular and fruitless and wasteful expenditure is disclosed in the notes to the financial statement in the period in which it is incurred.

**3.6 FINANCIAL INSTRUMENTS****Recognition**

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.

**Financial Assets***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.

*Receivables*

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'.

Receivables are measured using the effective interest method.

**ACCOUNTING POLICIES - CONTINUED**

AS AT 31 MARCH 2010

*Investment Income*

Investment income is made up of Interest income.

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

**Financial Liabilities**

All financial liabilities of PDF were classified as other financial liabilities. The classification depends on the nature and purpose of the financial liabilities and is determined at the time of initial recognition.

*Other financial Liabilities*

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

**3.7 FOREIGN CURRENCIES**

In preparing the financial statements of the individual entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the date the funds are received.

**3.8 GOING CONCERN**

The entity is financially dependent on the grant it receives from National Treasury. On the basis that the grant has been listed in the Estimates of National Expenditure, management believe that the entity will continue to be a going concern in the year ahead. For this reason, management continue to prepare the annual financial statements on a going concern basis.

**4. PUBLIC SECTOR PRACTICES AND POLICIES****4.1 INTER-RELATIONSHIP 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 government practices, the entity is not obliged to pay for certain expenditure such as office space and utilisation of fixed and moveable assets.

**4.2 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.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

National Treasury Annual Report 2009/10

	<b>2009/10</b>	<b>2008/09</b>
	<b>R</b>	<b>R</b>
<b>5. REVENUE</b>		
- Government grants received	70,000,000	80,100,000
- US Grant	699,649	999,780
	<b><u>70,699,649</u></b>	<b><u>81,099,780</u></b>
<b>6. INVESTMENT INCOME</b>		
Other income includes:		
- Interest received from PDF bank account	1,159,791	2,684,574
- Interest received from NDPG bank account	2,210,140	3,202,800
	<b><u>3,369,931</u></b>	<b><u>5,887,373</u></b>
<b>7. ADMINISTRATION EXPENSES</b>		
Administration expenses comprises the following:		
- Audit fees	234,677	163,938
- Bank charges	143,394	15,573
- Financial managers' fees	669,499	340,000
	<b><u>1,047,570</u></b>	<b><u>519,511</u></b>
Financial manager's fees represent amounts paid to Deloitte & Touche for accounting services.		
<b>8. RECEIVABLES</b>		
- Accrued interest	<b><u>283,478</u></b>	<b><u>343,813</u></b>
Total receivables consist of interest accrued from the bank due to the positive material bank balance. PDF's exposure to credit risk is disclosed in note 21.		
<b>9. CASH AND CASH EQUIVALENTS</b>		
PDF Bank account	11,624,044	27,472,802
NDPG Bank account	47,958,430	65,863,353
US Grant bank account	411,571	1,111,220
	<b><u>59,994,045</u></b>	<b><u>94,447,375</u></b>

Annual Financial Statements

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

National Treasury Annual Report 2009/10

	<b>2009/10</b>	<b>2008/09</b>
	<b>R</b>	<b>R</b>
<b>10. PAYABLES</b>		
Payables	6,978,003	10,346,618
Revenue Fund	-	1,503 940
Free State Dept of Health	300,000	-
	<b>7,278,003</b>	<b>11,850,558</b>

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.

Co-funding received from the Free State Department of Health on the Hospitals funded project by the PDF.

**11. NON CURRENT LIABILITIES**

Revenue Fund	1,503,940	-
	<b>1,503,940</b>	<b>-</b>

Liability from the Revenue fund is as a result of over recovery of the project reimbursement from the Eastern Cape Department of Health, the funds, however, could not be repaid to the Eastern Cape Department of Health. Therefore the amount was recognised as a liability as it was now owed to the Revenue Fund.

A process is currently underway for the money to be retained by the PDF.

**12. RECONCILIATION OF NET PROFIT FOR THE YEAR TO CASH GENERATED FROM OPERATIONS**

<b>Net profit/(Loss) for the year</b>	<b>(30,745,401)</b>	<b>5,290,830</b>
Net finance income	(3,369,931)	(5,887,373)
Operating cash flows before working capital changes	(34,115,332)	(596,543)
Working capital changes:	(3,768,264)	7,837,062
- Decrease in trade and other payables	(3,068,615)	6,725,842
- Decrease in other receivables	-	-
- Increase in deferred revenue	(699,649)	1,111,220
<b>Cash generated from operations</b>	<b>(37,883,596)</b>	<b>7,240,519</b>

Annual Financial Statements

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS – CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

National Treasury Annual Report 2009/10

	<b>2009/10</b>	<b>2008/09</b>
	<b>R</b>	<b>R</b>
<b>13. INTEREST INCOME RECEIVED</b>		
Accrued interest income at beginning of year	343,813	614,510
Net finance income received per the statement of comprehensive income	3,369,931	5,887,373
Accrued net finance income at the end of the year	(283,478)	(343,813)
<b>Interest income received</b>	<b>3,430,266</b>	<b>6,158,070</b>

**14. DEFERRED REVENUE**

Balance as at 1 April 2009	1,111,220	-
Grant received in the current year	-	2,111,000
Revenue recognised in the current year	699,649	999,780
<b>Balance at 31 March 2010</b>	<b>411,571</b>	<b>1,111,220</b>

**15. CONTINGENT LIABILITIES**

Contingent liabilities are made up of:

Retained Earnings	51,084,009	81,879,670
NDPG projects	454,368,282	442,271,603
PDF projects	27,540,273	27,366,713

The retained earnings are retained for the funding of Transaction Advisors costs associated with establishment of selected PPP and NDPG projects approved for funding during the course of the entity normal course of operations. The entity has obtained permission from National Treasury to retain the retained earnings from the 2008/09 financial year. The entity is in the process of requesting permission from National Treasury to retain the 2009/10 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 they enter into agreement with, and therefore no control over whether milestones are met and when they will be 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 a contingent liability.

Annual Financial Statements

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

**15. CONTINGENT LIABILITIES (CONTINUED)**

Movement on 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 2009	EXPENDITURE FOR THE YEAR ENDING 31 MARCH 2010	FUTURE REMAINING COMMITMENTS
1	NDPG1-077	Eyabantu Community Neighbourhood Centre	2,000,000	810,833	-	1,189,167
2	NDPG1-043	Mphophomeni Multi Service Centre	1,000,000	817,031	-	182,969
3	NDPG1-169	KwaMashu Town Centre Redevelopment	2,000,000	743,280	1,000,000	256,720
4	NDPG1-092	Ndwedwe Township Development	5,350,000	2,077,354	219,282	3,053,364
5	NDPG1-183	Motherwell Sustainable Community Development - Social Economic and Demographic Survey	2,500,000	1,773,532	-	726,468
6	NDPG1-103	Masifunde Node Initiative	2,000,000	888,853	263,828	847,320
7	NDPG1-242	Bara Central Development	8,340,000	631,064	-	7,708,936
8	NDPG2-045	New Canada Node Station Development	5,000,000	916,539	-	4,083,461
9	NDPG2-097	Secondary Property Markets	9,000,000	1,982,377	5,747,793	1,269,830
10	NDPG2-130	Mpumalanga Town Centre Development	600,000	344,736	199,000	56,264
11	NDPG1-038	Swalala Precinct Development & KwaNyamazane Renewal	10,865,000	2,095,320	3,705,436	5,064,244
12	NDPG1-097	Sports Facility & Economic Hub	2,600,000	440,651	773,033	1,386,316
13	NDPG1-223	Kliptown CBD renewal Parking Base	7,192,892	5,335,502	111,572	1,745,818
14	NDPG1-171	INK Urban Renewal Programme	8,500,000	1,745,005	1,756,879	4,998,116
15	NDPG1-243	Orlando Ekhaya	700,000	304,486	-	395,514

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS – CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

## 15. CONTINGENT LIABILITIES (CONTINUED)

#	PROJECT NUMBER	PROJECT NAME & DESCRIPTION	NDPG FUNDING AMOUNT	CUMULATIVE EXPENDITURE AS AT 31 MARCH 2009	EXPENDITURE FOR THE YEAR ENDING 31 MARCH 2010	FUTURE REMAINING COMMITMENTS
16	NDPG2-044	Zola Public Space and Nodal Planning	5,000,000	513,000	1,447,697	3,039,303
17	NDPG2-112	Vilakazi Street Precinct	8,500,000	5,195,601	1,823,727	1,480,672
18	NDPG2-127	Umlazi Malukazi Economic Development	7,000,000	1,301,976	149,340	5,548,684
19	NDPG1-066	Development of Social, Economic & Community nodes & Large Area Facilities for resident townships	2,500,000	849,384	-	1,650,616
20	NDPG1-241	Zeerust MPCC/TSC/ Ikageleng	4,823,300	1,778,067	1,768,314	1,276,919
21	NDPG1-108	Ekhrosini Livestock Market	2,000,000	500,389	-	1,499,611
22	NDPG1-185	Transdo Econmic Node Development	10,752,347	1,402,877	5,257,644	4,091,825
23	NDPG1-064	Nkowanowa Urban Renewal	4,800,000	1,537,945	1,844,383	1,417,672
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	1,998,420	12,690,791
26	NDPG3-004	BaPhalaborwa LM - Freedom & memorial Precinct	9,000,000	5,114,026	397,241	3,488,733
27	NDPG1-079	New Brighton Renewal	3,300,000	155,000	325,000	2,820,000
28	NDPG2-028	Helenvale	5,000,000	393,300	271,594	4,335,106
29	NDPG3-083	Emfuleni LM	20,000,000	3,857,853	3,079,569	13,062,579
30	NDPG2-032	Athlone Power Station Redevelopment	10,000,000	3,128,970	4,228,826	2,642,204
31	NDPG3-025	Nongoma Town Regeneration & Urban Development	3,000,000	1,547,799	1,778,201	-326,000
32	NDPG3-095	Neighbourhood Revit Townships	10,000,000	129,310	385,890	9,484,800
33	NDPG2-060	Regeneration (Rhini & Others)	3,000,000	513,000	227,619	2,259,381

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

## 15. CONTINGENT LIABILITIES (CONTINUED)

#	PROJECT NUMBER	PROJECT NAME & DESCRIPTION	NDPG FUNDING AMOUNT	CUMULATIVE EXPENDITURE AS AT 31 MARCH 2009	EXPENDITURE FOR THE YEAR ENDING 31 MARCH 2010	FUTURE REMAINING COMMITMENTS
34	NDPG2-040	Diepsloot South - Detailed design & Implementation	8,000,000	3,271,052	3,687,772	1,041,176
35	NDPG2-102	Stretford Station Precinct	6,000,000	1,640,132	1,293,960	3,065,908
36	NDPG3-090	Thulamela Gateway	25,000,000	7,079,804	2,309,811	15,610,385
37	NDPG1-071	Mining belt upliftment of informal settlement & infra development	1,320,000	114,143	190,355	1,015,502
38	NDPG1-072	Rehabilitation and Urban Renewal	1,320,000	167,395	180,628	971,977
39	NDPG1-065	High Street Development	2,500,000	271,688	463,455	1,764,857
40	NDPG3-027	Township Development of Amathole District Towns	23,500,000	1,033,898	3,186,627	19,279,476
41	NDPG2-128	Clermont Urban Renewal	5,000,000	114,057	785,429	4,100,514
42	NDPG2-024	Township Restructuring	5,000,000	499,999	1,779,882	2,720,119
43	NDPG3-058	Township Regeneration	25,000,000	171,456	346,073	24,482,471
44	NDPG3-029	Greater Taung regeneration Strategy	10,000,000	274,315	2,819,921	6,905,765
45	NDPG2-030	Fountain Road Development	1,500,000	611,471	187,722	700,807
46	NDPG1-067	Large area social facilities	6,750,000	139,946	218,004	6,392,050
47	NDPG1-107	Imbali Mixed Use Investment Node	700,000	19,950	633,997	46,053
48	NDPG3-040	Wembezi Urban Renewal	11,000,000	211,499	450,129	10,338,372
49	NDPG1-068	Economic & Community Node	1,320,000	-	223,082	1,096,918
50	NDPG1-069	Economic & Community Node	1,320,000	-	326,006	993,994
51	NDPG1-070	Economic & Community Node	1,320,000	-	614,167	705,834
52	NDPG1-106	Tsosoloso Programme (Public Spaces)	30,000,000	-	1,580,758	28,419,242

