

VOTE 3: FINANCE AND ECONOMIC AFFAIRS

STRATEGIC PLAN 2003-2004

FINAL UPDATE

UPDATED 14 JANUARY 2003



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2. Vision and Mission

The vision of the Department of Finance and Economic Affairs is to provide financial management leadership in the province and optimise our contribution to create an enabling environment for economic growth in Gauteng and South Africa.

In order to achieve the vision, the mission of the Department is therefore:

- To achieve economic development through:
 - Investment in strategic economic infrastructure that boosts the competitive advantages of key sectors of the economy
 - Increased trade and investment
 - Contributing to an ethical business and regulatory environment
- To achieve sound public finances through the phased implementation of the PFMA by 2007
- Strive towards an output driven, ethical and people-orientated administration that reflects the demographics of our province through:
 - The achievement of operational excellence
 - A performance management framework

3. Environmental Analysis

The Strategic plan has been developed with full view of the environmental changes in which the department operates. The following are the external factors that are likely to have an influence on the functioning of the Department over the next year.

3.1 Political

The Province has been politically stable since the 1994 as no change occurred in the ruling party over the past six years. This consistency has led to continuity in policy development and the mandate of the department. The Provincial priorities are pre-set by the Provincial Executive Council and these inform the goals of the department.

3.2 Economical

- *Demographics*

Gauteng is the smallest province in South Africa with an area of 21 025 km². It constitutes 1.7% of the total land area of the country. The total population is about 7.8 million. Although Gauteng is the smallest province, 18.5% of the total South African population reside in the province. Gauteng therefore has the highest population density of 369.7 persons/km². The average population density of South Africa is only 35.4-persons/ km². All other provinces have population densities of less than 100 persons/km² There are six local authority areas: 3 Metropolitan Councils, 3 District Councils with 24 magisterial districts. These are Greater Johannesburg, Ekurhuleni, West Rand, Tshwane, Metsweding and the Sedibeng.

The province is the biggest contributor to the South African's Gross Domestic Product and employment. The three main contributors to the GGP of the province are finance, trade and manufacturing sectors respectively. The financial sector's contributions to the province's GGP increased from 16.7% in 1996 to 26.6% in 1999 with the trade sector's contribution also increasing from 7.4% to 11.8% during the same period. The manufacturing sector's contribution in the same period declined from to even though there was growth in its Rand value contribution overall.

The mining sector's contribution declined from 4.8% in 1996 to 3% in 1999 with the agricultural sector contributing less to the total GGP in 1999 relative to 1996. Its contribution fell from 0.9% to 0.5% over the period.

- *Labour Force*

The Province accounts for 26% of the employed in South Africa. Out of the total employment of 2.75 million (80%), 86% is in the formal sector. The commerce sector being the highest employer at 22%.

Based on the strictest definition, Gauteng has an unemployment rate of 28%. This is lower than the national average of 30%

Only 9.8% of the population has undergone some form of skills training. Of these 24% are in Business, commerce and management, 15% in the manufacturing sector and 14% in the service sector.

3.3 Social

- *Household Size and Income*

There are about 2.35 million households that average at 3.3 persons in Gauteng. This accounts for about 22 of the total households in the country at an average of 4 persons.

About 39% of households reported incomes of less than R1200 per month and 10% exceed monthly incomes of R10 000.

- *Education*

About 16% of the population has no schooling as opposed to 24% nationally. Of these 29% have a grade 12 qualification and 3% at least a first degree.

About 1.9 million households are within a 2 km of a primary school, with 1.68 million being 2 km of a secondary school.

- *Services*

Eighty five percent of population has access to electricity for lighting, 77% for heating and about 80% for cooking.

Almost all households in the province have access to piped water either through pipe in dwelling, on site, public tap or a tanker. However minority households still collect water from streams, dams, springs and boreholes.

In Gauteng 1.11 million households have access to telephones. 84.5% walk less than 16 minutes, 3.9% walk more than 30 minutes to the nearest telephone from dwelling.

- *Health Facilities*

About 1.74 households have hospitals within a 2km of the dwelling.

3.4 Technology

The Province's technology infrastructure competes comfortably with that of the first world. The challenge is to expand the ability of the province to innovate and manufacture this technology, as currently the Province is still largely an importer of this technology. The Gauteng online project of the Department of Education's objective is to ensure human resource development that will support this industry.

