

**DEPARTMENT OF FINANCE & ECONOMIC AFFAIRS**

**VOTE 02**

To be appropriated by Vote	R 258.005.000
Statutory amount	R620. 000
Responsible MEC	MEC of Finance and Economic Affairs
Administrating department	Department of Finance and Economic Affairs
Accounting Officer	Deputy Director-General: Finance and Economic Affairs

**1. OVERVIEW**

Vision

Strives towards sound. transparent financial management and optimal development and utilisation of resources.

Mission

To ensure an effective. efficient. economic. professional and transparent service by formulating financial policies consistent with Government objectives and; managing. implementing and administering such policies; managing and providing financial planning and monitoring functions; rendering financial management services; and developing and providing a fair and inclusive procurement system to the Mpumalanga Province.

**2. REVIEW OF THE CURRENT BUDGET YEAR**

The financial management function of all departments is improving slowly as a result of the appointment of Chief Financial Officers. However. financial management capacity is still a concern. The Provincial Treasury will. however. continue rendering the financial management advice in order to build departments' capacity to an acceptable level.

*Budget Reform*

Much has been done towards budget reforms. which includes realisation of the requirements of the Public Finance Management Act regarding Strategic Plans that directs departments budgets. The GFS (Government Finance Statistics) budget format was introduced in the province during the 2001/02 financial year. so as to have an international standard for the compilation and presentation of financial information presented by the Provincial and the National Treasuries. This system. introduced by the IMF (International Monetary Fund). has. as its main purpose to ensure uniformity in government finance statistics and that such statistics are suitable for detailed analysis of the fiscal situation.

*Fiscal Discipline*

Consistent with the broader transformation of the public service, budget reform will devolve accountability to departmental heads to manage personnel and other inputs effectively and efficiently in pursuit of improved service delivery. The Provincial Treasury is to position itself as part of restructuring to fulfil a centralised financial authority role and provide guidance, support and advice in financial matters to departments. A Provincial Chief Financial Officers' Forum (PCFOF) has been established under the chair person ship of the Provincial Treasury to consolidate and co-ordinate all budget and financial management matters in all departments.

**3. OUTLOOK FOR THE COMING BUDGET YEAR**

The Act makes accounting officers responsible for the managing/administering of their departmental budgets. Its reporting requirements include the submission of financial statements to the Auditor-General two months after the end of the financial year. It requires accounting officers to submit monthly financial reports that will better enable treasuries to manage their finances during the course of the year. Accounting officers who neglect their financial responsibilities or mismanage resources face formal misconduct proceedings and, in serious cases, prosecution. The Act defines financial responsibilities of the boards of all public bodies and replaces the Reporting of Public Entities Act. The Act takes further the principals of the Corporate Governance Protocol, setting reporting requirements and fiduciary duties of accounting officers. The Act also establishes, by regulation, effective internal audit components and audit committees as support functions to accounting officers. The Act aims to ultimately prepare consolidated financial statements for all spheres of government.

The Medium-term Expenditure Framework (MTEF) will continue to be implemented for the 2003/04 financial year and onwards to inform on the allocation of resources. Improvements in the budgeting system and process in the Province will still be challenge to be faced. Issues currently receiving attention are to bring the format of the budget in line with a performance-based budgeting system and international reporting standards change the budget process so that the political office-bearers and top management of the departments will be involved earlier in the budget process and play a more active role in the process; provide detailed guidelines to provincial departments about how to compile a budget and how to organise the budget process within the department; further train the financial management staff in the departments to carry out their financial responsibilities; improve the interaction and co-operation between the Provincial Treasury and the line managers and chief financial officers in the departments.

