





**Province of the Eastern Cape: Department of Provincial Treasury – Vote 12  
REPORT OF THE ACCOUNTING OFFICER - for the year ended 31 March 2006**















## 1.2 INTRODUCTION & OVERVIEW

### 1.2.1 Member of Executive Council

The strategic plan for Provincial Treasury, in the year under review was conducted



## 1.2.2 Head of Departme



appropriately investing surplus cash to generate interest income to the province. Despite the fact that the PMG accounts of some five departments remained



the validity and accuracy of the payment could not be verified. The transfer payment for this service was made in the 2003/04 financial year under the same conditions







### **1.2.5 Legislative Mandate**

The department derives its existence from the PFMA Sections 17 and 18, whereby









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through new policy measures and strategies aimed at rapidly transforming the agrarian economy of the former Bantustans, as well as reorienting our growth strategy increasingly towards employment, creating basic needs wage goods sectors. These are the challenges which the PGDP programmes aim to address through specific interventions that are built around the particular nature of inequality and poverty in the Eastern Cape.

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67%) accounted for by the tertiary sector (particularly the public sector), just over one-quarter accruing to secondary processing (26%), and less than one-tenth of GVA made up by the primary sector (7-8%).

- With the general stagnation in agriculture over the past decade, growth within





## 2.5.6 Unemployment









Figure 3.5 reflects that the Eastern Cape has a relatively youthful population with



	Eastern Cape	Cacadu	Amatole	Chris Hani	Ukhahlamba	O.R.Tambo	Alfred Nzo	Nelson Mandela
R1 - R400	20.2	21.6	17.8	23.1	35.1	29	32.5	9.6
R401 - R800	35.7	42.4	35.2	43.1	35.3	40.2	39.9	26.6







*Table 3.10: Household in Poverty, Poverty line & Basic Services*

Municipality	No Persons Poverty	of % in in Poverty	Persons HDI	Poverty
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**NAME OF INSTITUTION**

**AMOUNT  
TRANSFERRED  
R'000**

**ESTIMATE  
EXPENDITURE  
R'000**



## 2.9 Programme Performance

### Summary of programmes:

The activities of Provincial Treasury are organised in the following four programmes:

Programme 1: Strategic Management Services.

Programme 2: Sustainable Resource Management.

Programme 3: Asset & Liability Management.

Programme 4: Financial Governance.

### 2.9.1 Programme 1: Strategic Management Services

#### Purpose:

Provide leadership, strategic management in accordance with legislation, regulations, and policies and ensure appropriate support service to all other programs.

#### Measurable objectives:

- Provide leadership, strategic management in accordance with legislation, regulations, policies and ensure appropriate support service to all other programs.
- To set priorities and political directives in order to meet the objectives of the department.
- To translate policies and priorities into strategies for effective service delivery and to manage, monitor and control performance
- To provide an internal enabling function and support service to the other programs with regard to Human Resources Management and development, Legal Services, Information Technology and Communication Service.
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## Successes

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**Actual performance against target**





			<b>Actual performance against target</b>
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Sub-programmes	Output	511.68 785.3003 Tm0 g0 Tc0 Tm(8lsu)6	Actual performance against Target (51b).74b-p.45 51b
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<b>Sub-programmes</b>	<b>Outputs</b>	<b>Performance measures / Service</b>	<b>Actual performance against target</b>
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## 2.9.2 Programme 2: Sustainable Resource Management

**Purpose:**

To provide professional advice and support on Provincial economic analysis, fiscal







Sub Programmes			Actual performance against target
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### **2.9.3 Programme 3: Assets and Liabilities Management**

**Purpose:**



x Non existence of an Integrated Electronic Supplier Database

Successes

x









## 2.9.4 Programme 4: Financial Governance

### **Purpose:**

To promote accountability through substantive reflection of financial activities of the

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**Successes**

- Coordinated the successful closing of accounting accounts by all departments in order to meet the deadline of 31May 2006.
- Improvement in the actual submission date of Minimum Financial Management Performance Indicators to be complied with by Departments.
- Analysis and follow-up of previous audit outcomes to prevent recurrence of reported deficiencies.