The challenge facing the department is to align the Information Technology Strategy with the Business strategy whilst taking into account the IT developments in the Shared Service Centre and financial constraints.

4. Departmental Mandate

- **Legislative mandate:**

Section 13 of the Constitution

The specific mandate of the department is derived from following legislation:

Public Finance Management Act (1999)

Public Service Act (1994)

Gauteng Consumer Affairs Act (1996)

Gauteng Tourism Act (2001)

Gauteng Gambling Act (1995, 1996, 2001)

The Liquor Act (2002)

Businesses Act (1991)

Sale and Service Matters Amendment Act (1995)

Credit Agreements Act (1980)

- **Delegations:**

Human Resource and Financial delegations

The department has during the financial year ended 2002 revised the departmental delegations to bring them in line with Public Finance Management Act, Public Service Act and Regulations.

5. Assessment of internal strength and weaknesses

Strengths:

- We have committed management and staff
- Current management has been in place for at least three years.
- The department is successfully implementing the PFMA to ensure good governance
- The department is focused on achieving its declared outputs and has successfully done so previously.
- The department drives itself to meet deadlines with a major challenge on managers to do proper planning.

Weaknesses:

- Succession planning is an area that still needs attention.
- There is disjuncture between the PFMA and the financial information systems currently in use.

6. Departmental Key Objectives

- Creation of an enabling environment for economic growth
- Fairness in the procurement of goods and services by government
- Efficient management of government resources

7. Departmental Deliverables

7.1 Provincial Treasury

- Annual budget that:
 - Reflects provincial priorities
 - Achieves allocation efficiency with a targeted ratio of 98% on current expenditure and 80% on capital expenditure of actual to budgeted expenditure
 - Engages the Executive and accounting officers
- Control over the implementation of the provincial budget through:
 - Analysis and interrogation of monthly and quarterly reports
 - Proactive cash flow management utilising appropriate systems and banking arrangements
 - Institutionalise the use of financial reports within departments
- Promotion and enforced transparency and effective management of provincial revenue, expenditure, assets and liabilities through:
 - Monthly, quarterly and annual reports within prescribed timeframes
 - Establishing norms and best practice guidelines in utilising internal audit as a risk management tool
 - Take the lead role in developing financial management skills and capacity in the province
 - Communications on a regular basis on actual and projected revenue and expenditure trends, budgets and financial management issues
- Consolidated annual financial statements of the province prepared in accordance with Generally Recognised Accounting Practice.

7.2 Economic Affairs

- Definition and implementation of economic intervention necessary to contribute to economic growth and development that will lead to job creation.
- Enhance Small Medium Enterprise (SME) development and participation through Gauteng Provincial Government (GPG) procurement, Gauteng Manufacturing Advisory Centres (Gaumac), Blue IQ, Gauteng Tourism Agency (GTA), Gauteng Economic Development Agency (GEDA) and other provincial entities
- The promotion of black economic empowerment particularly through Blue IQ, the Gauteng Gambling Board, Gauteng Economic Development Agency, Gauteng Tourism Agency and other provincial entities
- Identification and packaging of investment opportunities within the preferred sectors to stimulate investments into Gauteng by GEDA in particular
- Proactive communications of economic programmes and interventions of GPG to ensure confidence building amongst investors and citizens
- Marketing and promotion of tourism with particular emphasis on the Cricket World Cup 2003
- Marketing and promotion of trade and investment opportunities by GEDA
- Implementation of a streamlined regulatory environment for the liquor industry that promotes and ensures compliance with the law
- Regulation of the gambling industry
- Improve consumer education, awareness and consumer protection to especially the lower income groups
- Enforce compliance to business regulations
- Provision of economic research and data series

7.3 Administration

- Maintain systems of internal controls and procedures that contributes to accountability, transparency and fairness in service delivery through:
 - Effective internal audits at least twice annually
 - Monthly-analysed financial reports tabled at top management meetings
 - Effective internal and external communications
 - An acquisition council and an accredited procurement unit that ensures fair and transparent procurement practice
- Optimise the role of technologies in service delivery
 - Maintain a LAN that has a 95% uptime
 - Ensure that staff has continuous access to email and Internet facilities
 - Introduce information, document management and workflow systems in line with GSSC
- Implement strategies to attract and retain skilled people
 - Maintain alliances with institutions and entities that help create a skills pool
 - Continue to market the department of Financial and Economic Affairs (DFEA) as employer of choice
 - Skills development plans for individuals
 - Stimulating work environment focused on outputs and performance
- Implement work plans and performance targets for units and individuals
- Sustain a culture and work ethic that is corruption free and customer focused:
 - Market the values of the department
 - Review and implement fraud prevention plan
 - Conduct at least one staff and client attitudinal survey
 - Implement a service delivery improvement plan

