

Foreword

A quiet, yet important financial management revolution took place in the South African public sector over the past decade.

Concerted government initiatives during this period, to modernize financial management, faster public accountability and enhance effective and efficient management of public revenue, assets and liabilities, went a long way towards contributing to the deliberate attempt to change traditional command-and-control relationships between Treasury and line Departments, and between funding Departments and Public Entities.

Ten years after the new political dispensation took effect, a reformed South African public service, now affords less rigidity in the provision of public services and more responsiveness to local conditions and client preferences.

Now that the provisions of the Public Finance Management Act (PFMA), Act 1 of 1999 as amended, are well entrenched in government operations, not only is the operational discretion of managers enlarged, but conducive conditions have also been created to stimulate improvement in management and to adapt commercial practices to public management, within a well-defined and transparent accountability framework. In this regard, work will continue to improve Supply Chain Management (SCM) practices in the Province, including the implementation of a provincial supplier database and monitoring system. Work will also continue to introduce further accounting reforms as part of the National initiative towards gearing up for the ultimate switchover to full accrual accounting.

The period covered by this Strategic Plan will also see further developments with regard to the oversight role of the Provincial Treasury in respect of the implementation of the Municipal Finance Management Act (MFMA), Act 56 of 2004. In this regard, the Provincial Treasury will promote the spirit of this act, by ensuring full compliance by municipalities. The role of the Treasury will include the rendering of sound financial management, advice and technical support to municipalities as well as a supportive role in providing proactive assessment and advice to create the necessary conducive environment for the successful implementation of this act.

May I use this avenue to re-commit my Department to live up to the challenge of continuous enhancement of prudent financial management in the Free State Province.

FK Morule
MEC: FINANCE

Part A

Strategic Overview

1 Overview of Strategic Plan

The measurement of performance is taking on increased prominence in financial management through various accounting reforms, as well as the consolidation of annual financial statements of public entities into the statements of funded Departments. In this regard, the importance of further efforts to introduce business accounting practice to move closer towards the ultimate institution of full accrual accounting cannot be over-emphasized. This is so, because such reforms would make it even more feasible to base budget decisions on performance, in line with the spirit of the PFMA.

It must, however, be kept in mind that no reform process is easy and the success of implementing change will, in the end, be a function of the commitment of all role-players to make these reforms work. To this end, much of the reforms brought about by the PFMA, should not be construed as creating the possibility of a 'free for all' situation for spending agencies.

In the aforementioned regard, the incidence of a growing number of Departments getting qualified audit reports on annual financial statements is a serious concern. The reality of this situation is even more grave if account is taken of the fact that the introduction of the PFMA with its focus on performance some years ago, as well as the current accounting reforms, undoubtedly broadens the role and responsibility of the Auditor General in reviewing actual performance in operations of provincial Departments and Public Entities.

This strategic plan is drawn against the reality of the aforementioned, to assist to create an environment that would make it possible for all role-players to contribute towards the realization of the long-term objectives of the PFMA.

2 Vision

Promote prudent financial management of provincial resources.

3 Mission

Render timeous and responsive service delivery to clients through:

- enforcing the implementation of the Public Finance Management Act;
- preparation of sound and sustainable provincial budgets;
- promotion and monitoring of the sustainability of local government budgets;
- sound management of departmental and provincial government's financial assets and liabilities;
- promotion of sound supply chain management practices;
- optimisation of provincially collected revenue;
- enhancement of sound cash management, accounting practices, policies and systems;
- promotion and implementation of restructuring and transformation process;
- sound management of departmental resources.