Sub-Programme			Actual performance against target
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### 3. Report of the Audit Committee

#### 3.1 Overview

We are pleased to present our report for the financial year ended 31 March 2006.

#### 3.2 Audit Committee Members and Attendance

The Audit Committee consists of the members listed hereunder and meets as often as it deems necessary as per the approved terms of reference. During the period under review, there were two meetings held.

Name of the Member	Numbers of
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The audit committee concurs and accepts the Auditor General's conclusions on the ann5(committee)-5.2rantee commipiniittea(commtcep8(tc0.0324 Tw







In order for the department to fulfil its mandate and achieve the goals and strategic objectives as encapsulated in its strategic plan, the following programmes were adopted and implemented during the 2005/06 financial year

### **Programme 1: Strategic Management Services**

The programme objectives are as follows;

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### **Programme 3: Asset and Liability Management**

The programme objectives are as follows;

- To provide for the cost related to efficient running of the program
- To facilitate the effective and efficient management of physical and financial assets.







## 4.11 Performance information

- During the year under review, province has made huge improvements in restoring both fiscal discipline and fiscal credibility recovering from huge overdrafts and budget deficits over the past two financial years.
- The 2004/05 AG audit reports for the Provin

exceptions and 3 disclaimTh•



## 4.12 SCOPA resolutions

Reference to previous  
audit report and  
SCOPA Resolutions



**REPORT OF THE AUDITOR-GENERAL TO THE PROVINCIAL LEGISLATURE OF  
THE EASTERN CAPE PROVINCE ON THE ANNUAL FINANCIAL STATEMENTS**





operated effectively throughout the year under review. The most significant consequence of inadequate monitoring on the financial statements is:

#### 4.1.1 Transfer payments to Rapid Infrastructure Development Agency





Interest on overdraft amounting to R19, 5 million was incurred by the Eastern Cape Provincial Government in the previous year and was appropriately reported and accounted for as unauthorised expenditure in the annual financial statements for Provincial Treasury for the year ended 31 March 2005. As this interest on overdraft was paid by the Revenue Fund on behalf of the Provincial Treasury, it became due and payable to the Revenue Fund and has been appropriately disclosed in note 17.1 to



during November 2005 and had its first effective meeting in January 2006. As a result Internal Audit functioned for most of the year without the effective oversight needed.

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## 4.13.2 Revenue

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

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

Unexpended appropriated funds are surrendered to the Provincial Revenue Fu



**4.13.2.2.6**      ***Financial transactions in assets and liabilities***





#### **4.13.3.1.1 Short term employee benefits**

Short-term employee benefits comprise of leave entitlements, thirteenth cheques and performance bonuses. The cost of short-term employee benefits is expensed as salaries and wages 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).

Short-term employee benefits that give rise to a present legal or constructive obligation are disclosed in the notes to the financial statements. These amou





#### **4.13.4.3      *Receivables***

Receivables included in the statement of financial position arise from cash payments that are recoverable from another party, when the payments are made.

Revenue receivable not yet collected is included in the disclosure notes. Amounts that are potentially irrecoverable are disclosed as part of the disclosure notes to the annual financial statements.

#### **4.13.4.4      *Investments***

Capitalised investments are shown at cost in the statement of financial position. Any cash flows such as dividends



#### **4.13.5.2 Lease commitments**

Lease commitments represent amounts owing from the reporting date to the end of the lease contract. These commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are however disclosed as part of the disclosure notes.

Operating and finance lease commitments are expensed when the payments are made. Assets acquired in terms of finance lease agreements are disclosed as part of the annexures to the annual financial statements.

#### **4.13.5.3 Accruals**

Accruals represent goods/services that have been received, but no invoice has been received from the supplier at the reporting date, or an invoice has been received but final authorisation for payment has not been effected on the system.

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

#### **4.13.5.4 Contingent liabilities**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events. It is a liability that is not recognised in the statement of financial position but is disclosed in the disclosure notes.