8. Departmental Design

The Department is clustered around three pillars

Financial Cluster

- Provincial Treasury

Economic Cluster

Consumer Affairs and Business Regulation

- Gauteng Consumer Court (GCC)
- Gauteng Liquor Board (GLB)

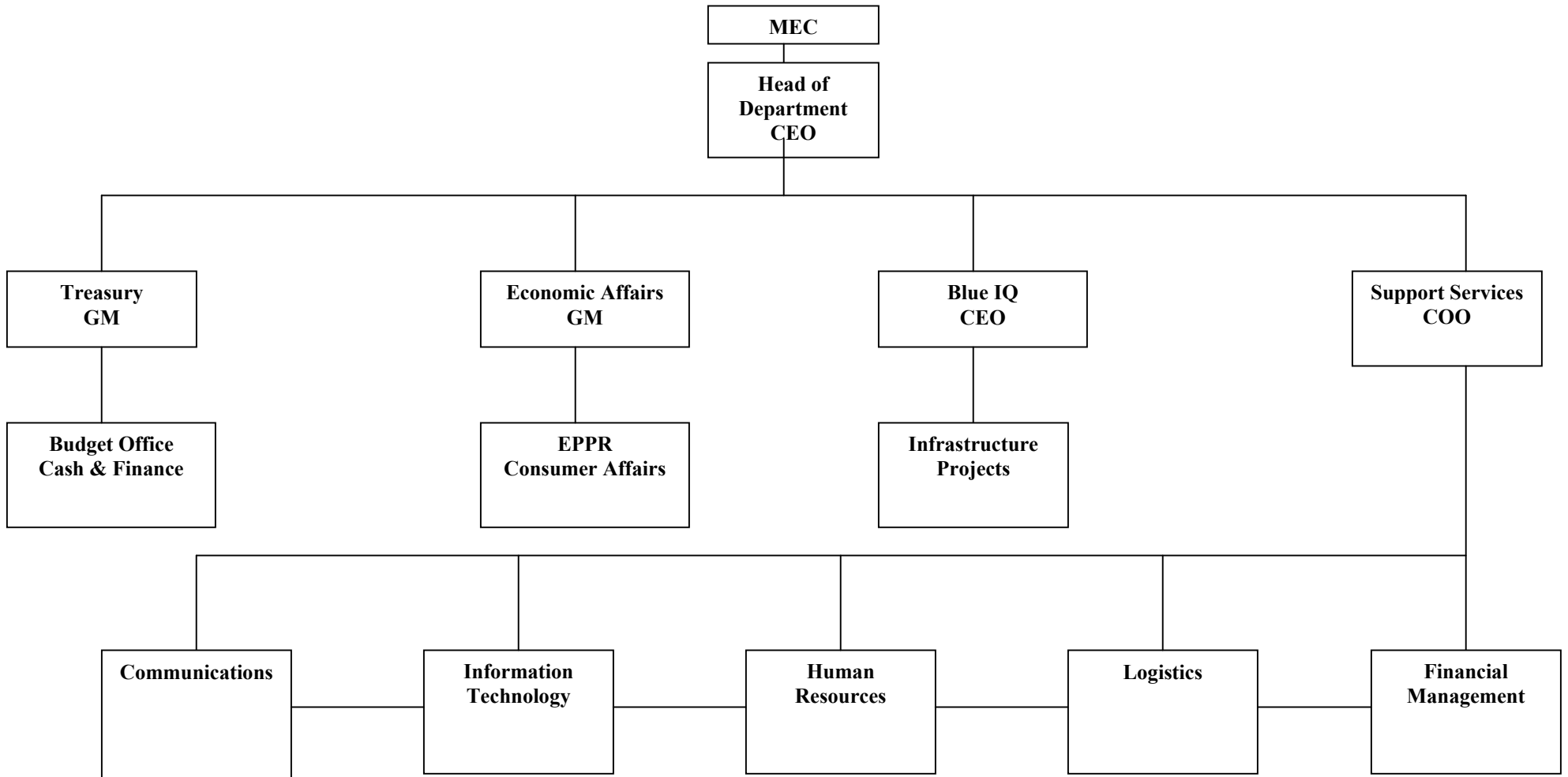
Economic Policy Planning Research (EPPR)