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**4. Revenue and Financing**

**4.1 Summary of revenue**

<b>Table 4.1</b>		<b>Summary of revenue: Finance and Economic Affairs</b>				
	<b>2000/01</b>	<b>2001/02</b>	<b>2002/03</b>	<b>2003/04</b>	<b>2004/05</b>	<b>2005/06</b>
<b>R'000</b>	<b>Actual</b>	<b>Actual</b>	<b>Est.</b>		<b>MTEF</b>	<b>MTEF</b>
	<b>Expenditure</b>	<b>Expenditure</b>	<b>Actual</b>	<b>Voted</b>	<b>Budget</b>	<b>Budget</b>
Equitable Share	173.426	343.669	282.739	212.920	233.649	250.991
Conditional grants	2.044	6.135	9.066	10.804	13.344	14.186
Own Revenue			21.268	34.281	42.295	23.500
<b>Total</b>	<b>175.470</b>	<b>349.804</b>	<b>313.073</b>	<b>258.005</b>	<b>289.288</b>	<b>288.677</b>

**4.2 Departmental revenue collection**

<b>Table 4.2</b>		<b>Departmental revenue collection: Finance and Economic Affairs</b>				
	<b>2000/01</b>	<b>2001/02</b>	<b>2002/03</b>	<b>2003/04</b>	<b>2004/05</b>	<b>2005/06</b>
<b>R'000</b>	<b>Actual</b>	<b>Actual</b>	<b>Est.</b>		<b>MTEF</b>	<b>MTEF</b>
	<b>Expenditure</b>	<b>Expenditure</b>	<b>Actual</b>	<b>Voted</b>	<b>Budget</b>	<b>Budget</b>
<b>Current Revenue</b>						
<b>Tax revenue</b>						
Gambling		13.081	13.963	14.528	15.255	16.780
<b>Non-tax revenue</b>						
Interest on Exchequer Account		24.401	20.000	15.500	16.200	18.100
Other revenue		13.832	12.901	13.092	13.083	14.279
<b>Total current revenue</b>		<b>51.314</b>	<b>46.864</b>	<b>43.120</b>	<b>44.538</b>	<b>49.159</b>
<b>Total</b>		<b>51.314</b>	<b>46.864</b>	<b>43.120</b>	<b>44.538</b>	<b>49.159</b>

**5. EXPENDITURE SUMMARY**

Financial year 2003/2004: R 258.005 million

Financial year 2004/2005: R 289.288 million

Financial year 2005/2006: R 288.677 million

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## 5.1 Programme Summary

Table 5.1	Summary of expenditure and estimates: Finance and Economic Affairs					
R'000	2000/01 Actual Expenditure	2001/02 Actual Expenditure	2002/03 Est. Actual	2003/04 Voted	2004/05 MTEF Budget	2005/06 MTEF Budget
1. Administration	64.628	108.327	35.006	26.814	40.391	42.468
2. Economic Development	59.178	114.241	88.113	131.880	140.261	133.021
3. Provincial Treasury	14.375	90.378	23.696	48.311	55.182	56.727
4. Office of the Accountant-General	35.245	30.723	34.270	31.000	33.454	36.461
5. Provincial Grants	2.044	6.135	131.988	20.000	20.000	20.000
<b>Total</b>	<b>175.470</b>	<b>349.804</b>	<b>313.073</b>	<b>258.005</b>	<b>289.288</b>	<b>288.677</b>

## 5.2 Summary of Economic Classification

Table 5.2	Summary of expenditure and estimates: Finance and Economic Affairs					
R'000	2000/01 Actual Expenditure	2001/02 Actual Expenditure	2002/03 Est. Actual	2003/04 Voted	2004/05 MTEF Budget	2005/06 MTEF Budget
<b>CURRENT</b>						
Personnel	36.758	36.180	41.510	53.080	57.976	61.454
Transfers	51.138	96.151	60.243	99.573	79.573	61.073
Other Current	83.840	212.866	208.932	102.589	148.822	165.357
<b>Total Current</b>	<b>171.736</b>	<b>345.197</b>	<b>310.685</b>	<b>102.589</b>	<b>286.371</b>	<b>287.884</b>
<b>CAPITAL</b>						
Acquisition of capital Assets	3.734	4.607	2.388	2.763	2.917	793
Transfer Payment						
<b>Total Capital</b>	<b>3.734</b>	<b>4.607</b>	<b>2.388</b>	<b>2.763</b>	<b>2.917</b>	<b>793</b>
<b>Total GFS classification</b>	<b>175.470</b>	<b>349.804</b>	<b>313.073</b>	<b>258.005</b>	<b>289.288</b>	<b>288.677</b>