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS – CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

## 15. CONTINGENT LIABILITIES (CONTINUED)

#	PROJECT NUMBER	PROJECT NAME & DESCRIPTION	NDPG FUNDING AMOUNT	CUMULATIVE EXPENDITURE AS AT 31 MARCH 2009	EXPENDITURE FOR THE YEAR ENDING 31 MARCH 2010	FUTURE REMAINING COMMITMENTS
53	NDPG1-182	Njoli Square Redevelopment	1,600,000	-	-	1,600,000
54	NDPG1-189A	MPCC/TSC (uPhongolo)	600,000	-	-	600,000
55	NDPG1-189B	Highflats: MPCC/TSC	600,000	-	-	600,000
56	NDPG1-237	Oude Molen & Maitland Redevelopment	2,000,000	-	-	2,000,000
57	NDPG2-031	Nyanga Transport Interchange	2,000,000	-	801,684	1,198,316
58	NDPG2-033	Monwabisi Coastal Node	3,000,000	-	-	3,000,000
59	NDPG2-034	Mitchells Plian & Lentegour CBDs	4,000,000	-	-	4,000,000
60	NDPG2-049	Kuyasa & Other Nodes	10,000,000	-	3,011,433	6,988,567
61	NDPG3-005	Vogelfontein Urban Centre	5,000,000	-	-	5,000,000
62	NDPG3-020	JBC Urban Node	4,000,000	-	640,000	3,360,000
63	NDPG3-035	Township Regeneration & Investment Plan	5,000,000	-	-	5,000,000
64	NDPG3-063	Development Planning	26,000,000	-	-	26,000,000
65	NDPG3-084	Ikageng Neighbourhood Development Programme	12,000,000	-	-	12,000,000
66	NDPG3-044	KwaDukuza Priority Clusters	10,350,000	-	253,840	10,096,160
67	NDPG3-053	Identification & Implementation of Appropriate Community Facilities	7,000,000	-	3,971,644	3,028,356
68	NDPG3-093	Polokwane Township Urban Renewal	12,000,000	-	2,021,655	9,978,345
69	NDPG4-010	Imvuselelo Developing Economic Spaces	1,500,000	-	1,015,482	484,518
70	NDPG4-025	Metsweding Townships Regeneration Programmes	5,914,000	-	140,000	5,774,000
71	NDPG4-111	Integrated Development Project	14,900,000	-	117,104	14,782,896
72	NDPG4-120.1	Urban Renewal	4,800,000	-	1,115,280	3,684,720

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

## 15. CONTINGENT LIABILITIES (CONTINUED)

#	PROJECT NUMBER	PROJECT NAME & DESCRIPTION	NDPG FUNDING AMOUNT	CUMULATIVE EXPENDITURE AS AT 31 MARCH 2009	EXPENDITURE FOR THE YEAR ENDING 31 MARCH 2010	FUTURE REMAINING COMMITMENTS
73	NDPG4-120.3	Leratong Intersection Commercial Development	3,600,000	-	-	3,600,000
74	NDPG4-135.2	Economic Development Node Others	8,000,000	-	-	8,000,000
75	NDPG4-127	Commercial Development	2,000,000	-	-	2,000,000
76	NDPG4-018	Robertson Township Initiative	2,000,000	-	207,850	1,792,150
77	NDPG4-029	Urban Nodal Development	1,500,000	-	33,083	1,466,917
78	NDPG4-069	Bitou Coming Together	6,000,000	-	791,481	5,208,519
79	NDPG4-046	Eastern Gateway	5,700,000	-	-	5,700,000
80	NDPG4-012	Urban Nodal Development	2,000,000	-	801,771	1,198,229
81	NDPG4-130.1	Mothibistad Rural Development	4,000,000	-	-	4,000,000
82	NDPG4-130.2	General Improvements of Town Centre &	6,000,000	-	-	6,000,000
83	NDPG4-130.3	Township & Town Centre Upgrade	4,000,000	-	-	4,000,000
84	NDPG4-130.4	Rural Town Centre General Upgrades	3,000,000	-	-	3,000,000
85	NDPG4-130.5	Town Centre Upgrade	4,000,000	-	-	4,000,000
86	NDPG4-130.6	Town Centre Upgrade	3,000,000	-	-	3,000,000
87	NDPG2-079	Taxi Bus/Hub & Recreation Centre	6,000,000	-	3,864,219	2,135,781
88	NDPG1-226	Galeshave Urban renewal	15,215,000	-	5,873,010	9,341,990
89	NDPG1-176	Mothibistad Rural Development	800,000	-	-	800,000
90	NDPG4-130	Various SA	30,000,000	-	-	30,000,000
		<b>TOTAL</b>	<b>609,552,539</b>	<b>70,486,656</b>	<b>84,697,601</b>	<b>454,368,282</b>

The Neighbourhood Development Partnership Grant (NDPG) was announced by the Minister of Finance in his budget speech on 15 February 2006. It is planned for an amount of R10 billion over a ten year period. 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 have a distinct private sector element in the project.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

**15. CONTINGENT LIABILITIES** (CONTINUED)

Movement on PDF projects identified for funding during the period:

PDF - PROJECTS						
#	INSTITUTION	PROJECT NAME	PDF FUNDING COMMITTED	CUMULATIVE EXPENDITURE AS AT 31 MARCH 2009	EXPENDITURE FOR THE YEAR ENDING 31 MARCH 2010	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 2	Settlers & Port Alfred Hospitals	496,060	496,060	-	-
4	KwaDukuza Municipality	Solid Waste, Roads & Park	725,615	725,615	-	-
5	Limpopo Department of Health	Penge hospital	45,000	45,000	-	-
6	SADNF	SAHMS	68,400	68,400	-	-
7	Cape Nature	PPP Tourism Toolkit	1,400,000	749,097	541,671	109,232
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	-	1,161,294	631,845
11	Eastern Cape department of Health	Pharmaceuticals	4,846,436	3,587,757	1,258,679	-
12	Eastern Cape Department of Transport	Fleet management	3,780,394	2,690,197	1,090,197	-
13	Western Cape Department of Health 3	Swellendam Hospital	372,692	372,692	-	-

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

## 15. CONTINGENT LIABILITIES (CONTINUED)

PDF - PROJECTS						
#	INSTITUTION	PROJECT NAME	PDF FUNDING COMMITTED	CUMULATIVE EXPENDITURE AS AT 31 MARCH 2009	EXPENDITURE FOR THE YEAR ENDING 31 MARCH 2010	FUTURE REMAINING COMMITMENTS
14	Greater Kokstad Municipality	Civic Centre	2,000,000	1,333,035	431,369	235,596
15	Potchefstroom Municipality	Solid Waste Management	928,975	158,745	-	770,230
16	Sedibeng Local Municipality	Civic Precinct	2,000,000	638,466	1,361,534	-
17	Elundini Municipality	Solid waste management system	3,000,000	269,679	921,691	1,808,630
18	Western Cape Department of transport and Public works	Chapmans peak	2,250,000	-	600,000	1,650,000
19	Thaba Chweu Municipality	Resorts/Park/Hostels	991,018	-	693,942	297,076
20	Greater Tubatse Municipality	Solid waste	3,500,000	170,000	3,324,781	5,219
21	National Treasury agreement rollout Municipal Service and PPP Guidelines		999,600	999,600	-	-
22	Tlokwe city council	Waste management	500,000	399,000	-	101,000
23	Provincial department of local government - Gauteng	Regional Sewer Scheme - Project office	2,500,000	-	2,131,735	368,265
24	Emalahleni	Development	1,000,000	-	397,831	602,169
25	Correctional services 2	Fleet management	2,000,000	-	-	2,000,000
26	Lephalale	Municipal Water Services	500,000	-	-	500,000
27	City of Cape town	Waste Water	1,000,000	-	279,300	720,700
28	Siyancuma	Tourism Development	1,000,000	-	69,358	930,642

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS – CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

## 15. CONTINGENT LIABILITIES (CONTINUED)

PDF - PROJECTS						
#	INSTITUTION	PROJECT NAME	PDF FUNDING COMMITTED	CUMULATIVE EXPENDITURE AS AT 31 MARCH 2009	EXPENDITURE FOR THE YEAR ENDING 31 MARCH 2010	FUTURE REMAINING COMMITMENTS
29	Eastern Cape Parks	Tourism Development	1,700,000	-	-	1,700,000
30	Science & Technology	Radiation Therapy	200,000	-	-	200,000
31	National Health	Biovac	1,000,000	-	445,890	554,110
32	FS Department of Health	Hospitals	900,000	-	658,938	241,062
33	Overstrand Municipality	Waste services	201,562	-	-	201,562
34	Western Cape Department of Health 4	Tygerberg Hospital	600,000	-	-	600,000
35	G Dept. of Arts & Culture	(Cradle of Humankind)	98,496	-	98,496	-
36	Northern cape department of Roads	Fleet management	700,000	-	-	700,000
37	KwaDukuza Municipality 2	Waste management	1,500,000	-	-	1,500,000
38	Eastern cape department of Roads & Transport	Fleet management	1,000,000	-	-	1,000,000
39	Blue Crane Development Agency	Boschberg Country Estate	500,000	-	160,000	340,000
40	Thabazimbi Municipality	Civic Centre	2,000,000	-	-	2,000,000
41	Mogalakwena Municipality	Olifants River water resources	3,000,000	-	-	3,000,000
42	Greater Tubatse Municipality	Water Management Services	1,700,000	-	-	1,700,000
43	Greater Tubatse Municipality	Water Services	2,000,000	-	-	2,000,000
44	Mbombela Municipality	Fleet management	642,000	-	-	642,000
	<b>TOTAL</b>		<b>61,424,387</b>	<b>18,257,409</b>	<b>15,626,706</b>	<b>27,540,273</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

National Treasury Annual Report 2009/10

	2009/10 R	2008/09 R
<b>16. COMMITMENTS</b>		
Payable within the next 12 months:		
- Financial Managers Fees	240,000	420,000
Payable between 2 and 5 years:		
- Financial Managers Fees	-	175,000

The entity appointed Deloitte & Touche for the outsourced financial management of the Project Development Facility.

**17. 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. 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.

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

**18. 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, and deposits with banks and financial institutions, as well as outstanding receivables and committed transactions. For banks and financial institutions, only highly reputable financial institutions are used.

**19. 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 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.

**20. 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. The Interest rate risk is limited as funds are invested with one of the four major banks and this is assessed annually.

Annual Financial Statements

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS – CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

National Treasury Annual Report 2009/10

2009/10	2008/09
R	R

**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 No. 58 of 1962.

**22. EVENTS AFTER THE REPORTING DATE**

There were no events after reporting date that might have a material effect on the fair presentation of the financial statements as at 31 March 2010.

**23. RELATED PARTY TRANSACTIONS**

The entity received grants from the following related parties:

National Treasury	70,000,000	80,100,000
Free State Department of Health	300,000	-

The entity owed the following amount to related parties:

Revenue Fund	1,503,940	1,503,940
	<b>71,803,940</b>	<b>81,603,940</b>

Free State Department of Health is co-funding some projects and have deposited R300,000 into PDF for this reason.

Liability from the Revenue fund is as a result of over recovery of the project reimbursement from the Eastern Cape Department of Health, the funds, however, could not be repaid to the Eastern Cape Department of Health. Therefore the amount was recognised as a liability as it was now owed to the Revenue Fund.

A process is currently underway for the money to be retained by the PDF.