- Blue IQ
- Gauteng Gambling Board (GGB)
- Gauteng Economic Development Agency (GEDA)
- Gauteng Tourism Authority (GTA)
- Gauteng Manufacturing Advice Centre (Gaumac)

Support Services Cluster

- Logistics
- Communication
- Financial Management
- Information Technology
- Human Resource Management

9. Departmental Structure and Organogram



10. Personnel Estimates

VOTE 3: FINANCE AND ECONOMIC AFFAIRS

DFEA-SUMMARY PER BUDGET STATEMENT 2

Number of Staff per Programme

Programme	Current		MTEF	
	At 31 March		At 31 March	
	2003	2004	2005	2006
Programme 1	10	6	6	6
Programme 2	225	229	343	343
Programme 3	56	56	56	56
Programme 4	46	46	46	46
Programme 5	9	15	17	17
Programme 6	30			
Total	376	352	468	468

PERSONNEL PER LEVEL

Salary Level	Number of Posts		Approved	Notch			Total Filled Posts
	Filled	Vacant		1	2	3	
1							
2	11	2	13	4		7	11
3	47		47	42	5		47
4	54		54	45	8	1	54
5	25		25	25			25
6	32	1	33	26	3	3	32
7	50	1	51	50			50
8	31	3	34	31			31
9	21		21	20		1	21
10	12	2	14	7	5		12
11	11	7	18	11			11
12	8		8	5	2	1	8
13	14	4	18	11	1	2	14
14	11		11	9	2		11
15	2		2	2			2
16	2		2	2			2
MEC	1		1	1			1
Total	332	20	352	291	26	15	332

11. Departmental Revenue

Department Revenue	2000/01	2001/02	2002/03	2003/04
	Actual	Actual	Estimated Actual	Voted
Tax revenue	R'000 296,414	R'000 298,750	R'000 322,870	R'000 332,772
Casino Taxes	224,043	229,294	269,885	283,379
Horseracing	67,367	63,692	47,041	49,393
Other taxes	5,004	5,764	5,944	0
Non -Tax revenue	136,663	221,466	176,812	149,793
Interest	76,825	186,416	170,659	143,431
Other revenue	59,796	27,701	1,266	1,035
Rent	42	2,216		
Fees, fines & forfeiture		5,133	4,887	5,327
Capital revenue	-			
Total	433,077	520,216	499,682	482,565
Less: Direct charges				
Gambling taxes		25,078	14,633	16,639
Total Own Revenue	433,077	495,138	485,049	465,926

12. Departmental Expenditure and Estimates

BUDGET STATEMENT 2				
SUMMARY OF EXPENDITURE AND ESTIMATES				
Description of the Programme	2000/01 Actual R'000	2001/02 Actual R'000	2002/03 Preliminary Outcome R'000	2003/04 Budget R'000
1. Management	3,602	4,192	5,485	4,505
2. Support Services	35,563	46,842	57,336	59,366
3. Provincial Treasury	76,448	48,230	44,714	41,679
4. Economic Affairs	31,965	42,617	76,804	77,347
5. Blue IQ	152,766	373,865	620,288	1,471,364
6. Corporate IT	0	98,335	160,891	0
	0	44,289	0	0
Total for Programmes	300,344	658,370	965,118	1,654,261
CURRENT				
Compensation of employees	33,526	46,448	62,964	54,215
Use of goods and services	96,346	248,252	186,843	117,823
Property expenses	4,794	5,941	5,785	6,040
Subsidies	23,100	32,200	58,557	57,700
Grants	0	0	0	0
Social benefits	0	45	0	0
Other expenses	0	0	0	0
Special Function	0	44,289	0	0
Total Current	157,766	377,175	314,149	235,778
CAPITAL				
New Capital Works	142,578	281,195	650,969	1,418,483
Non-financial assets				
Buildings and structures				
Machinery & Equipment	9,216	11,500	71,160	2,846
Other assets				
Capital transfers to	133,362	269,695	579,809	1,415,637
Local government			264,386	24,900
Local government agencies				256,863
Provincial entities				277,835
Provincial public entities				174,489
Other capital transfers	133,362	269,695	315,423	681,550
Financial assets				
Total Capital	142,578	281,195	650,969	1,418,483
Total GFS Classification	300,344	658,370	965,118	1,654,261

13. Capital Investment

The major capital investments of the department are the Blue IQ projects divided into four categories under project leaders and strategic business partners.