4 Values

The core values that the Department espouses are:

- Performance
- Consistency
- Transparency
- Integrity
- Sensitivity
- Accountability
- Diligence
- Prudence
- Professionalism
- Fairness
- Consultation
- Legislative Mandate

5 Sectoral situation analysis

The Free State Provincial Treasury as the only provincial Department established in terms of the PFMA, is charged with the specific responsibility to oversee financial management in this Province, need to ensure that it is well-positioned to use the prescripts of the PFMA, current accounting and budgeting reforms, the prevailing intergovernmental fiscal arrangements and the overall financial

regulatory environment, to give effect to its all-important overarching monitoring and evaluation role, so as to ensure that public resources at the disposal of this Province are in the final analysis, used to advance the government's socio-economic transformation agenda, within an accountable and transparent financial governance framework.

Summary of service delivery environment and challenges

The core functions and responsibilities of the Department emanates from the PFMA, Treasury Regulations and the MFMA, and largely deals with matters such as:

- Preparation of provincial budget statements
- Banking and Cash Management
- Management of revenue, expenditure, assets and liabilities
- Consolidation of financial statements of provincial Departments and Public Entities
- Oversight to ensure adherence to the MFMA
- Oversight over provincial Public-private partnerships (PPP's)

The period of this Strategic Plan must not only ensure that current budgeting, accounting and Supply Chain Management reforms, enhance financial management performance, but also to consolidate the gains from recent reforms and initiatives such as:

- The introduction of the New Economic Reporting Format for budgets and the Standard Chart of Accounts (SCOA)
- The province's participation in the Integrated Cash management System (ICMS), through which temporary surplus cash balances are invested with the Commission for Public Debt (CPD)

These, and other imperatives, compel the Treasury, together with the finance components of line Departments, to use this Strategic Plan to, amongst other things, ensure that:

- Appropriate instruments of choice are devised to ensure available performance information, in fact, to influence organizational behavior. In this regard, ways have to be found to derive home the fact that ongoing financial reforms are, in the first and final analysis, aimed at changing managerial behavior, not just rationalizing budget choices. In short, the

time has come that line managers and not the budget office, should be the prime users of performance information.

Several strategies will have to be employed to achieve this all-important objective, including:

- ✓ programme evaluation, both before policy initiation and after they have been funded
 - ✓ emphasizing responsibility centre as a means of making sections/divisions aware of how their actions can make a difference in the quality of services rendered
 - ✓ placing increasing reliance on annual reports that are audited both reliable of financial information as well as performance, as a tool for gaining the attainment of key objectives and results
- Accounting and general management reforms, ultimately do result in efficiency gains that are actually reflected in reductions in real operating expenditures.

Services to be rendered by this Department over the period covered by this Strategic Plan, will thus seek to support achievement of the aforementioned imperatives. Whilst most of these measures will impact on the effectiveness and efficiency of internal operations, ways also need to be found to ensure that line Departments rise to the challenge to continuously examine the cost of performance of funds spent on transfer payments, grants and subsidies.

Summary of organisational environment and challenges

- Oversight over the implementation of SCM, to give effect to the intent of the PFMA and the MFMA to:
- Devolve responsibility for supply chain related matters to accounting officers;
 - Clear lines of authority and accountability;
 - Ensure that performance criteria contribute towards minimizing risk;
 - Improve sourcing procedures and processes;
 - Foster effective and efficient asset and inventory management
- Ongoing financial management reforms

- The implementation of the new uniform 4-programme structure for Provincial Treasuries,

poses tremendous challenges to this Department, inter alia, to ensure the:

- Availability of appropriate skilled and experienced staff to execute functions;
- Implementation of appropriate management information systems within the constraints imposed by National prescribed systems;
- Implementation of cost-effective and technically efficient communications and liaison arrangements and procedures; and
- More effective usage of financial and performance information by the Provincial Executive Council, the Provincial Legislature and line Departments.