## 6. PROGRAMME DESCRIPTION

### 6.1 PROGRAMME 1: ADMINISTRATION

Table 6.1	Summary of expenditure and estimates: Programme 1: Administration					
R'000	2000/01 Actual Expenditure	2001/02 Actual Expenditure	2002/03 Est. Actual	2003/04 Voted	2004/05 MTEF Budget	2005/06 MTEF Budget
Member of Executive Council	1.790	1.235	2.239	2.284	2.411	2.553
Management Services	11.958	3.637	2.846	4.724	4.951	8.198
Corporate Services	50.880	103.455	29.921	19.806	33.029	31.717
<b>Total</b>	<b>52.989</b>	<b>108.327</b>	<b>35.006</b>	<b>26.814</b>	<b>40.391</b>	<b>42.468</b>

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Table 6.2	Summary of expenditure and estimates: Programme 1: Administration					
R'000	2000/01 Actual Expenditure	2001/02 Actual Expenditure	2002/03 Est. Actual	2003/04 Voted	2004/05 MTEF Budget	2005/06 MTEF Budget
<b>CURRENT</b>						
Personnel	10.445	12.754	17.991	17.400	18.650	19.737
Transfers						
Other Current	54.088	94.249	14.949	9.063	21.374	22.342
<b>Total: Current</b>	<b>52.894</b>	<b>107.003</b>	<b>30.475</b>	<b>26.463</b>	<b>36.525</b>	<b>38.405</b>
<b>CAPITAL</b>						
Acquisition of capital Assets	95	1.324	2.066	351	367	389
Transfer Payment						
<b>Total: Capital</b>	<b>95</b>	<b>1.324</b>	<b>2.066</b>	<b>351</b>	<b>367</b>	<b>389</b>
<b>Total GFS classification</b>	<b>52.989</b>	<b>108.327</b>	<b>35.006</b>	<b>26.814</b>	<b>40.391</b>	<b>42.468</b>

## 6.2 PROGRAMME 2: ECONOMIC SERVICES

### Objective

- \* To create an enabling environment for the achievement of the sustainable economic growth and development of the people of Mpumalanga by 2005.

### Outputs

#### *Sub-programme 1: Industrial promotion*

Increased awareness of the investment potential of the Mpumalanga in order to attract foreign direct investment of at least R 100m per year. Database established and updated on a regular basis. as well as expansion and growth of existing businesses and achieves greater co-operation with municipalities. The implementation of the stainless steel incubator and development and implementation of industrial clusters by 2002.

#### *Sub-programme 2: SMME Development*

Facilitate the establishment of two Retail Financial Intermediaries and four LBSC's by 2002. as well as implementation of economic empowerment programme for targeted groups of 10% per year.

#### *Sub-programme 3: Tourism promotion and development*

To increase in the number of international and domestic tourists visiting the Mpumalanga by 10% per year and the average duration of stay by the international tourist from 2 to 3 nights

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between in 2002/2003. To increase the number of sustainable PDI tourism products. 5 in 2002 and 10 in 2003 and access Poverty Alleviation Fund for 10 sustainable PDI tourism product per year. as well as unfolding Tourism Safety Model to one third of all SAPS Police Station in the province per year.

*Sub-programme 4: Trade & Gaming*

Ten new export traders participate in international trade each year and two historically disadvantaged individuals participate in international trade per annum. 80% of those who practice unfair business practices are prosecuted per annum and 60% of business comply with applicable trade legislation each year. All liquor and gambling licence holders comply with applicable legislation each year and resolve 70% of consumer complaints per annum.