Blue IQ works with various national, provincial, local governments, institutions and private organizations.

The allocation for Blue IQ 2003 is **1,471Bn**

PROJECTS:

Technology

The Innovation Hub

Transport

Johannesburg International Airport Industrial development Zone

City Deep Terminal Industrial Development Zone

Gautrain Rapid Rail Link

High Value added manufacturing

Gauteng Automotive cluster

Wadeville Alrode industrial Corridor

Tourism

Cradle of Humankind World Heritage Site

Constitution Hill

Newtown

Dinokeng

Kliptown

14. Summary of Transfers

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	
	Audited	Audited	Estimated	Budget	MTEF	MTEF	TOTAL
GFS Classification			Actual				
	R'000	R'000	R'000	R'000	R'000	R'000	
PUBLIC ENTITIES							
Gauteng Economic Development Agency	3,800	3,900	28,900	28,900	28,900	28,900	123,300
Gauteng Tourism Agency	13,800	28,300	28,800	28,800	28,800	28,800	156,800
Gauteng Gambling Board	6,000						6,000
Gauteng Department Education (Special Education)			857				857
Total for Public Entities	23,100	32,200	57,557	57,700	57,700	57,700	286,957

LOCAL GOVERNMENT (BLUE IQ)							
Local Government			264,386	24,900	14,038		303,324
Local Government Agency				256,863	217,875	138,747	613,485
Provincial Entities				277,835	152,124	111,544	541,503
Provincial Public Entities				174,489	129,600	90,019	394,108
Other Capital Transfers	133,362	269,695	315,423	681,550	1,094,000	2,492,000	4,986,030
Total for Local Government	133,362	269,695	579,809	1,415,637	1,607,637	2,832,310	6,838,450
TOTAL TRANSFERS	156,462	301,895	638,366	1,473,337	1,665,337	2,890,010	7,125,407

DRAFT STRATEGIC PLAN DELIVERABLES
MTEF : 2003-2006

Strategies	Date of Action	Deliverables	Number
<p>Analysis of service delivery environment</p> <p>Management Information Systems implemented:</p> <p>Financial Information Systems The department fully runs on basic accounting system (BAS).</p> <p>The department is looking at acquiring a modified accrual system package</p> <p>Employee Payable Systems Persal/Bas reconciliation is done on monthly bases at organizational level. Management is to extend process to program level</p> <p>Asset Management System To be revised to include values and depreciable percentage Up to date asset register</p> <p>Financial System for trading account Liquor trading account system to be Implemented on accrual bases.</p> <p>Core functions</p> <p>Provincial Treasury</p> <p>Prepare annual provincial budget achieving allocation efficiency Engage the Executive and accounting officers</p> <p>- Analyses and interrogation of monthly and quarterly reports - Monitoring of provincial cash flow management</p> <p>- Submission of quarterly monthly and annual reports on provincial revenue and expenditure</p> <p>- Consolidate annual financial statements</p> <p>- Coordinate and communicate norms standards and guidelines for the province</p>	Done	Monthly financial management reports	-
	March 2003	Compliant financial management	-
	Monthly	Signed monthly reviewed reconciliation reports	12
	March 2003 On going	Asset register that reflects depreciation Annual asset audit by internal audit	1 -
	Sept 2002	Separate financial statements On accrual bases	-
	February 2004 On going	Balanced Budget	1 -
	Monthly On going	Efficient Financial Management by Departments	16 -
	On going	“	16
	June 2004	“	1
	On going	Consolidated Annual financial statements	-
		Fewer departmental non-compliance audit reports	