More specifically, the Provincial Treasury would, amongst other things, be challenged to ensure that:

- Managers in both Treasury and line Departments do not act as if they are but one link in a long chain of command, but demonstrate that, in fact, they have both the means and opportunity to shape their respective operations to be more productive and performance-driven.
- Performances aimed at devolving operational responsibility to line functionaries are not used as an excuse to introduce undue fragmentation and disconnection of areas of operation in and amongst various Departments but that is, rather, used as avenues and instruments to faster opportunities for stronger co-ordination, also in respect of policy formulation and performance monitoring.
- Officials throughout provincial Departments do appreciate that the measurement of performance is taking on increased prominence in financial management, and that such heightened focus on performance will grow as the public service continue to move closer to full accrual accounting.
- Annual reports do not only descriptively enumerate the things Departments have done through the year, but that it should actually present a more systematic comparison of actual against planned performance. In this regard, it must also be accepted that this, necessarily, requires that both financial statements and non-financial performance information be subjected to political scrutiny and auditing.

6 Legislative and other mandates

- Constitution Act No.200 of 1993
- Public Finance Management Act No 1 of 1999
- Treasury Regulations March 2005
- Employment Equity Act of 1998
- Public Service Act
- Public Service Regulation, 2001
- Public Service Co-ordinating Bargaining Council Collective Agreements
- Revenue Act 12 of 1998
- SITA Act
- Division of Revenue Act
- Municipal Finance Management Act number 56 of 2003

The overriding legislation that establishes and gives powers and functions to the Provincial Treasury is the Public Finance Management Act No 1 of 1999. This legislation establishes the Provincial Treasury, spells out functions and powers and other related matters regarding Provincial revenue funds.

Employment Equity Act, 1998 (Act 55 of 1998)

To regulate the processes and procedures of the Treasury in achieving a diverse and competent workforce broadly representative of the demographics of the Western Cape and eliminating unfair discrimination in employment towards implementing employment equity.

Intergovernmental Fiscal Relations Act, 1997 (Act 97 of 1997)

To define the role of the Minister of Finance and Economic Development and that of the Treasury as representatives of the Provincial Government, in promoting co-operation between other spheres of government on fiscal, budgetary and financial matters; to provide insight into the prescribed processes for the determination of the equitable share and allocation of revenue raised nationally and for matters in connection therewith.

Labour Relations Act, 1995 (Act 66 of 1995)

To regulate and guide the Treasury in recognising and fulfilling its role in effecting labour harmony and the democratisation of the workplace.

Local Government: Municipal Finance Management Bill¹

To regulate financial management in the local sphere of government; to require that all revenue, expenditure, assets and liabilities of municipalities and municipal entities are managed economically, efficiently and effectively; to determine the responsibilities of persons entrusted municipal borrowing; to make provision for the handling of financial emergencies in municipalities; and to provide for matters connected therewith.¹

Occupational Health and Safety Act, 1993 (Act 85 of 1993)

To provide for the health and safety of persons at work and for the health and safety of persons in connection with the use of plant and machinery; the protection of persons other than persons at work against hazards to health and safety arising out of or in connection with the activities of person at work; to establish an advisory council for occupational health and safety; and to provide for matters connected therewith.

Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000)

To provide the Treasury with a regulatory framework enabling and assisting departments, the Western Cape Provincial Tender Board and potential historically disadvantaged individuals (HDI's) in the sustainable development and implementation of a preferential procurement system.

Promotion of Access to Information Act, 2000 (Act 2 of 2000)

To give effect to the constitutional right of access to any information held by the state and any information that is held by another person and that is required for the exercise or protection of any rights; and to provide for matters connected therewith.

Promotion of Administrative Justice Act, 2000 (Act 3 of 2000)

To give effect to the right to administrative action that is lawful, reasonable and procedurally fair and to the right to written reasons for administrative action as contemplated in section 33 of the Constitution of the Republic of South Africa, 1996; and to provide for matters incidental thereto.

Public Finance Management Act, 1999 (Act 1 of 1999)

To regulate financial management in the Treasury to ensure that all revenue, expenditure, assets and liabilities of the Treasury are managed efficiently and effectively; to provide for the responsibilities of persons entrusted with financial management in the Treasury and to provide for matters connected therewith. To fulfil all Treasury responsibilities with respect to other departments and public entities.