**Outcomes**

Achieve an economic growth of 4% in 2001; 4.5% in 2002; 5% in 2003; 5.5% in 2004 and 6% in 2005 and facilitate the implementation of 10 empowerment programmes and the creation of 10 000 jobs. Increase in the number of viable SMME in the Province and greater access to employment by targeted group and the improvement of the quality of life to raise current rating as 4<sup>th</sup> most popular Provincial destination to 3<sup>rd</sup> and more diversified community based tourism plant. Growth of exports and the provincial economy. freedom to trade but in a regulated environment. business practising fair trade and consumers aware of their rights and obligations.

Table 6.1	Summary of expenditure and estimates: Programme 2: Economic Development					
	2000/01 Actual Expenditure	2001/02 Actual Expenditure	2002/03 Est. Actual	2003/04 Voted	2004/05 MTEF Budget	2005/06 MTEF Budget
<b>R'000</b>						
Industry Promotion	7.368	10.062	11.601	12.660	34.290	39.545
SMME	29.895	65.803	36.327	75.664	56.679	41.460
Tourism Development	7.437	20.489	10.118	15.037	11.156	11.311
Trade Gaming	14.431	17.887	18.904	15.312	22.300	23.388
Northern Highveld Region	47					
Economic & Project Planning			2.097	2.517	2.602	3.131
Rural Development Project			9.066	10.690	13.234	14.186
<b>Total</b>	<b>59.178</b>	<b>114.241</b>	<b>88.113</b>	<b>131.880</b>	<b>140.261</b>	<b>133.021</b>

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Table 6.2		Summary of expenditure and estimates: Programme 2: Economic Development					
		2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
		Actual	Actual	Est.		MTEF	MTEF
R'000		Expenditure	Expenditure	Actual	Voted	Budget	Budget
<b>CURRENT</b>							
	Personnel	5.455	7.274	9.023	12.358	13.383	14.186
	Transfers	51.138	96.151	60.243	99.573	79.573	61.073
	Other Current	2.585	10.816	18.847	19.949	47.305	57.762
	<b>Total: Current</b>	<b>59.178</b>	<b>114.241</b>	<b>88.113</b>	<b>131.880</b>	<b>140.261</b>	<b>133.021</b>
<b>CAPITAL</b>							
	Acquisition of capital Assets						
	Transfer Payment						
	<b>Total: Capital</b>						
	<b>Total GFS classification</b>	<b>59.178</b>	<b>114.241</b>	<b>88.113</b>	<b>131.880</b>	<b>140.261</b>	<b>133.021</b>

#### 1.4. Transfers to Public Entities

Table 1.4		Transfers to Public Entities					
		2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
		Actual	Actual	Estimated	MTEF	MTEF	MTEF
R'000	Name of the Entity	Expenditure	Expenditure	Actual	Budget	Budget	Budget
	Mpumalanga Economic Empowerment Co	28.700	64.490	33.769	70.000	52.000	35.500
	Mpumalanga Gaming Board	11.500	13.350	12.766	12.500	12.500	12.500
	Mpumalanga Tourism Authority	6.509	12.311	6.374	9.073	8.073	7.073
	Mpumalanga Investment Initiative	4.429	6.000	7.334	8.000	7.000	6.000
	<b>Total</b>	<b>51.138</b>	<b>96.151</b>	<b>60.243</b>	<b>99.573</b>	<b>79.573</b>	<b>61.073</b>

### 6.3 PROGRAMME 3: PROVINCIAL TREASURY

#### Objectives

- \* To manage and provide effective, efficient and professional financial planning within Mpumalanga to ensure sound public finance management and to develop and provide fair and inclusive procurement system to the advantage of all people in the Mpumalanga Province.

#### Outputs

- \* Tabling of credible annual Provincial and MTEF budgets that meet the policy objectives of Mpumalanga Provincial Government.