## 4.14 Appropriation statement

Appropriation per programme									
	Adjusted Appropriati	Shifting of	Virement	2005/06			Expenditure as % of final appropriatio	2004/05	
				Final Appropriati	Actual Expenditure	Varianc		Final Appropriati	Actual Expend
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
1. Strategic Management Services									





DETAIL PER PROGRAMET-ST RATES/MANAGEMENT SERVICES  
for the year ended 31 March 2006

		2005/36					2004/35	
Programme subprogramme	per	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	





**DETAIL PER PROGRAMME 3 – ASSET AND LIABILITY MANAGEMENT  
for the year ended 31 March 2006**

Programme subprogramme	2005/06							2004/05	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
per	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000

3.1 Programme R'000





**4.14.1.4.1.2 Programme 2: Sustainable Resource Management**

**Compensation of employees:**

Variance: (R 57 000)

There were some delays in the recruitment processes and this resulted in the release of funds to the Revenue Fund. The variance is due to posts filled after the release of the fund.

**Goods and services:**

Variance: R 84 000

Planned activities relating to the i1.55A0 4 1R75523.5629 0 T5-0.0002 0-0.002itifnraahe ela8( i)6.1(c Actto)5

<b>Per Economic classification</b>	<b>2005/06 R'000</b>	<b>2004/05 R'000</b>
<b>Current payment:</b>		
Compensation of employees	62,265	59,818

## **4.15 Statement of Financial Performance**





## 4.17 Statement of Changes in Net Assets

	<i>Note</i>	<b>2005/06 R'000</b>	<b>2004/05 R'000</b>
<b>Recoverable revenue</b>			
Opening balance		233	-
Debts revised	13.3	(233b68 1eil2 440419 -1.2994	

## 4.18 Cash Flow Statement

	<i>Note</i>	<b>2005/06 R'000</b>	<b>2004/05 R'000</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts				
Annual appropriated funds received	1.1	106,632	150,484	
Statutory appropriated funds received		775		629
Departmental revenue received		105,499	17,484	
Local and foreign aid assistance received	4	3,840		
Net (increase)/decrease in working capital		(3,865)	23,877	
Surrendered to Revenue Fund		(127,753)	(52,794)	
Current payments		(101,301)	(135,527)	
ReDepnund cav.				

## **4.19 Notes to the Annual Financial Statement**

### **4.19.1 Annual Appropriation**

#### **4.19.1.1 *Annual Appropriation***

Included are funds appropriated in terms of the Appropriation Act for Provincial Departments (Equitable Share):

**Final  
Appropriation**

**4.19.3.2**      *Interest, dividends and rent on land*

	<b>2005/06</b>	<b>2004/05</b>
Interest	105,195	16,425
<b>Total</b>		

#### 4.19.6 Goods and services

	<i>Note</i>	<b>2005/06</b>	<b>2004/05</b>
		<b>R'000</b>	<b>R'000</b>
Advertising		447	529
Bank charges and card fees		17	31
Bursaries (employees)		447	176
Communication		3,390	8,399
Computer services		4	52
Consultants, contractors and special services			

**2005/06**  
**R'000**

**2004/05**  
**R'000**

## **4.19.10 Unauthorised expenditure**

### **4.19.10.1 *Reconciliation of unauthorised expenditure***

2005/06	2004/05
R'000	R'000

**4.19.13.1    Staff Debt**









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§ **ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS**  
§ **for the year ended 31 March 2006**

**ANNEXURE 11**

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§ ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS  
§ for the year ended 31 March 2006