7 Broad policies, priorities and strategic goals

Whereas the legislative and other mandates as set out under section 7 of this Strategic Plan, broadly spells out the functions, powers and responsibilities of the Provincial Treasury and also defines the macro environment in which it operates, both:

- The reality of a now, well-entrenched intergovernmental fiscal system; and
- The fact that the largest part of public resources is now channeled through the budgets of provincial and local government,

dictate that the priorities and strategic focus of this Department over the period of this Strategic Plan, should be to ensure that:

- Uniformity in accounting for transactions are promoted in line with the best practice norms and standards, so as to ensure great public accountability for voted funds.
- In line with the objective of monitoring public service delivery, it is made possible to gauge the width and depth of public service delivery and to track the extension of basic services to historically unserved communities and equal areas.
- There is meaningful alignment between the actual expenditure of all spheres of Government, particularly in respect of the delivery of public infrastructure.
- Provincial and local government reflects a strong alignment with National and Provincial priorities and exhibits a commitment towards sustainable service delivery.
- Efforts continue to improve measurable objectives of spending programmes to support better allocative decisions.
- The combination of goods and services procured with public funds are manifestation of the priorities of Government and addresses the social-economic transformation agenda of Government in a meaningful way.
- Policy option analysis and spending reviews inform assessment of the relevancy, adequacy and appropriateness of medium-term expenditure proposals.
- The practice of performance reporting is fostered in all provincial Departments and Public Entities.
- In the final analysis, operations of Departments and Public Entities in one way or the other, support the promotion of sustainable growth and work opportunities, the optimal allocation and utilization of public resources and the maintenance of macro-economic stability.
- The Executive Council and the Legislature are supplied with relevant financial and non-financial performance information to enable them to exercise their oversight role and holding spending Departments and Public Entities accountable for voted funds.

8 Information systems to monitor progress

Previously departments were requested to indicate the 'monitoring mechanism' they would be using to collect information on each performance measure. This resulted in cryptic and unsatisfactory information being given. It is hoped that by including this narrative discussion of monitoring and reporting systems more useful information will come to the fore.

In this section departments should give a brief description of the different information systems it is going to be relying on to monitor and report on the implementation of the strategic plan. The department should not only list the relevant systems, but also give an evaluation of their functionality and reliability, as well as indicate the extent to which the information in these systems is structured consistently. Obviously if information is not structured similarly it will make reporting more difficult. For this reason departments should seek to ensure that all the information they collect is organised along the same lines.

Where problems are being experienced with information systems, these should be noted and an indication given as to by when they will be resolved.

Departments should give information on the following systems:

- Financial Information Systems
 - Transaction processing system
 - Accounting information system
 - Internal audit system
- Operational Information Systems
- Information Reporting Systems

Example:

The informational needs to monitor progress are catered for through the implementation of the following systems:

- BAS
- LOGIS
- PERSAL
- Vulindlela

As these constitute the official systems from which departments cannot deviate it enables structured uniform reporting. To this end the issue of functionality and reliability of the systems is not compromised if reports are drawn at the same reporting times.

9 Description of strategic planning process

During January 2005 a workshop was attended by all officials from level 9 upwards in order to finalize the strategic plan for the mentioned financial year. During the workshop a consultant presented the new budget structure according to which the department needs to function and introduced the new format of the strategic plan for the new structure. After the workshop finished all the programme and sub-programme managers were again contacted via letters to submit the inputs.