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- \* Monitoring of provincial departments' expenditure and revenue to ensure that they meet the appropriate levels. with due regard to the co-operation of departmental accounting officers.
- \* Build capacity within department with regard to revenue sources and collection and ensure proper recording and reconciliation of revenue collected.
- \* Management of cash flow. so that interest is optimised and the risk is reduced.
- \* To provide policy inputs on all procurement policy matters for the Province and issue directives to provincial departments and relative statutory bodies with regard to the procurement of suppliers and services. the hiring or letting of property. the acquisition or granting of any right. or the disposal of provincial property in order to achieve the objects spelled out in the Mpumalanga Tender Board Act.
- \* Increase small. medium and micro enterprises and previously disadvantaged individuals (SMME/PDI) participation in the tender process.

<b>Table 6.1</b>	<b>Summary of expenditure and estimates: Programme 3: Provincial Treasury</b>					
	<b>2000/01</b>	<b>2001/02</b>	<b>2002/03</b>	<b>2003/04</b>	<b>2004/05</b>	<b>2005/06</b>
<b>R'000</b>	<b>Actual Expenditure</b>	<b>Actual Expenditure</b>	<b>Est. Actual</b>	<b>Voted</b>	<b>MTEF Budget</b>	<b>MTEF Budget</b>
Office of the Head of Treasury	0	0	0	688	729	769
Budgeting and Management	2.178	78.584	10.597	4.976	4.598	4.877
Budget Office	1.423	7.153	5.114	7.933	8.500	9.010
Financial Management				25.000	30.000	30.000
Revenue Management	4.060	2.077	3.056	1.465	1.613	1.711
Inspectorate				2.437	2.634	2.791
Procurement Administration	6.714	2.564	4.929	4.788	6.037	6.433
Provincial Tender Board				1.024	1.071	1.136
<b>Total</b>	<b>14.375</b>	<b>90.378</b>	<b>23.696</b>	<b>48.311</b>	<b>55.182</b>	<b>56.727</b>

<b>Table 6.2</b>	<b>Summary of expenditure and estimates: Programme 3: Provincial Treasury</b>					
	<b>2000/01</b>	<b>2001/02</b>	<b>2002/03</b>	<b>2003/04</b>	<b>2004/05</b>	<b>2005/06</b>
<b>R'000</b>	<b>Actual Expenditure</b>	<b>Actual Expenditure</b>	<b>Est. Actual</b>	<b>Voted</b>	<b>MTEF Budget</b>	<b>MTEF Budget</b>
<b>CURRENT</b>						
Personnel	11.885	9.556	9.055	14.264	15.653	16.624
Transfers						
Other Current	2.490	80.822	14.641	34.047	39.529	40.103
<b>Total: Current</b>	<b>14.375</b>	<b>90.378</b>	<b>23.696</b>	<b>48.311</b>	<b>55.182</b>	<b>56.727</b>
<b>CAPITAL</b>						
Acquisition of capital Assets						
Transfer Payment						
<b>Total: Capital</b>						
<b>Total GFS classification</b>	<b>14.375</b>	<b>90.378</b>	<b>23.696</b>	<b>48.311</b>	<b>55.182</b>	<b>56.727</b>

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**6.4 PROGRAMME 4: OFFICE OF THE ACCOUNTANT–GENERAL**

**Objective**

- \* To render a specialised financial and comprehensive management accounting to the Provincial Government.

**Outputs**

- \* Transacting the funds requested from Provincial Exchequer Account to the respective vote's books of account in the PMG.
- \* Reconciling and monitoring the accounts that form consolidated general ledger account. as well as related control accounts.
- \* Compile intergovernmental fiscal review (IGFR) and implementation of PFMA and General Recognised Accounting Practice (GRAP).
- \* Maintaining the various code files on BAS and other financial systems ensuring in the process that the efficient use of the facilities is maximised. and mmanaging a financial training unit and implement financial norms and standards in the province.
- \* Maintaining the various code files on BAS and other financial systems ensuring in the process that the efficient use of the facilities is maximised.
- \* Monitoring, consolidating and co–ordinating inputs of the various Provincial Departments with regard to EWS. Annual Financial Statements as well as the audit queries. raised by the Auditor General.