Annual Financial Statements

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

National Treasury Annual Report 2009/10

**24. FRUITLESS AND WASTEFUL EXPENDITURE****Reconciliation of fruitless and wasteful expenditure**

	2009/10 R	2008/09 R
Fruitless and wasteful expenditure relating to prior year	101,408	-
Fruitless and wasteful expenditure relating to current year	1,162	101,408
Less: Amounts condoned	-	-
Less: Amounts recovered	(101,408)	-
Less: Amounts transferred to receivables for recovery	-	-
Fruitless and wasteful expenditure awaiting condonation	1,162	101,408

**Analysis of awaiting condonement per economic classification**

Current	1,162	101,408
Capital	-	-
Transfers and Subsidies	-	-
<b>Total</b>	<b>1,162</b>	<b>101,408</b>

**Analysis of prior year's fruitless and wasteful expenditure**

The fruitless and wasteful expenditure for the prior year was recovered in full from Standard Bank and was appropriately allocated to the interest expense account and bank charges account.

**Analysis of Current year's fruitless and wasteful expenditure**

Incident	Disciplinary taken/Criminal proceedings	2009/10 R
The fruitless and wasteful expenditure for the current year was incurred due to the timing delays in the inter transfer of funds between PDF and NDPG bank accounts. The delay resulted in the interest expense and bank charges being charged to the PDF bank account.	None	
Interest on overdraft		1,162
		<b>1,162</b>

No disciplinary action as a result of this loss was taken. Instead, management has identified how and when the expenditure was incurred and is undertaking measures to recover it in full from the financial management service provider or the financial institution.

Annual Financial Statements

# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDING 31 MARCH 2010



## TECHNICAL ASSISTANCE UNIT

A TRADING ENTITY MANAGED BY THE TAU UNIT OF NATIONAL TREASURY

## FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

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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 2010**



**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*

# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE TAU

FOR THE YEAR ENDED 31 MARCH 2010

## REPORT ON THE FINANCIAL STATEMENTS

### INTRODUCTION

I have audited the accompanying financial statements of the Technical Assistance Unit, which comprise the statement of financial position as at 31 March 2010, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 246 to 261.

### ACCOUNTING OFFICER'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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 of South Africa, 1999 (Act No. 1 of 1999) (PFMA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### AUDITOR-GENERAL'S RESPONSIBILITY

As required by section 188 of the Constitution of South Africa and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with International Standards on Auditing and *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*. 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.

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 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.

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

**REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT  
ON THE FINANCIAL STATEMENTS OF THE TAU - CONTINUED**

FOR THE YEAR ENDED 31 MARCH 2010

**OPINION**

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Technical Assistance Unit as at 31 March 2010, and its financial performance and its cash flows for the year then ended, in accordance with the SA Statements of GAAP and in the manner required by the PFMA.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

In terms of the PAA and *General Notice 1570 of 2009*, issued in *Government Gazette 32758 of 27 November 2009*, I include below my findings on the report on predetermined objectives, compliance with the PFMA and financial management (internal control).

**FINDINGS**

**Predetermined objectives**

No matters to report.

**Compliance with laws and regulations**

No matters to report.

**INTERNAL CONTROL**

I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives and compliance with the PFMA, but not for the purposes of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the deficiencies identified during the audit.

No matters to report.

*Auditor-General*

Pretoria  
28 July 2010



**AUDITOR-GENERAL  
SOUTH AFRICA**

*Auditing to build public confidence*

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2010

National Treasury Annual Report 2009/10

	Notes	2010 R	2009 R
<b>ASSETS</b>			
<b>Current assets</b>			
Receivables	4	14,553,548	2,432,269
Cash and cash equivalents	5	7,391,915	11,397,518
<b>Total assets</b>		<b>21,945,463</b>	<b>13,829,787</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Accumulated surplus		16,172,033	7,629,562
<b>Equity</b>		<b>16,172,033</b>	<b>7,629,562</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	6	5,773,430	6,200,225
<b>Equity and Liabilities</b>		<b>21,945,463</b>	<b>13,829,787</b>

Annual Financial Statements

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2010

	Notes	2010 R	2009 R
Revenue	2	55,664,284	31,567,145
Operating expenditure	2	48,052,592	24,006,081
Operating Profit		7,611,692	7,561,064
Interest income		930,779	68,498
<b>Total comprehensive income for the year</b>		<b>8,542,471</b>	<b>7,629,562</b>

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2010

National Treasury Annual Report 2009/10

	Notes	Accumulated Surplus R	Total Equity R
Balance at 1 April 2008		-	-
Comprehensive income for the year		7,629,562	7,629,562
Balance at 1 April 2009		7,629,562	7,629,562
Comprehensive income for the year		8,542,471	8,542,471
<b>Balance at 31 March 2010</b>		<b>16,172,033</b>	<b>16,172,033</b>

Annual Financial Statements

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2010

	Notes	2010 R	2009 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from government and other sources		44,710,682	32,933,358
Cash paid to suppliers		(49,647,064)	(21,604,338)
Cash generated from operations	7	(4,936,382)	11,329,020
Interest Income		930,779	68,498
<b>Net cash generated from operating activities</b>		(4,005,603)	11,397,518
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		(4,005,603)	11,397,518
Cash at the beginning of the year		11,397,518	-
<b>TOTAL CASH AT END OF THE YEAR</b>	<b>5</b>	<b>7,391,915</b>	<b>11,397,518</b>

## ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2010

### 1 BASIS OF PRESENTATION

These Annual Financial Statements are presented in South African Rand. They are prepared on the historical cost basis.

The accounting policies have been applied to the results, assets, liabilities and cash flow of the Trading Entity in the Annual Financial Statements, consistent with those in the previous year.

The Annual Financial Statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practices (SA GAAP).

#### 1.1 FINANCIAL ASSETS AND LIABILITIES

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

##### 1.1.1 Initial recognition and measurement

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 and are initially measured at fair value.

##### 1.1.2 Receivables

Trade receivables are subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, 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 financial re-organisation, and default or delinquency in payments (more than 120 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value.

The amount of the loss due to impairment, or the reversal of an impairment loss is recognised in the Statement of Comprehensive Income within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off will be recognised as revenue in the Statement of Comprehensive Income.

##### 1.1.3 Trade and other payables

Trade payables and other payables which consist of revenue received in advance are stated at amortised cost, which, due to short term nature, closely approximate their fair value.

##### 1.1.4 Cash

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 and deposits held on call with banks.

## **ACCOUNTING POLICIES - CONTINUED**

FOR THE YEAR ENDED 31 MARCH 2010

### **1.2 REVENUE**

Revenue is measured at the fair value of the consideration received or receivable.

#### **1.2.1 Appropriated funds**

Appropriated and adjusted appropriated funds are recognised when the funds can be measured reliable on the date the appropriation becomes effective. Appropriated funds are recognised as revenue to the extent that there is no further obligation arising from the receipt of the transfer payment.

#### **1.2.2 Donor funds**

Donor funds are recognised when the funds can be measured reliable on the date the draw down requisition becomes effective and the cost associated with the revenue has been incurred.

#### **1.2.3 Cost Recovery**

Revenue for services rendered is recognised when the amount of revenue can be measured reliable. It is probable that the economic benefits associated with the services will flow to the entity. The stage of completion of the transaction at the end of the reporting period can be measured reliably and the cost incurred for the transaction and the cost to complete the transaction can be measured reliable.

#### **1.2.4 Interest Income**

Interest income accrues on a time-proportioned basis, taking into account the principal amount outstanding and the effective interest rate over the period to maturity.

#### **1.2.5 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 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.

### **1.4 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

## ACCOUNTING POLICIES - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

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.

### 1.5 SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of annual financial statements requires management to make judgment, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expenses.

Estimates are made based on the best available information at the time of preparation of the Annual Financial Statements. The estimates and under-lying 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.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

National Treasury Annual Report 2009/10

### 2 OPERATING PROFIT

Operating surplus is arrived at after taking the following into account

Revenue from:

	2010 R	2009 R
- Government grants received	18,898,000	20,000,000
- Donor grants received	22,453,205	-
- Cost recovery	14,313,079	11,567,145
	<u>55,664,284</u>	<u>31,567,145</u>

Expenditure for:

- Audit fees	246,875	-
- Movement in the Provision for impairment of Trade receivables		
- Recognised	661,160	-
- Reversed	-	-
- Bank charges	5,841	1,381
- Consultancy fees	47,137,911	24,004,700
- Staff training	805	-
Operating Surplus	<u><b>7,611,692</b></u>	<u><b>7,561,064</b></u>

The amount of the impairment loss to the value of R661,160 recognised, relate to services rendered to SASSA which is still outstanding after a year.

### 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). As per agreement with the donor all VAT on services paid with donor funds will be refundable by SARS.

Annual Financial Statements

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

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**4. RECEIVABLES**

	2010 R	2009 R
Gross trade receivables	13,385,871	2,432,269
Less: Provision for impairment of trade receivables	(661,160)	-
SARS – VAT	1,828,837	-
	<b>14,553,548</b>	<b>2,432,269</b>

Movement for the provision of impairment of trade receivables is as follows:

Balance at the beginning of the year	-	-
Charged to profit and loss	661,160	-
Balance at the end of the year	<b>661,160</b>	-

Ageing of impaired accounts receivable:

0 – 30 days	-	-
31 – 60 days	-	-
61 – 90 days	-	-
91 – 120 days	-	-
120 days +	661,160	-
<b>Total</b>	<b>661,160</b>	-

At 31 March 2010 receivable amounting to R228,686 (2009: R1,550,400) was past due but not impaired. This relates to customers who have no recent history of defaulting.

The period by which these debtors exceed their payment terms is shown below:

0 – 30 days	-	1,550,400
31 – 60 days	-	-
61 – 90 days	-	-
91 – 120 days	228,686	-
120 days +	-	-
<b>Total</b>	<b>228,686</b>	<b>1,550,400</b>

Annual Financial Statements

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

	2010 R	2009 R
The ageing of these receivables are shown below:		
0 – 30 days	-	-
31 – 60 days	-	1,550,400
61 – 90 days	-	-
91 – 120 days	-	-
120 days +	228,686	-
<b>Total</b>	<b>228,686</b>	<b>1,550,400</b>

**Credit quality of trade receivables**

The credit quality of trade receivables that are neither past due nor impaired can be assessed by reference to counterparty default rates.

**Fair value of trade receivables**

The net carrying values of receivables are considered to be a close approximation of their fair values.

See note 8 on risk management in relation to the financial assets listed below.

**Trade receivables**

The carrying amount of trade receivables approximates their fair value. There is no foreign currency exposure at the reporting date.

**5. CASH**

Cash and cash equivalents consists of :

Cash at bank	2,701	119
Call account	7,389,214	11,397,399
Financial assets	<b>7,391,915</b>	<b>11,397,518</b>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

National Treasury Annual Report 2009/10

	2010 R	2009 R
<b>6. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Trade payables	4,273,430	2,401,743
Revenue received in advance	1,500,000	3,798,483
	<b>5,773,430</b>	<b>6,200,226</b>

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 at cost closely approximates their fair value.

Revenue received in advance consists of cost recovery monies received and services not rendered yet.

See note 8 on risk management in relation to the financial liabilities listed above.

**7. CASH GENERATED FROM OPERATIONS**

Net Profit/(Loss) for the year	8,542,471	7,629,562
<b>Adjustments for:</b>	(269,619)	(68,498)
Movement in the Provision for impairment of Trade receivables	661,160	-
Interest income	(930,779)	(68,498)
<b>Changes in working capital</b>		
Trade and other receivables	(12,782,439)	(2,432,269)
Trade and other payables	(426,795)	6,200,225
	<b>(4,936,382)</b>	<b>11,329,020</b>

Annual Financial Statements

NOTES TO THE ANNUAL FINANCIAL STATEMENTS – CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

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## 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.