**ANNEXURE 1L  
STATEMENT OF TRANSFERS TO HOUSEHOLDS**

	TRANSFER ALLOCATION	EXPENDITURE	2004/05
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**ANNEXURE 4**

**CAPITAL TANGIBLE ASSET MOVEMENT SCHEDULE FOR THE YEAR ENDED 31 MARCH 2006**

**Opening**

**Closing**



**ANNEXURE 4**  
**CAPITAL TANGIBLE ASSET MOVEMENT SCHEDULE FOR THE YEA**





**ANNEXURE 7  
INTER-GOVERNMENT PAYABLES**

<b>GOVERNMENT ENTITY</b>	<b>Confirmed balance outstanding</b>	<b>Unconfirmed balance outstanding</b>
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<i>Type of arrangement</i>	<i>Actual Customers</i>	<i>Potential Customers</i>	<i>Actual achievements</i>
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**TABLE 5.2.3 – Salaries, Overtime, Home Owners Allowance and Medical Assistance by programme,  
2005/06**



occupations (Table 5.3.3). Departments have identified critical occupations that need to be monitored. Table



## 5.4 Job evaluation

The Public Service Regulations, 1999 introduced job evaluation as a way of ensuring that work of equal value is remunerated

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 5.4.3 – Employees whose salary level exceed the grade determined by job evaluation, 1 April 2005 to 31 March 2006 (in terms of PSR 1.V.C.3)**

<b>Occupation</b>	<b>Number of employees</b>	<b>Job evolution level</b>	<b>Remuneration level</b>	<b>Reason for deviation</b>
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Table 5.5.3 identifies the major reasons why staff left the department.

**Table 5.5.3 – Reasons why staff are leaving the department**

<b>Termination Type</b>	<b>Number</b>	<b>% of total</b>
Death	4	
Resignation	7	13

**Table 5.5.4 – Promotions by critical occupation**

Occupation	Employees as at 1 April 2005
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**5.6.2 – Total number of employees (including employees with disabilities) in each of the following occupational bands as on 31 March 2006**



**5.6.3 – Recruitment for the period 1 April 2005 to 31 March 2006**

**5.6.4 – Promotions for the period 1 April 2005 to 31 March 2006**

Occupational Bands	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	





s (table 6.2) and( 6(criti)7(c)35.4al occup5)57(a)-053(tion5)57(s (Ta5)57(b)-0534le 6.3).





Other administrat & related clerks and organisers	3	4	75	13	4,333
Other administrative policy and related officers	3	3	100	16	5,333
Other occupations	9	15	60	36	4,000
Secretaries & other keyboard operating clerks	6	21	26.1	23	3,833
Senior managers	1	24	4.2	4	4,000

## 5.8 Foreign workers

The tables below summarise the employment of foreign nationals in the department in terms of salary bands and by major occupation. The tables also summarise changes in the total number of foreign workers in each salary band and by each major occupation.

**TABLE5.8.1 – Foreign Workers, 1 April 2005 to 31 March 2006, by salary band**

Salary Band	1 April 2005		31 March 2006		Change	
	Number	% of total	Number	% of total	Number	% change
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)	0	0	0	0	0	0
Highly skilled supervision (Levels 9-12)	0	0	0	0	0	0
Senior management (Levels 13-16) contract	1	25	1	33.3	0	0

Senior management (Levels 13-16)	82	87.8	14	5	6	159
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Skilled (Levels 3-5)	15	8	141
Highly skilled production (Levels 6-8)	99	6	151
Highly skilled supervision(Levels 9-12)	55	6	164

## **5.10 HIV and AIDS & health promotion programmes**

*TABLE 5.10.1 – Steps taken to reduce the risk of occupational exposure*

Mr M Mbem  
-Salarnistration,

## 5.11 Labour relations

The following collective agreements were entered into with trade unions within the department.

**TABLE 5.11.1 – Collective agreements, 1 April 2005 to 31 March 2006**

No agreement entered into.	
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**If there were no agreements, then use the following table**

**Total collective agreements**





## **5.12 Skills development**

This section highlights the efforts of the department with regard to skills development.

### ***5.12.1 – Training needs identified 1 April 2005 to 31 March 2006***

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## 5.14 Utilisation of consultants

*Table 5.14.1 – Report on consultant appointments using appropriated funds*

<b>Project Title</b>	<b>Total number of consultants that worked on the project</b>	<b>Duration: Work days</b>	<b>Contract value in Rand</b>
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