Table 6.1	Summary of expenditure and estimates: Programme 4: Office of the Acc General					
	2000/01 Actual Expenditure	2001/02 Actual Expenditure	2002/03 Est. Actual	2003/04 Voted	2004/05 MTEF Budget	2005/06 MTEF Budget
<b>R'000</b>						
Accounting Management	142	97		1.016	1.104	1.170
Financial system and Training	4		786	912	1.057	1.121
Information Technology (ITB)	28.829	28.049	31.261	28.620	30.800	33.648
Consolidation of Reports	6.270	2.577	2.223	452	493	522
<b>Total</b>	<b>35.245</b>	<b>30.723</b>	<b>34.270</b>	<b>31.000</b>	<b>33.454</b>	<b>36.461</b>

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Table 6.2	Summary of expenditure and estimates: Programme 4: Office of the Acc General					
	2000/01 Actual Expenditure	2001/02 Actual Expenditure	2002/03 Est. Actual	2003/04 Voted	2004/05 MTEF Budget	2005/06 MTEF Budget
<b>R'000</b>						
<b>CURRENT</b>						
Personnel	8.973	6.596	5.441	9.058	10.290	10.907
Transfers						
Other Current	22.633	20.844	28.507	19.530	20.614	25.150
<b>Total: Current</b>	<b>31.606</b>	<b>27.440</b>	<b>33.948</b>	<b>28.788</b>	<b>30.904</b>	<b>36.057</b>
<b>CAPITAL</b>						
Acquisition of capital Assets	3.639	3.283	322	2.412	2.550	404
Transfer Payment						
<b>Total: Capital</b>	<b>3.639</b>	<b>3.283</b>	<b>322</b>	<b>2.412</b>	<b>2.550</b>	<b>404</b>
<b>Total GFS classification</b>	<b>35.245</b>	<b>30.723</b>	<b>34.270</b>	<b>31.000</b>	<b>33.454</b>	<b>36.461</b>

## 6.5 PROGRAMME 5: PROVINCIAL GRANTS

### Objective

- \* To promote efficiency through conditional grants funds in order to build financial management capacity within provincial departments.

### Outputs

- \* Provincial departments utilise the available financial resources in accordance with the requirements and conditions of the Division of Revenue Act (DoRA).

Table 6.1	Summary of expenditure and estimates: Programme 5: Provincial Grants					
	2000/01 Actual Expenditure	2001/02 Actual Expenditure	2002/03 Est. Actual	2003/04 Voted	2004/05 MTEF Budget	2005/06 MTEF Budget
<b>R'000</b>						
Contingency Reserve	2.044	6.135	131.988	20.000	20.000	20.000
<b>Total</b>	<b>2.044</b>	<b>6.135</b>	<b>131.988</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>

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Table 6.2	Summary of expenditure and estimates: Programme 5: Provincial Grants					
	2000/01 Actual Expenditure	2001/02 Actual Expenditure	2002/03 Est. Actual	2003/04 Voted	2004/05 MTEF Budget	2005/06 MTEF Budget
<b>R'000</b>						
<b><u>CURRENT</u></b>						
Personnel						
Transfers						
Other Current	2.044	6.135	131.988	20.000	20.000	20.000
<b>Total: Current</b>	<b>2.044</b>	<b>6.135</b>	<b>131.988</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>
<b><u>CAPITAL</u></b>						
Acquisition of capital Assets						
Transfer Payment						
<b>Total: Capital</b>						
<b>Total GFS classification</b>	<b>2.044</b>	<b>6.135</b>	<b>131.988</b>	<b>20.000</b>	<b>20.000</b>	<b>20.000</b>