### Categories of financial instruments

	2010 R	2009 R
Financial liabilities		
- Trade receivables	13,385,871	2,432,269
- Less: Provision for impairment of trade receivables	(661,160)	-
- SARS – VAT	1,828,837	
- Cash and cash equivalents	7,391,915	11,397,518
Financial liabilities		-
- Trade and other payables	4,273,430	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 receivables	0.00%	13,385,870.96	-
Cash and cash equivalents	5.50%	7,389,214.33	-
Trade and other payables	0.00%	(4,273,430.14)	-

Annual Financial Statements

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS - CONTINUED**

FOR THE YEAR ENDED 31 MARCH 2010

National Treasury Annual Report 2009/10

2010 R	2009 R
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**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.

**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 for the retention of surplus funds to the value of R8,542,471 resulting from operations during the financial year ended 31 March 2010 to National Treasury will be made.

Annual Financial Statements

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS – CONTINUED**

FOR THE YEAR ENDED 31 MARCH 2010

National Treasury Annual Report 2009/10

	2010 R	2009 R
<b>10. COMMITMENTS</b>		
<b>10.1 PROJECT COMMITMENTS</b>		
Current commitments will be funded from this years' surplus of R8,542,471 as well as future government grants, cost recovery and donor funds.		
<b>10.2 OPERATING COMMITMENTS</b>		
Payable within the next 12 months		
- Contractual commitments	29,837,811	25,897,549
Payable after 12 months but before 60 months		
- Contractual commitments	5,534,776	3,075,175
Payable after 60 months	Nil	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 2010.

**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.

Annual Financial Statements

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

National Treasury Annual Report 2009/10

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	2010 R	2009 R
<b>14. RELATED PARTIES</b>		
<b>Amounts included in trade receivables regarding related parties</b>		
Department of Foreign Affairs	-	300,000
Department of Health	-	525,000
Department of Labour	-	(206,801)
Department of Environment and Tourism	300,000	-
National Department of Sports and Recreation	-	326,040
National Treasury	-	427,510
Office of the Premier	228,606	-
Reconstruction and Development Programme Fund	12,196,105	-
The Presidency	-	399,360
SASSA	661,160	661,160
<b>Related - party transactions</b>		
The following transactions were carried out with related parties:		
<b>Services provided to related parties</b>		
Department of Defense and Military Veterans	378,319	-
Department of Education	-	5,174,581
Department of Environment and Tourism	300,000	-
Department of Foreign Affairs	-	300,000
Department of Health	-	525,000
Department of Labour	206,801	1,477,150
Department of Public Service Administration	900,000	-
Financial Intelligence	1,045,500	-
National Department of Sports and Recreation	139,216	326,040
National Treasury	4,060,018	2,473,602
Office of the Municipal Manager	375,667	-
Office of the Premier	228,606	-
Treasury – Limpopo	1,568,100	-
The Agricultural Research Council	69,283	-
The Presidency	-	399,360
SASSA	-	661,160
Department of Local Government and Traditional Affairs	4,766,664	101,517
Department of Local Government and Housing	319,733	-
<b>Services provided by related parties</b>		
National Treasury	18,898,000	20,000,000

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS – CONTINUED

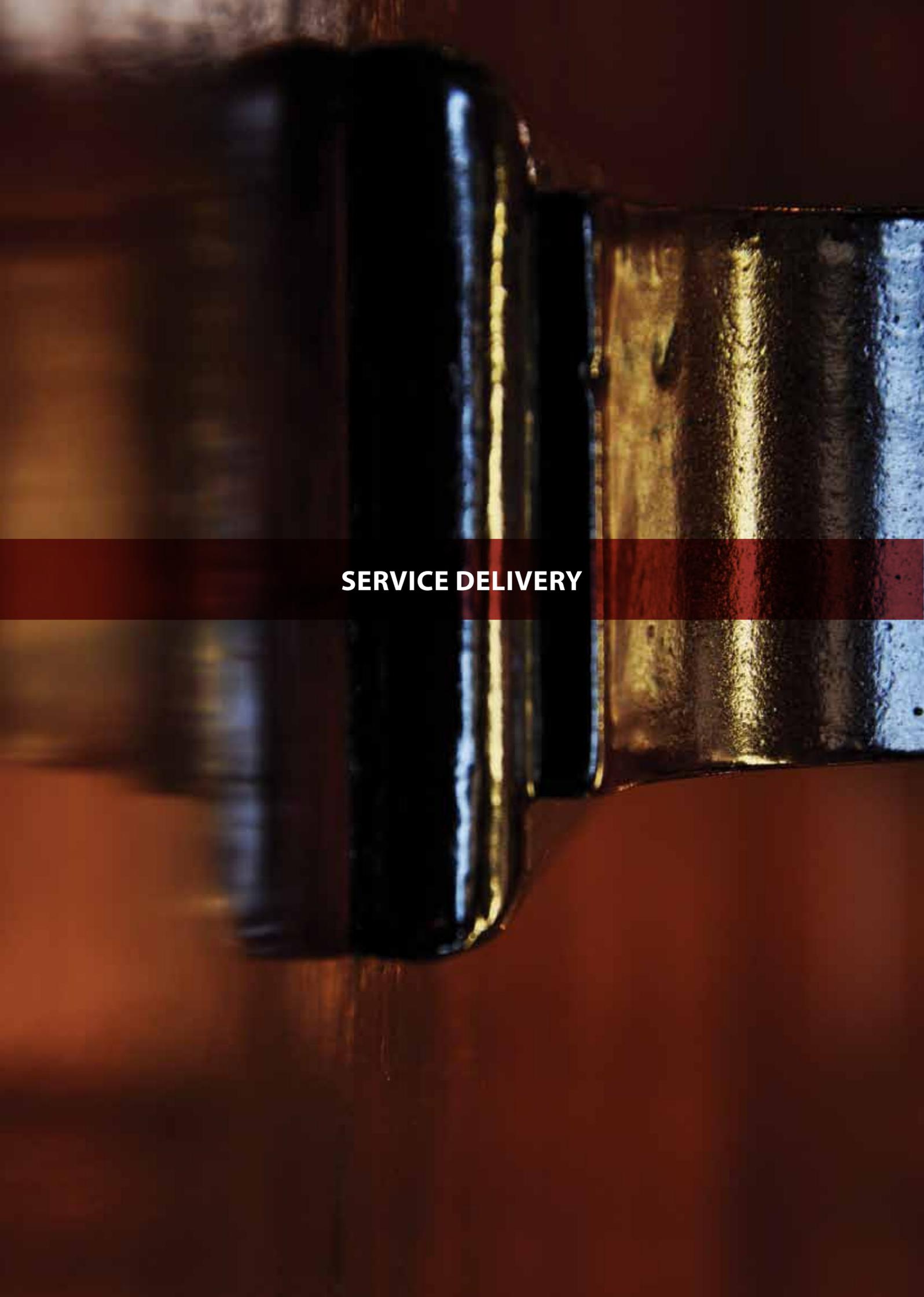
FOR THE YEAR ENDED 31 MARCH 2010

### 15. NEW ACCOUNTING PRONOUNCEMENTS

At the date of authorization of these financial statements, various standards and Interpretations are issued which are not yet effective. These include the following Standards and Interpretations which are applicable to the Trading Entity

Standard	Details of Amendment	Effective
IFRS 7 – Financial Instruments: Disclosures	Amendment clarifies the intended interaction between qualitative and quantitative disclosures of the nature and extent of risks arising from financial instruments	1 January 2011
	Removed some disclosure items which were seen to be superfluous or misleading	1 January 2011
IFRS 9 Financial Instruments	New standard that forms the first part of a three-part project to replace IAS 39 Financial Instruments: Recognition and Measurement	1 January 2013
IAS 1 – Presentation of Financial Statements	Clarification of statement of changes in equity	1 January 2011
IAS 7 – Statement of Cash Flows	Classification of expenditures on unrecognized assets	1 January 2010
IAS 10 – Events after the Reporting Period	Amendment resulting from the issue of IFRIC 17	1 July 2009
IAS 24 Related Party Disclosures	Simplification of the disclosure requirements for government-related entities. Clarification of the definition of a related party	1 January 2011

The impact that these Standards and Interpretations may have on the financial statements of the entity has not been assessed.



**SERVICE DELIVERY**

# SERVICE DELIVERY

## ORGANISATIONAL ENVIRONMENT

To deliver on its mandate, the National Treasury remains focused on continuous improvements to the recruitment, development and retention of its staff. The talent acquisition process has been refined as part of the rollout of the talent management framework. Various other operational policies and back-end systems have also been upgraded during the period under review. These include the procurement strategy, several financial management policies, and advancing knowledge management aims through deploying technology solutions. In recognition of the different approach demanded by a rapidly changing economic and political environment, the National Treasury has developed innovative solutions to improve coordination both internally and externally. We welcome the Performance, Monitoring and Evaluation function in the Presidency and the formal introduction of outcomes, measurements and associated systems in government. These will shape the formulation of our strategic plan for the next three years.

## FINANCIAL MANAGEMENT REFORMS

Financing of government spending remains under pressure, with a slowly recovering domestic economy, and budget reforms continue to focus on the value for money agenda. This is critical in ensuring that scarce resources are allocated in line with the MTSF priorities and outcome targets. The savings exercise initiated has realised savings of R25.6 billion over the next three years in national departments, and approximately R13.4 billion for reprioritisation within provincial budgets.

Stronger financial management systems, together with the capacity to operate these systems, are also important in ensuring money is well spent. The National Treasury continues to invest in building the sustainable capacity of financial practitioners in national and provincial government. Interventions include the Chartered Accountants Academy (CAA) and Standard Chart Of Accounts (SCOA) and risk management training programmes.

Training was provided to 1 334 municipal officials on the new Generally Recognised Accounting Practice (GRAP) standards, the framework on preparing financial statements and inventory management. International advisors with expertise in financial management were deployed to municipalities to support budget preparation, improve reporting and build local skills. In addition, three roving advisors assisted provinces with monitoring municipal financial management reforms. A total of 894 financial management interns were deployed as part of the programme to build capacity in municipalities.

## 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 policy and a deeper perspective on international economic issues. Economic growth has remained a key area of work for the National Treasury. South Africa is not immune to the effects of the global economic slowdown, 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 implications of various budgetary stances on economic growth and policies are undertaken intensively during the formulation of the national budget.

### TAX AND FINANCIAL SECTOR POLICY

The tax and financial sector policy environment came under particular pressure in the wake of the financial crisis. Maintaining stability of the financial markets is of critical importance under these circumstances and the National Treasury's efforts in this regard were successful.

A wide range of policy issues were addressed during the period under review, ranging from regular tax policy reforms in line with the 2009 Budget, to governance in the financial sector and various ongoing reforms, such as the work on reforming the retirement fund industry. More nascent policy questions and proposals that received attention included work on motor vehicle carbon emissions taxes and implementation of the Mineral and Petroleum Royalty Act.

### BUDGET OFFICE

The Budget Office coordinates the budgeting process, provides advice to senior stakeholders including the Ministers' Committee on the budget, and monitors fiscal and public expenditure trends. During the 2009/10 year, the division led the effort to yield R25.6 billion rands in national and provincial government budgets. The work stream on budget matters related to reorganisation of government departments and functions, following the 2009 elections, were also led by the Budget Office.

In playing their part in improving financial management in the public sector, various publications and capacity-building activities were undertaken. Cost containment guidelines were issued to further improve value derived from public funds spent, an update to the Reference Guide to the Economic Reporting Format (ERF), a policy framework for management of Official Development Assistance (ODA) and revised Public-Private Partnership (PPP) contractual provisions were published.

The Neighbourhood Development Programme unit which administers the neighbourhood development partnership grant (NDPG), is also located in the Budget Office. By the end of March 2010 the unit's portfolio had expanded to 90 awards in 57 municipalities, with a value of R8.8 billion.