Economic Affairs			
Implement the eleven Blue IQ projects	March 2006	Economic infrastructure development of projects	11
Defined economic interventions from updated provincial trade and industrial strategy	March 2003	Infrastructure Projects	-
Monitor, evaluate and report on SME promotion in GPG procurement, Gaumac, Blue IQ, GTA, Geda and other provincial entities	Half yearly	Enhanced SME development and participation	2
Monitor, evaluate and report on BEE promotion in GPG procurement, Gaumac, Blue IQ, GTA, Geda, and other provincial entities	Half yearly	Increased BEE development and participation	2
Identification and packing of investments opportunities within preferred sectors to stimulate investment	Ongoing	Increased investments into the province	-
Communication of economic programs and GPG interventions	Quarterly	Improved investor confidence	4
Marketing of the province to attract tourists	On going	Detailed marketing plan and promotion schedule for GTA to promote tourism	-
Attracting investment opportunities to the province	On going	Marketing and promotion of trade and investment opportunities through GEDA	-
Implement new liquor legislation and ensure compliance	March 2004	Streamlined self regulatory environment for the liquor industry	-
Review gambling legislation and polices and monitor implementation	March 2004	Compliant industry	-
Introduce consumer education at schools, intensify mobile consumer services, media coverage and research	Ongoing	Streamlined regulatory framework for gambling industry	-
Conduct workshops and inspections to ensure compliance to legislation	On going	Improved consumer, awareness and protection for lower income groups	-
	On going	Regulated Industry	-
			-

Support Services			
Efficient Human Resource Management			
Provide and retain adequate capacity of human capital to managers for the efficient delivery of objectives	On going	Enhanced work ethics and corporate culture	
Develop recruitment strategies that attract suitable skills for the department	On going	Performance management system data base	
Implement induction programs and employee Well being in the department	On going	Interactive HR information database for policy documents and other HR information needed by employees and management	
Develop on line skill development plans for the department online	On going	Continuously Workshop the policy for staff understanding	
Communications policy development			
Advise on most effective structures, procedures and support mechanisms for co-coordinating the overall communication effort	Ongoing	Stakeholder briefing sessions Media campaigns releases Positive exposure of the department	
Managing relationships with the external stakeholders	On going	Consistent message and corporate identity	
Information Technology Strategies		Access to all staff	
Information System support		IT system that is 95% up	
IT Strategy updated	1April 2003	information systems that is efficiency and increases productivity of employees.	
Upgrade Network	Ongoing	Effective and efficient delivery of services	
LAN management/downtime monitoring	April 2003	“	
IT hardware and software support services	Continuous	“	
Email and internet availability	Ongoing	“	
Cut IT support response time to 24hrs (working hrs)	Continuous	“	
Policies for email, internet, security	March 2003		
	June 2003		

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<p>Financial Management:</p> <p>Financial management development program</p> <p>Strategic Planning, Budgeting and related Matters</p> <p>In Year Monitoring and Reporting</p> <p>Internal Control and Risk Management</p> <p>Internal Audit and Audit Committees</p>	<p>August 2003</p> <p>August 2003</p> <p>September 2003</p> <p>September 2003</p>	<p>Annual budget and strategic plan</p> <p>Control the implementation of the department's allocated budget</p> <p>Monitor and report on progress of policy implementations, and control environment</p>	
<p>Strategies to address Audit queries</p> <p>Quarterly Reports Quarterly presentations and interrogations to monitor over expenditure and revenue collection process</p> <p>Internal Control Processes: Deployment of Internal Audit Plan Implementation of Audit Committee Implementation Fraud Prevention Plan</p> <p>Full and proper accounts records maintenance Authorization and maintenance of proper accounts records, contracts and document systems</p> <p>Integrated budgeting and output process by sub-program to eliminate over/under expenditure Implementation of Activity-based budgeting process</p> <p>Preparation and review of Preliminary Financial statement Review hygiene of trial balance 4 month before submission of financial statements.</p>	<p>Quarterly</p> <p>Biannual internal audit involvement and control process review</p> <p>Bi annual or quarterly internal audit involvement</p> <p>Quarterly program and sub program interrogation</p> <p>January 2003</p>	<p>Submission of Prescribed quarterly In Year Monitoring reports</p> <p>Approved internal Audit plan and progress report on implementation dates.</p> <p>Unqualified audit report</p> <p>Quarterly progress report to Executive Council on outputs and actual spend against budget</p> <p>Trial Annual Financial Statements review</p>	

Strategies	Date of Action	Deliverables	Number
<p>PFMA implementation Plan</p> <p>The department submits monthly summary PFMA implementation report to Provincial Treasury</p> <p>The financial management program structure revised to ensure capacity to implement is adequate</p> <p>Audit Committee The Audit Committee that meets with department to ensure efficient management of resources</p>	<p>Yearly</p> <p>Quarterly</p>	<p>Unqualified Compliance Audit report 2004</p> <p>“</p> <p>“</p>	<p>1</p> <p>1</p> <p>4</p>