### PUBLIC FINANCE

The Public Finance division advises the Minister of Finance on sectoral policies and departmental spending programmes, evaluates budget submissions of national departments, public entities, state-owned enterprises and constitutional institutions, monitors spending and service delivery trends, and provides 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 Project Management Unit for Social Security and Retirement Reform (PMU), provides administrative support to the inter-departmental task team on social security and retirement reform. During 2009/10 the unit circulated a consolidated government paper, coordinated the work of several interdepartmental sub-committees and research projects, and advised the Minister's Committee responsible for overseeing this reform project.

Technical and management support is offered to the rest of government by the Technical Assistance Unit (TAU). At the

## SERVICE DELIVERY - CONTINUED

end of the financial year, TAU was actively providing support to 60 projects, had completed seven projects and had another 22 projects in the pipeline where initial engagements or pre-diagnostics were already taking place.

### INTERGOVERNMENTAL RELATIONS

The importance of coordinating fiscal relations between the national, provincial and local spheres of government is clear when one considers the design of intergovernmental funding arrangements, in which provinces and municipalities are allocated approximately half of non-interest financial resources. A well-established intergovernmental system is also necessary to ensure coordinated and efficient 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, and the consolidated reports on local government required by Section 71 of the MFMA. These provide Parliament and provincial legislatures with valuable data for exercising effective oversight, and strengthen the accountability of accounting officers. For the 2009/10 Medium Term Revenue Expenditure Framework (MTREF), 24 of the targeted 27 large municipalities produced their budgets in the new formats developed and published by the National Treasury and 11 other municipalities volunteered to produce their budgets in the new formats.

The local government fiscal framework has been revised to more appropriately acknowledge the different service delivery challenges faced by large urban and smaller rural municipalities. A number of new provincial grants were introduced during the reporting period including the expanded public works programme incentive grant, and public transport operations grant.

### MANAGING PUBLIC SECTOR DEBT

The domestic bond market changed significantly during the period under review. The slowdown in domestic economic activity and accompanying shortfall in government revenue led to a weaker fiscal position, resulting in a significant increase in the government borrowing requirement. As a result, the National Treasury increased the amount of cash in the weekly government bond auctions. Notwithstanding the substantial increase in government's borrowing requirement over the past year, bond and Treasury bill auctions were still oversubscribed – meaning that the bids received exceeded the amount on offer. Government's funding strategy will continue to strengthen the bond market through the diversification of debt instruments, the creation of benchmark bonds and active management of the state debt portfolio. Issuance in the broader public sector will be closely monitored.

### INTERNATIONAL FINANCIAL RELATIONS

International financial relations and regional economic integration continue to have relatively high priority. South Africa again played an influential role in the G20 during the period under review, and participated in summits that were held to deal with the global financial crisis.

The Collaborative African Budget Review Initiative, or CABRI, was established as an international organisation during the period under review, with founding membership held by Ghana, Kenya, Mali, Rwanda, Senegal and South Africa (SA). SA successfully hosted the first meeting of the 12th replenishment of the African Development Fund in Cape Town and the National Treasury co-chaired G20 the working group on IMF reform and the experts group on financial inclusion.



**HUMAN RESOURCE REPORT**

# HUMAN RESOURCE REPORT

## 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, 2009/10**

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) *
<b>Programme 1</b> Administration	242,790	91,802	2,228	34,334	37.8	275
<b>Programme 2</b> Public Finance and Budget Management	262,916	122,687	1,835	96,452	46.7	440
<b>Programme 3</b> Asset and Liability Management	53,174	38,070	381	6,552	71.6	433
<b>Programme 4</b> Financial Management and Systems	405,632	39,583	214	45	9.8	396
<b>Programme 5</b> Financial Accounting and Reporting	137,110	50,786	4,671	11,568	37.0	368
<b>Programme 6</b> Economic Policy and International Financial Relations	94,487	59,145	628	9,195	62.6	441
<b>Programme 7</b> Provincial and Local Government Transfers	14,327,371	0	0	0	0	0
<b>Programme 8</b> Civil and Military Pensions, Contributions to Funds	4,955,140	0	0	25,255	0	0
<b>Programme 9</b> Fiscal Transfers	42,190,108	0	0	0	0	0
<b>Total</b>	<b>62,668,728</b>	<b>402,073</b>	<b>9,957</b>	<b>183,401</b>		

\* **Note:** Percentage of average personnel cost per employee calculated based on the number of employees in table 3.1

## HUMAN RESOURCE REPORT - CONTINUED

**TABLE 2.2 – Personnel costs by salary bands, 2009/10**

Salary bands	Personnel Expenditure (R'000)	% of total personnel cost	Average personnel cost per employee (R'000) ***
Lower skilled (Levels 1-2)	236	0.06	59
Skilled (Levels 3-5)	7,041	1.77	139
Highly skilled production (Levels 6-8)	49,843	12.50	176
Highly skilled supervision (Levels 9-12)	170,132	42.66	354
Senior management (Levels 13-16)	171,520	43.01	675
<b>Total **</b>	<b>398,772</b>	<b>100</b>	<b>372</b>

\*\* *Note:* Minister and Deputy Minister personnel expenditure not included in total

\*\*\**Note:* Percentage of average personnel cost per employee calculated based on the number of employees in table 3.2

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, 2009/10**

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	62,369	67.94	343	0.37	1,042	1.14	2,370	2.58
Programme 2	77,633	63.28	58	0.05	1,679	1.37	2,537	2.07
Programme 3	25,015	65.71	0	0.0	425	1.12	1,052	2.76
Programme 4	26,357	66.59	0	0.0	239	0.60	1,095	2.77
Programme 5	31,983	62.98	0	0.0	483	0.95	886	1.74
Programme 6	36,968	62.50	0	0.0	658	1.11	1,050	1.78
<b>Total</b>	<b>260,325</b>	<b>64.75</b>	<b>401</b>	<b>0.10</b>	<b>4,526</b>	<b>1.13</b>	<b>8,990</b>	<b>2.24</b>

\*\*\*\* *Note:* Percent of personnel cost of salaries, overtime, home owners allowance and medical assistance are calculated on the total personnel expenditure per programme in table 2.1

## HUMAN RESOURCE REPORT - CONTINUED

TABLE 2.4 – Salaries, Overtime, Home Owners Allowance and Medical Assistance by salary bands, 2009/10

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)	86	36.44	0	0.00	7	2.97	15	6.36
Skilled (Levels 3-5)	3,873	55.01	37	0.53	129	1.83	379	5.38
Highly skilled production (Levels 6-8)	28,007	56.19	202	0.41	721	1.45	2,258	4.53
Highly skilled supervision (Levels 9-12)	110,287	64.82	162	0.10	1,374	0.81	4,019	2.36
Senior management (Levels 13-16)	116,393	67.86	0	0.00	2,295	1.34	2,290	1.34
<b>Total *****</b>	<b>258,646</b>		<b>401</b>		<b>4,526</b>		<b>8,961</b>	

\*\*\*\*\* Note: Minister and Deputy Minister personnel expenditure not included in total.

### 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.

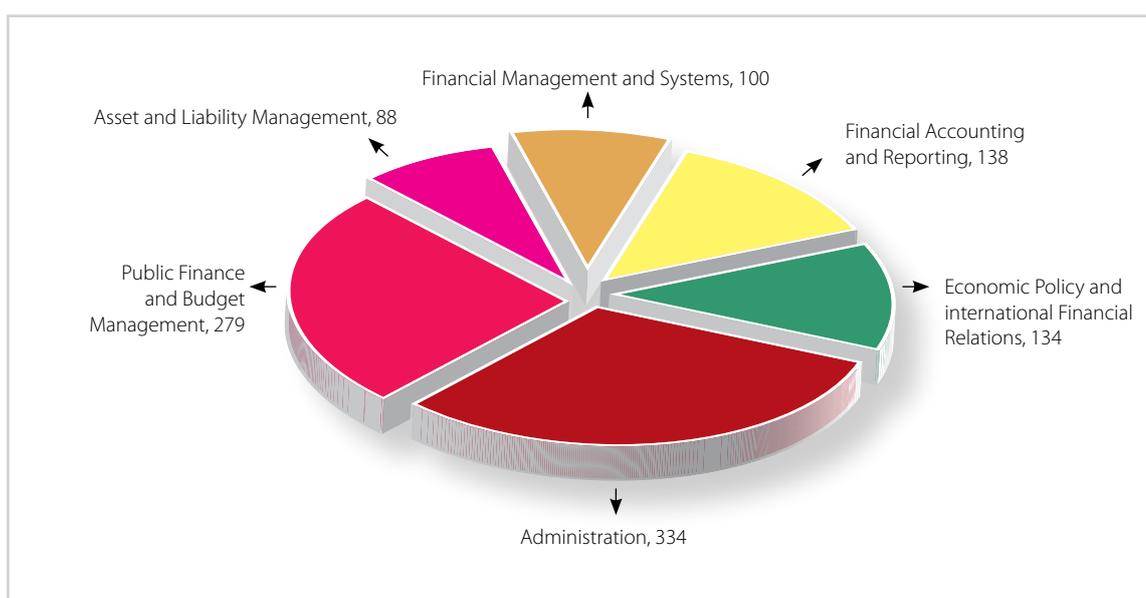
## HUMAN RESOURCE REPORT - CONTINUED

**TABLE 3.1 – Employment and vacancies by programme, 31 March 2010**

Programme	Number of funded posts	Headcount	Vacancy Rate %	Number of posts filled additional to the establishment
<b>Programme 1</b> Administration	361	334	7	12 (1 excess)
<b>Programme 2</b> Public Finance and Budget Management	304	279	8	28
<b>Programme 3</b> Asset and Liability Management	105	88	16	0
<b>Programme 4</b> Financial Management and Systems	105	100	5	3 (3 excess)
<b>Programme 5</b> Financial Accounting and Reporting	128	138	0	3
<b>Programme 6</b> Economic Policy and international Financial Relations	148	134	9	7
<b>Total</b>	<b>1151</b>	<b>1073</b>	<b>7</b>	<b>53</b>

*NB: Minister and Deputy Minister included in totals.*

### DISTRIBUTION OF FILLED POSITIONS PER PROGRAMME



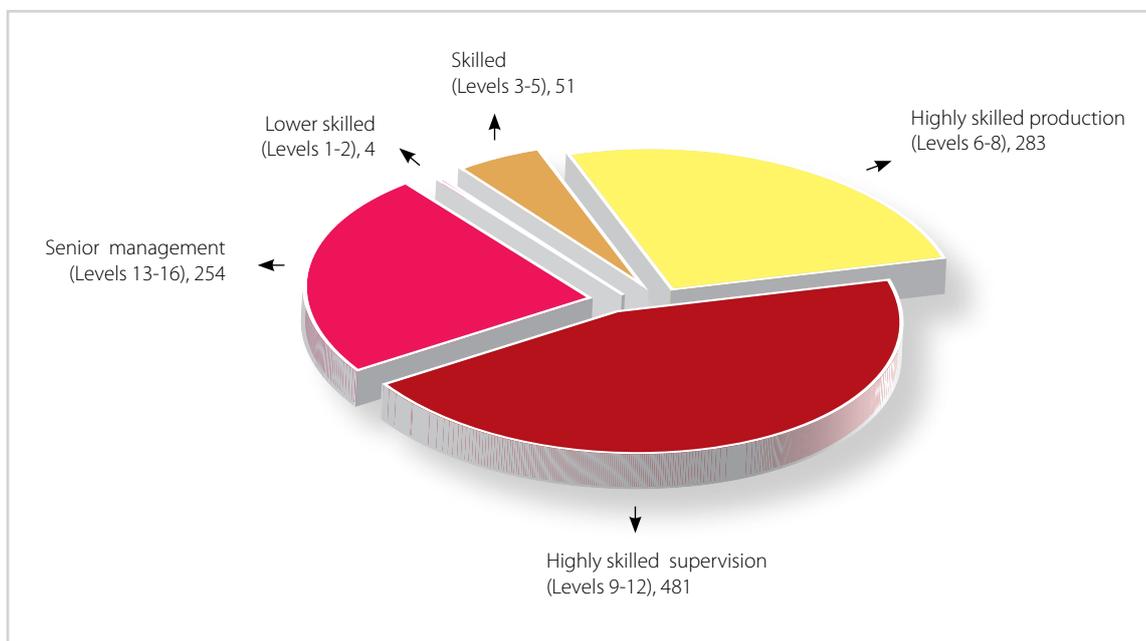
## HUMAN RESOURCE REPORT - CONTINUED

**TABLE 3.2 – Employment and vacancies by salary bands, 31 March 2010**

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)	4	4	0	4
Skilled (Levels 3-5)	57	51	11	2
Highly skilled production (Levels 6-8)	295	283	4	11
Highly skilled supervision (Levels 9-12)	521	481	7	15
Senior management (Levels 13-16)	274	254	7	21
<b>Total</b>	<b>1151</b>	<b>1073</b>	<b>7</b>	<b>53</b>

*NB: Vacancy reduced by additional appointments. Minister and Deputy Minister included in totals.*

### DISTRIBUTION OF FILLED POSITIONS PER SALARY BAND



*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 2010. For an indication of changes in staffing patterns over the year under review, please refer to section 5 of this report.

## HUMAN RESOURCE REPORT - CONTINUED

### 4. JOB EVALUATION

The Public Service Regulations, 1999 introduced job evaluation as a way of ensuring that work of equal value is remunerated equally. Within a nationally determined framework, executing authorities may evaluate or re-evaluate any job in his or her organisation. In terms of the Regulations all vacancies on salary levels 9 and higher must be evaluated before they are filled. This was complemented by a decision by the Minister for the Public Service and Administration that all SMS jobs must be evaluated before 31 December 2002.

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 or downgraded.

**TABLE 4.1 – Job Evaluation, 1 April 2009 to 31 March 2010**

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)	4	0	0	0	0	0	0
Skilled (Levels 3-5)	51	7	14	5	10	0	0
Highly skilled production (Levels 6-8)	283	3	1	0	0	0	0
Highly skilled supervision (Levels 9-12)	481	110	23	11	2	0	0
Senior Management Service Band A	198	45	23	0	0	0	0
Senior Management Service Band B	61	4	7	0	0	0	0
Senior Management Service Band C	14	0	0	0	0	0	0
Senior Management Service Band D	1	0	0	0	0	0	0
<b>Total</b>	<b>1151</b>	<b>169</b>	<b>15</b>	<b>16</b>	<b>1</b>	<b>0</b>	<b>0</b>

*NB: Minister and Deputy Minister not included in totals.*

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.

## HUMAN RESOURCE REPORT - CONTINUED

**TABLE 4.2 – Profile of employees whose salary positions were upgraded due to their posts being upgraded, 1 April 2009 to 31 March 2010**

Beneficiaries	African	Asian	Coloured	White	Total
Female	0	0	0	0	<b>0</b>
Male	5	0	0	0	<b>5</b>
Employees with a disability	0	0	0	0	<b>0</b>
<b>Total</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>

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 2009 to 31 March 2010 (in terms of PSR 1.V.C.3)**

Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
Chief Director	6	14	15	Retention
Director	10	13	14 and 15	Retention
Deputy Director	32	11 and 12	12 and 13	Retention
Assistant Director	9	9 and 10	10, 11 and 12	Retention
Administration	5	7 and 8	8, 9 and 10	Retention
Office Assistant	3	3,4 and 5	5 and 6	Retention
<b>Total number of employees whose salaries exceeded the level determined by job evaluation in 2009/10</b>				<b>65</b>
<b>Percentage of total employment</b>				<b>6.05</b>

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 2009 to 31 March 2010 (in terms of PSR 1.V.C.3)**

Beneficiaries	African	Asian	Coloured	White	Total
Female	16	0	3	7	<b>26</b>
Male	17	3	3	16	<b>39</b>
<b>Total</b>	<b>33</b>	<b>3</b>	<b>6</b>	<b>23</b>	<b>65</b>

## HUMAN RESOURCE REPORT - CONTINUED

### 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 2009 to 31 March 2010**

Salary Band	Number of employees per band as on 31 March 2009	Appointments and transfers into the department	Terminations and transfers out of the department	Turnover rate %
Lower skilled (Levels 1-2)	1	3	0	0
Skilled (Levels 3-5)	53	4	4	8
Highly skilled production (Levels 6-8)	230	79	20	9
Highly skilled supervision (Levels 9-12)	440	75	39	9
Senior Management Service Band A	163	24	16	10
Senior Management Service Band B	51	4	4	8
Senior Management Service Band C	11	3	0	0
Senior Management Service Band D	1	1	1	100
<b>Total</b>	<b>950</b>	<b>193</b>	<b>84</b>	<b>8</b>

*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	2
Resignation	47	56
Expiry of contract	9	11
Dismissal – operational changes	0	0
Dismissal – misconduct	3	4
Dismissal – inefficiency	0	0
Discharged due to ill-health	1	1
Retirement	5	6
Severance Package	0	0
Transfers to other Public Service Departments	17	20
<b>Total</b>	<b>84</b>	<b>100</b>
<b>Total number of employees who left as a % of the total employment</b>		<b>8</b>

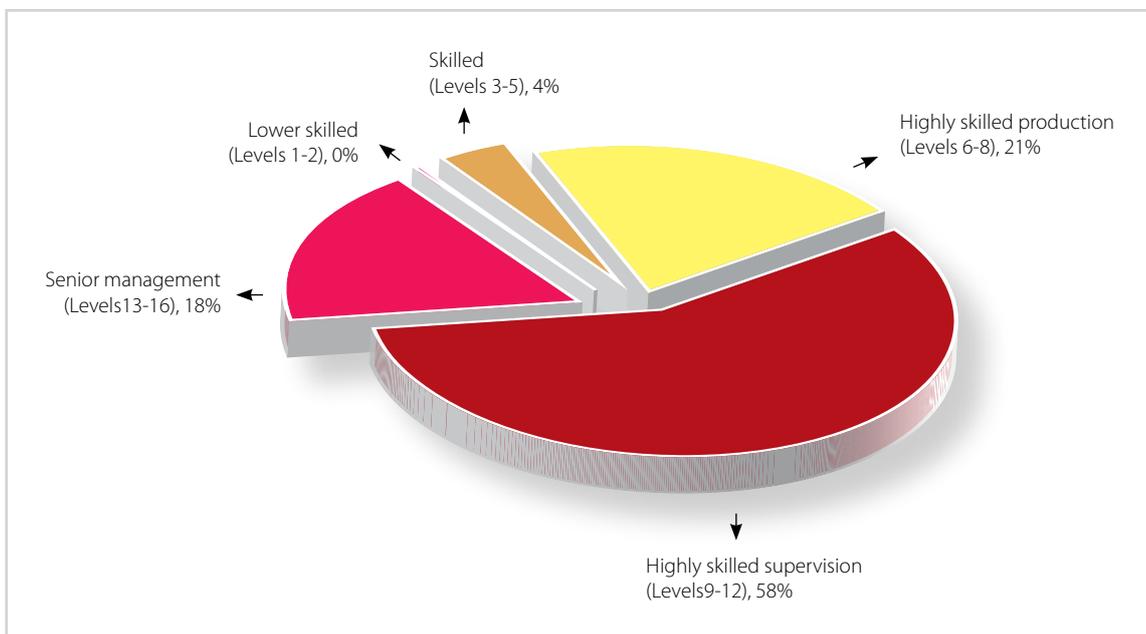
## HUMAN RESOURCE REPORT - CONTINUED

**TABLE 5.3 – Promotions by salary band**

Salary Band	Employees March 2009	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)	53	4	8
Highly skilled production (Levels 6-8)	230	23	10
Highly skilled supervision (Levels 9-12)	440	64	15
Senior management (Levels 13-16)	226	20	9
<b>Total</b>	<b>950</b>	<b>111</b>	<b>12</b>

*NB: Minister and Deputy Minister not included in totals.*

**PROMOTIONS TO ANOTHER SALARY LEVEL AS A PERCENTAGE (%) OF TOTAL (111)**



## HUMAN RESOURCE REPORT - CONTINUED

### 6. EMPLOYMENT EQUITY

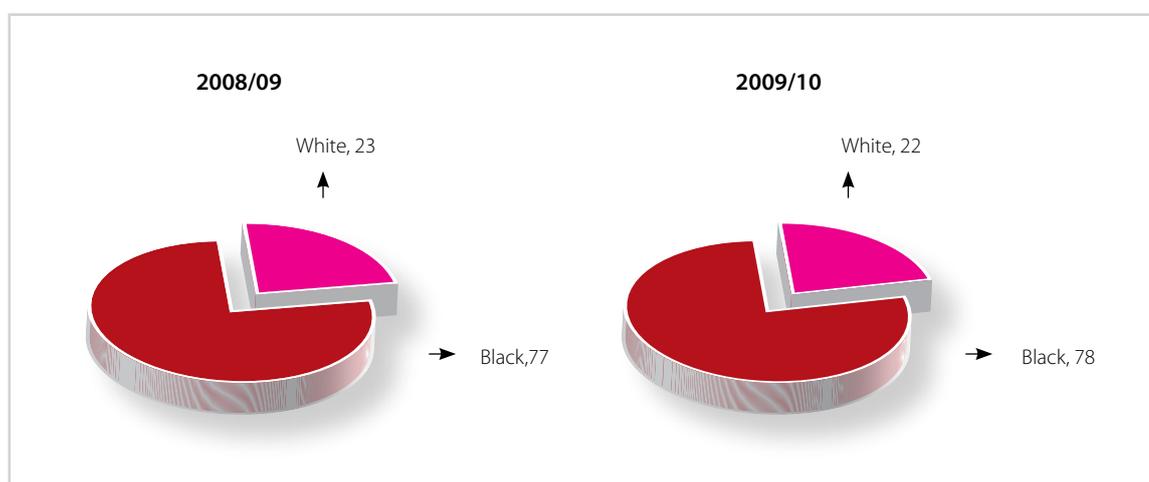
The tables in this section are based on the formats prescribed by the Employment Equity Act, 55 of 1998.

**TABLE 6.1 – Total number of employees (including employees with disabilities) in each of the following occupational categories as at 31 March 2010**

Occupational categories (SASCO)	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	64	12	19	40	38	6	6	30	215
Professionals	141	15	10	45	135	12	16	51	425
Technicians and associate professionals	22	5	2	7	48	4	2	12	102
Clerks	51	1	2	6	147	17	8	45	277
Service and sales workers	12	1	1	0	8	1	0	0	23
Plant and machine operators and assemblers	8	0	0	0	0	0	0	0	8
Elementary occupations	7	4	0	0	9	1	0	0	21
<b>Total</b>	<b>305</b>	<b>38</b>	<b>34</b>	<b>98</b>	<b>385</b>	<b>41</b>	<b>32</b>	<b>138</b>	<b>1071</b>

*NB: Minister and Deputy Minister not included in totals*

#### RACE DISTRIBUTION

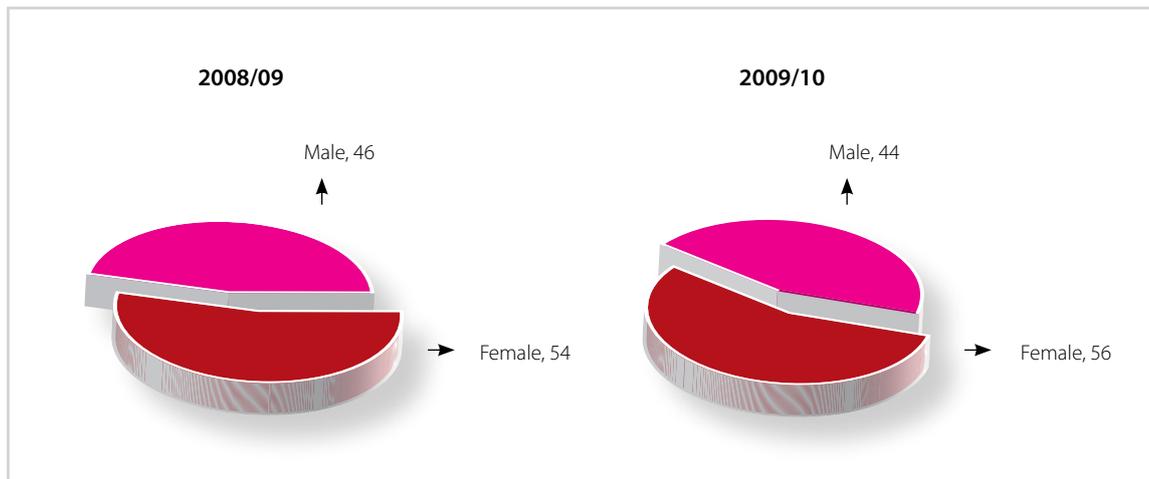


## HUMAN RESOURCE REPORT - CONTINUED

**TABLE 6.2 – Total number of employees (including employees with disabilities) in each of the following occupational bands as on 31 March 2010**

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	4	1	5	7	2	2	0	1	22
Senior Management	63	15	16	40	43	5	8	35	225
Professionally qualified and experienced specialists and mid-management	117	13	10	41	101	12	12	52	358
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	95	6	3	9	220	22	12	50	417
Semi-skilled and discretionary decision making	24	1	0	1	19	0	0	0	45
Unskilled and defined decision making	2	2	0	0	0	0	0	0	4
<b>Total</b>	<b>305</b>	<b>38</b>	<b>34</b>	<b>98</b>	<b>385</b>	<b>41</b>	<b>32</b>	<b>138</b>	<b>1071</b>

### GENDER DISTRIBUTION

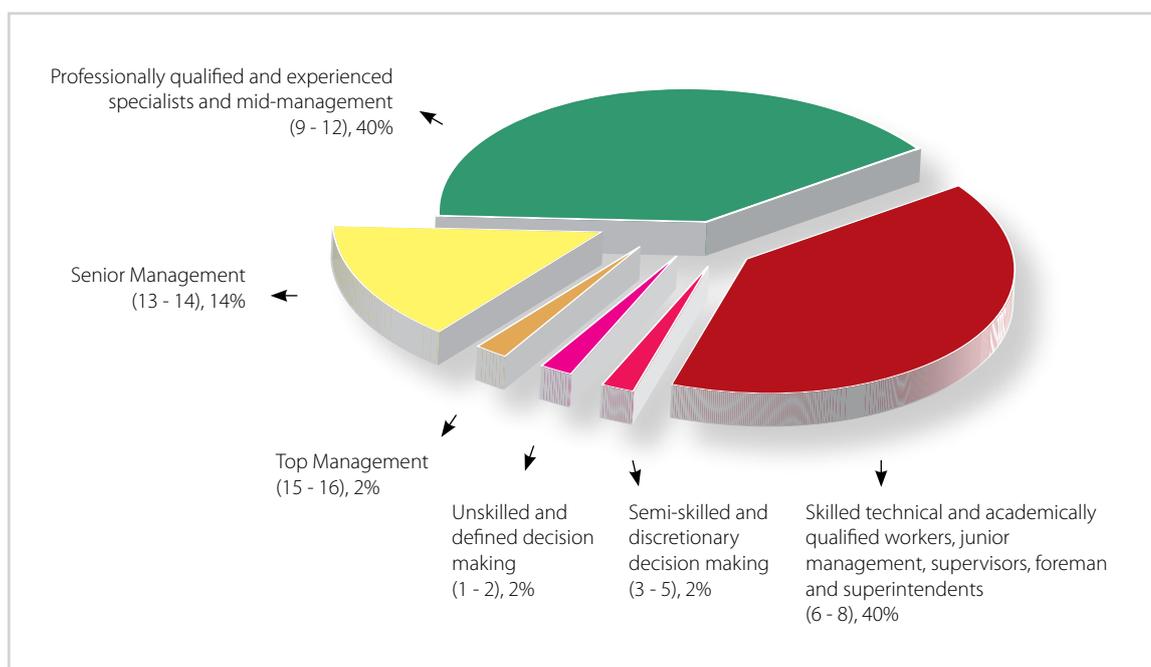


## HUMAN RESOURCE REPORT - CONTINUED

**TABLE 6.3 – Recruitment for the period 1 April 2009 to 31 March 2010**

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	0	0	2	0	1	1	0	0	4
Senior Management	9	4	0	3	5	1	2	4	28
Professionally qualified and experienced specialists and mid-management	25	1	1	4	19	1	2	2	55
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	18	1	0	2	61	5	4	8	99
Semi-skilled and discretionary decision making	2	0	0	0	2	0	0	0	4
Unskilled and defined decision making	2	1	0	0	0	0	0	0	3
Employees with disabilities	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>56</b>	<b>7</b>	<b>3</b>	<b>9</b>	<b>88</b>	<b>8</b>	<b>8</b>	<b>14</b>	<b>193</b>

### RECRUITMENT PROFILE



## HUMAN RESOURCE REPORT - CONTINUED

**TABLE 6.4 – Promotions for the period 1 April 2009 to 31 March 2010**

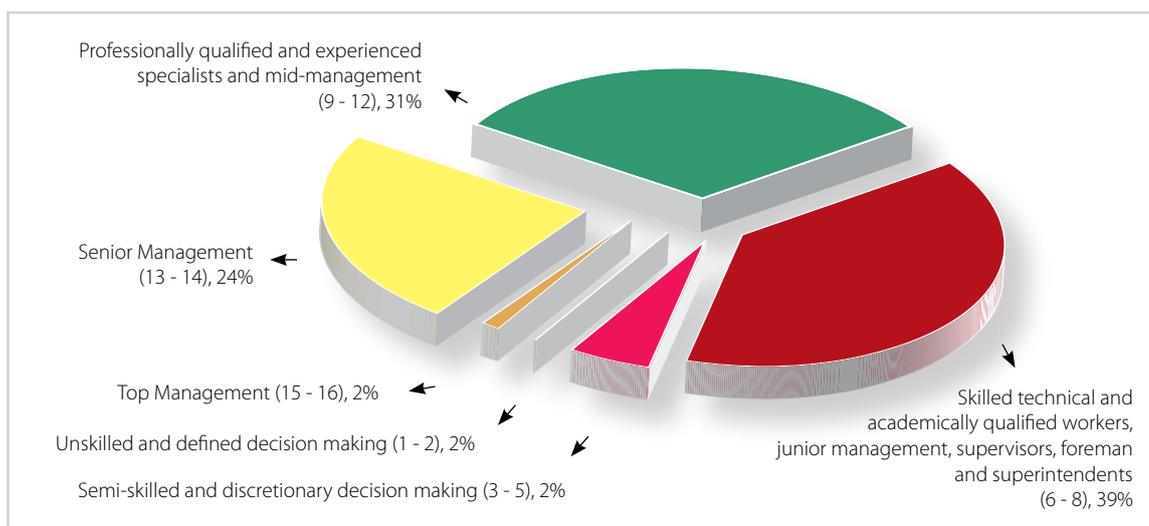
Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	1	1	0	0	0	0	0	0	2
Senior Management	7	0	2	4	1	0	2	2	18
Professionally qualified and experienced specialists and mid-management	18	2	2	5	15	5	1	4	52
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	6	0	0	0	17	4	5	3	35
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
<b>Total</b>	<b>33</b>	<b>3</b>	<b>4</b>	<b>9</b>	<b>36</b>	<b>9</b>	<b>8</b>	<b>9</b>	<b>111</b>

**TABLE 6.5 – Terminations for the period 1 April 2009 to 31 March 2010**

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	0	1	0	0	0	0	0	0	1
Senior Management	5	2	1	1	4	1	3	3	20
Professionally qualified and experienced specialists and mid-management	7	0	5	1	10	1	1	1	26
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	11	1	0	2	13	0	1	5	33
Semi-skilled and discretionary decision making	1	0	0	0	21	0	0	0	4
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>24</b>	<b>4</b>	<b>6</b>	<b>4</b>	<b>30</b>	<b>2</b>	<b>5</b>	<b>9</b>	<b>84</b>

## HUMAN RESOURCE REPORT - CONTINUED

### TERMINATION OF SERVICES PROFILE



**TABLE 6.6 – Disciplinary action for the period 1 April 2009 to 31 March 2010**

	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
<b>Disciplinary action</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>8</b>

**TABLE 6.7 – Skills development for the period 1 April 2009 to 31 March 2010**

Occupational categories	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	48	8	13	26	30	5	6	24	160
Professionals	95	8	6	32	103	8	10	26	288
Technicians and associate professionals	19	5	2	6	39	4	3	6	84
Clerks	49	1	2	3	114	12	7	28	216
Service and sales workers	11	1	1	0	8	1	0	0	22
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	3	0	0	0	0	0	0	0	3
Elementary occupations	4	2	0	0	1	1	0	0	8
<b>Total</b>	<b>229</b>	<b>25</b>	<b>24</b>	<b>67</b>	<b>295</b>	<b>31</b>	<b>26</b>	<b>84</b>	<b>781</b>

<b>Employees with disabilities</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>0</b>
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## HUMAN RESOURCE REPORT - CONTINUED

### 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 6.1), salary bands (table 6.2) and critical occupations (Table 6.3).

**TABLE 7.1 – Performance Rewards by race, gender and disability, 1 April 2009 to 31 March 2010**

	Beneficiary Profile			Cost	
	Number of beneficiaries	Total number of employees in group	% of total within group	Cost (R'000)	Average cost per employee
<b>African</b>	<b>383</b>	<b>593</b>	<b>64.5%</b>	<b>8,224</b>	<b>21,472</b>
Male	160	270	59.2%	4,128	25,800
Female	223	323	69.0%	4,096	18,367
<b>Asian</b>	<b>50</b>	<b>65</b>	<b>76.9%</b>	<b>1,735</b>	<b>66,730</b>
Male	26	36	72.2%	1,107	42,576
Female	24	29	82.7%	628	26,166
<b>Coloured</b>	<b>58</b>	<b>70</b>	<b>82.8%</b>	<b>1,642</b>	<b>27,830</b>
Male	30	36	83.3%	938	31,266
Female	28	34	82.3%	704	25,142
<b>White</b>	<b>189</b>	<b>222</b>	<b>85.1%</b>	<b>6,343</b>	<b>33,560</b>
Male	75	91	82.4%	3,046	40,613
Female	114	131	87.0%	3,297	28,921
<b>Total</b>	<b>680</b>	<b>950</b>	<b>71.5%</b>	<b>17,944</b>	<b>26,388</b>

**TABLE 7.2 – Performance Rewards by salary bands for personnel below Senior Management Service, 1 April 2009 to 31 March 2010**

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)	1	1	100%	4	4	0.0%
Skilled (Levels 3-5)	53	53	100%	326	6	0.09%
Highly skilled production (Levels 6-8)	137	230	59.5%	1,566	11	0.46%
Highly skilled supervision (Levels 9-12)	289	440	65.6%	6,346	21	1.89%
<b>Total</b>	<b>480</b>	<b>724</b>	<b>66.3%</b>	<b>8,242</b>	<b>17</b>	<b>2.46%</b>

## HUMAN RESOURCE REPORT - CONTINUED

**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	141	165	85.4%	5,848	41	1.74%
Band B	47	48	97.9%	3,039	64	0.90%
Band C	12	12	100%	815	67	0.24%
Band D	0	1	0	0	0	0
<b>Total</b>	<b>200</b>	<b>226</b>	<b>88.4%</b>	<b>9,702</b>	<b>48.5</b>	<b>2.9%</b>

### 8. LEAVE UTILISATION FOR THE PERIOD 1 JANUARY 2009 TO 31 DECEMBER 2009

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 2009 to 31 December 2009**

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)	0	0	0	0	0	0
Skilled (Levels 3-5)	270	83.3	44	5.9	6	79
Highly skilled production (Levels 6-8)	1350	78.4	212	28.3	6	696
Highly skilled supervision (Levels 9-12)	1909	70.9	338	45.2	6	2221
Senior management (Levels 13-16)	777	74.9	154	20.6	5	1975
<b>Total</b>	<b>4306</b>	<b>74.8</b>	<b>748</b>	<b>100</b>	<b>6</b>	<b>4971</b>

## HUMAN RESOURCE REPORT - CONTINUED

**TABLE 8.2 – Disability leave (temporary and permanent), 1 January 2009 to 31 December 2009**

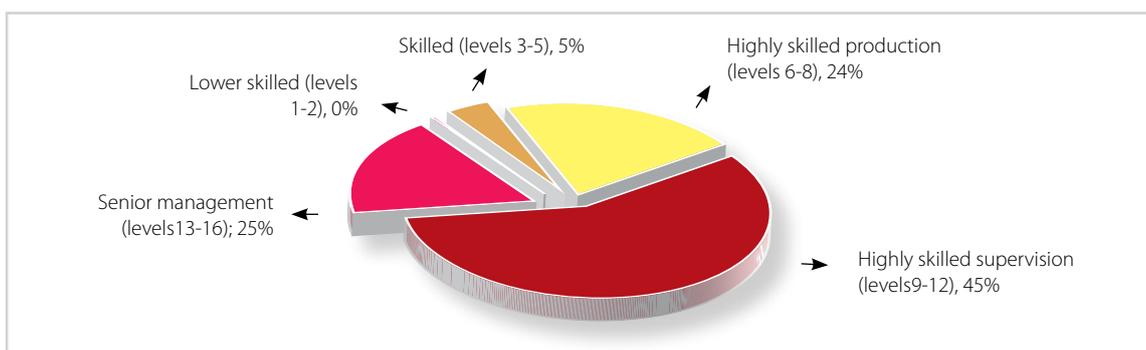
Salary Band	Total days taken	% days with medical certification	Number of Employees using disability leave	% of total employees using disability leave	Average days per employee	Estimated Cost (R'000)
Lower skilled (Levels 1-2)	0	0	0	0	0	0
Skilled (Levels 3-5)	0	0	0	0	0	0
Highly skilled production (Levels 6-8)	147	100	6	50	25	85
Highly skilled supervision (Levels 9-12)	97	100	5	41.7	19	83
Senior management (Levels 13-16)	20	100	1	8.3	20	51
<b>Total</b>	<b>264</b>	<b>100</b>	<b>12</b>	<b>100</b>	<b>22</b>	<b>219</b>

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 2009 to 31 December 2009**

Salary Bands	Total days taken	Average per employee
Lower skilled (Levels 1-2)	16	4
Skilled (Levels 3-5)	1,150	22
Highly skilled production (Levels 6-8)	5,165.76	18
Highly skilled supervision (Levels 9-12)	9,422.52	19
Senior management (Levels 13-16)	5,350	19
<b>Total</b>	<b>21,088.28</b>	<b>19</b>

### PROFILE OF ANNUAL LEAVE TAKEN



## HUMAN RESOURCE REPORT - CONTINUED

**TABLE 8.4 – Capped leave, 1 January 2009 to 31 December 2009**

Salary Bands	Total days of capped leave taken	Average number of days taken per employee	Average capped leave per employee as at 31 December 2009
Lower skilled (Levels 1-2)	0	0	0
Skilled (Levels 3-5)	7	4	27
Highly skilled production (Levels 6-8)	12	2	20
Highly skilled supervision (Levels 9-12)	64	4	34
Senior management (Levels 13-16)	23	4	65
<b>Total</b>	<b>106</b>	<b>4</b>	<b>39</b>

**TABLE 8.5 – Leave payouts for the period 1 April 2009 to 31 March 2010**

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 2009/10 due to non-utilisation of leave for the previous cycle	0	0	0
Capped leave payouts on termination of service for 2009/10	788	5	158
Current leave payout on termination of service for 2009/10	895	58	15
<b>Total</b>	<b>1,683</b>	<b>63</b>	<b>27</b>

## 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	<ul style="list-style-type: none"> <li>• Offer quarterly Voluntary Counselling and Testing. People testing positive are referred and registered with their respective medical aids for the HIV/AIDS programme.</li> <li>• Conduct support groups on information sharing and open forum discussions to people affected. Conduct quarterly Voluntary Counselling and Testing</li> </ul>

## HUMAN RESOURCE REPORT - CONTINUED

**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"> <li>• Confidential Counselling</li> <li>• Assess and refer employees for interventions including: financial and legal advice, relationships, family matters, substance abuse, work stress, depression, trauma and other Health issues.</li> <li>• Host Health awareness campaigns – focuses on health assessments and advise also information sharing on health related matters.</li> <li>• Quartely Voluntary Counselling and Testing (VCT)</li> <li>• Work-life programmes that includes sports activities.</li> </ul>
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 9 internal members:</p> <ul style="list-style-type: none"> <li>• Hilda Mhlongo (CS)</li> <li>• Sheridan Pillay (ODG)</li> <li>• Thabsile Shezi (EP)</li> <li>• Rebecca Modiba (CS)</li> <li>• Marius Klue (OAG)</li> <li>• Betty Malope (CS)</li> <li>• Innocentia Machaba (SF)</li> <li>• Johnny October (CS)</li> <li>• Georgina Chauke (CS)</li> <li>• (until Feb 2010 – Retired)</li> </ul>

## HUMAN RESOURCE REPORT - CONTINUED

Question	Yes	No	Details, if yes
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		No. All our other employment policies do not discriminate against employees on the basis of their HIV status. The departments HIV and AIDS policy gives a solid platform for ensuring non-discriminatory practices against HIV-positive employees.
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/AIDS policy emphasises confidentiality and the names of all employees tested are kept confidentially by an external Voluntary Counselling and Testing (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 achieved.	X		VCT is conducted quarterly. 46.6% of our employees underwent VCT in the period 01 April 2009 and 31 March 2010.
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		<ul style="list-style-type: none"> <li>• VCT: target of 48%</li> <li>• Health and productivity: Target of less than 12% absenteeism rate</li> <li>• Wellness management: EWP utilisation rate of 20%</li> </ul>

### 10. LABOUR RELATIONS

The following collective agreements were entered into with trade unions within the department.

**TABLE 10.1 – Collective agreements, 1 April 2009 to 31 March 2010**

Subject Matter	Date
N/A	

The following table summarises the outcome of disciplinary hearings conducted within the department for the year under review.

## HUMAN RESOURCE REPORT - CONTINUED

**TABLE 10.2 – Misconduct and disciplinary hearings finalised, 1 April 2009 to 31 March 2010**

Outcomes of disciplinary hearings	Number	% of total
Correctional counselling	1	5.8
Verbal warning	5	29.4
Written warning	2	11.7
Final written warning	5	29.4
Suspended without pay	0	0
Fine	1	5.8
Demotion	0	0
Dismissal	2	11.7
Not guilty	0	0
Case withdrawn	1	5.8
<b>Total</b>	<b>17</b>	<b>100</b>

**TABLE 10.3 – Types of misconduct addressed at disciplinary hearings**

Type of misconduct	Number	% of total
Unauthorised use of the GG car	5	26.3
Unauthorised use of telephone pin code	1	5.3
Time Keeping	1	5.3
Negligence	8	42.1
Excessive use of telephone	1	5.3
Absenteeism	3	15.7
<b>Total</b>	<b>19</b>	<b>100</b>

**TABLE 10.4 – Grievances lodged for the period 1 April 2009 to 31 March 2010**

	Number	% of Total
Number of grievances resolved	9	56.3
Number of grievances not resolved	7	43.7
<b>Total number of grievances lodged</b>	<b>16</b>	<b>100</b>

**TABLE 10.5 – Disputes lodged with Councils for the period 1 April 2009 to 31 March 2010**

	Number	% of Total
Number of disputes upheld	2	100
Number of disputes dismissed	0	0
<b>Total number of disputes lodged</b>	<b>2</b>	<b>100</b>

*NB. There is still 1 (25%) outstanding dispute which is with the Labour Court*

## HUMAN RESOURCE REPORT - CONTINUED

**TABLE 10.6 – Strike actions for the period 1 April 2009 to 31 March 2010**

<b>Total number of person working days lost</b>	
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 2009 to 31 March 2010**

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 2009 to 31 March 2010**

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	80	0	9	0	9
	Male	134	0	9	0	9
Professionals	Female	214	0	14	0	14
	Male	211	0	16	0	16
Technicians and associate professionals	Female	66	0	4	0	4
	Male	36	0	3	0	3
Clerks	Female	217	0	47	0	47
	Male	60	0	39	0	39
Service and sales workers	Female	9	0	4	0	4
	Male	14	0	12	0	12
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

## HUMAN RESOURCE REPORT - CONTINUED

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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
Plant and machine operators and assemblers	Female	0	0	0	0	0
	Male	8	0	0	0	0
Elementary occupations	Female	10	0	0	0	0
	Male	11	0	0	0	0
<b>Sub Total</b>	Female	596	0	78	0	78
	Male	475	0	79	0	79
<b>Total</b>		<b>1071</b>	<b>0</b>	<b>157</b>	<b>0</b>	<b>157</b>

**TABLE 11.2 – Training provided 1 April 2009 to 31 March 2010**

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	80	0	162	34	196
	Male	134	0	225	62	287
Professionals	Female	214	0	379	17	396
	Male	211	0	305	16	321
Technicians and associate professionals	Female	66	0	107	4	111
	Male	36	0	68	4	72
Clerks	Female	217	0	443	2	445
	Male	60	0	205	0	205
Service and sales workers	Female	9	0	14	0	14
	Male	14	0	29	0	29
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	8	0	0	0	0
Elementary occupations	Female	10	0	3	0	3
	Male	11	0	7	0	7
<b>Sub Total</b>	Female	596	0	1108	0	1165
	Male	475	0	839	0	924
<b>Total</b>		<b>1071</b>	<b>0</b>	<b>1947</b>	<b>139</b>	<b>2089</b>

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## HUMAN RESOURCE REPORT - CONTINUED

### 12. INJURY ON DUTY

The following tables provide basic information on injury on duty.

**TABLE 12.1 – Injury on duty, 1 April 2009 to 31 March 2010**

<b>Nature of injury on duty</b>	<b>Number</b>	<b>% of total</b>
Required basic medical attention only	2	0.19
Temporary Total Disablement	0	0
Permanent Disablement	0	0
Fatal	0	0
<b>Total</b>	<b>2</b>	<b>0.19</b>



**ANNEXURES**

# 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
DFI	Development Finance Institution
DOC	Department of Communications
DORA	Division of Revenue Act
DPE	Department of Public Enterprises
DME	Department of Minerals and Energy
DP&A	Department of Public Service and Administration
DSGE	Dynamic Stochastic General Equilibrium
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

## ANNEXURES - CONTINUED

IAS	International Accounting Standards
ICASA	Independent Communications Authority of South Africa
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
MIG	Municipal Infrastructure Grant
MOU	Memorandum of Understanding
MSP	Master Systems Plan
MTEF	Medium-Term Expenditure Framework
MYPD	Multi-Year Price Determination
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 Accountant-General
PIC	Public Investment Corporation
PFAI	Provident Fund for Associated Institutions
PFMA	Public Finance Management Act
PPP	Public-Private Partnerships
PPPFA	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

## ANNEXURES - CONTINUED

### ANNEXURE 1: ABBREVIATIONS

SARB	South African Reserve Bank
SARS	South African Revenue Service
SASRIA	South African Special Risks Insurance Association
SAQA	South African Qualifications Authority
SCM	Supply Chain Management
SCOA	Standard Chart of Accounts
SEC	US Securities and Exchange Commission
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
TBPS	Treasury Best Practice Standards
TCTA	Trans-Caldon Tunnel Authority
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**





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**national treasury**

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