STRATEGIC GOALS

1. MAINTAIN FISCAL DISCIPLINE THROUGH POLICIES AND CONTROL EXPENDITURE AND REVENUE
2. ALLOCATING RESOURCES IN LINE WITH GOVERNMENT PRIORITIES
3. CONTRIBUTING TO THE ECONOMIC, EFFICIENT AND EFFECTIVE SERVICE DELIVERY

Strategic Objectives of the Treasury Vote

1. Establish policies for effective control of budget aggregates: total revenue and spending
2. Promote effective management of the Provincial Revenue Fund.
3. Alignment of budgets to PGDP's, Strategic and Performance Plans, IDP's.
4. Effective monitoring of aggregate budgets.
5. Set credible expenditure and revenue budgets.
6. Render effective technical and strategic support to departments.
7. To strengthen and provide technical and strategic support for the institutional capacity of provincial and local government.
8. Monitor compliance with the Public Finance Management Act, Municipal Finance management Act, accounting policy, regulations and guidelines.
9. Provide strategic leadership in Supply Chain Management, Infrastructure Coordination and Public Private Partnership projects.
10. Provide for provincial economic and social research and analysis, that informs fiscal policy development and the annual budget process thereby contributing to the provincial growth and development strategy
11. Render effective management support to the department.

Part B

Budget programme and sub-programme plans

Programme 1 :Strategic Management Services

1.1 Office of the MEC	To provide for the cost related to efficient running of the programme.
1.2 Management Services	To provide for provincial economic and social research and analysis, that informs fiscal policy development and the annual budget process thereby contributing to the provincial growth and development strategy.
1.3 Corporate Services	To provide core support for the achievement of organizational strategic plans and strategic objectives.
1.4 Financial Management (Office of the CFO)	To provide fiscal policy advice, determine the MTEF framework, ensure budget implementation and enhance service delivery.
1.5 Internal Audit	To provide departmental policy advice, ensure budget implementation and enhance service delivery.

Situation analysis

- **The demand for the services being produced by the specific programme**

The programme provides the core support for the achievement of the organizational strategic plans, strategic objectives and goals. The focus areas include:

- MEC Support Services
- Human Resource Management
- Human Resource development and training
- Communications
- Organizational efficiency and PDMS
- Legal Services and Labour Relations
- Auxiliary services
- Special programmes
- Advisory services to MEC and HOD
- Departmental Accountant
- Security
- Internal Audit

- **The key challenges over the strategic plan period**

The key challenges over the strategic plan period can be summarized as follows:

- Training of officials per PDMS,
- Filling of posts to acceptable level;
- Public awareness of core departmental functions
- EE targets must be met;
- To improve expenditure trends
- To pay creditors within 30 days;
- Improve accounting and measures to account for assets
- Implementation of the PPPFA;
- Lack of IT policy
- Efficiency of assisting programme manager in purchasing of equipment
- Proper IT structure
- Disaster recovery plan
- Establish anti fraud strategy and fraud prevention plan
- IT Audits.

Policies, priorities and strategic objectives

Strategic Objectives Linked to Programme 1

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|---|
| 1. Render effective management support to the department. |
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Analysis of constraints and measures planned to overcome them

The directorate provides the core support for the achievement of the organizational strategic plans, strategic objectives and goals.

The focus areas include:

- MEC Support Services;
- Human Resource management;
- Human Resource development and training;
- Communications;
- Organizational efficiency services;
- Performance and development management systems;
- Legal services and labour relations;
- Auxiliary services;
- Special programmes;
- Financial management;
- Supply chain management;
- Salary related matters.

Description of planned quality improvement measures

- Training and development
- Workshops
- Communication facilitation

Specification of measurable objectives and performance indicators per sub programme

Table 1: Sub programme 1.1: Office of the MEC

To provide administrative support to the member of the executive council.

Strategic Objectives

1. TO ENSURE THAT THE MEC'S DIARY IS WELL MANAGED.
2. TO MANAGE AND COORDINATE THE MORAL REGENERATION MOVEMENT.
3. TO ARRANGE MEETINGS FOR THE MEC.
4. TO KEEP RECORD OF ALL INFORMATION.

<i>Measurable Objective</i>	<i>Performance Measure</i>	<i>Year 1 2004/05</i>	<i>Year 2 2005/06</i>	<i>Year 3 2006/07</i>	<i>Year 4 2007/08</i>	<i>Year5 2008/09</i>
To provide effective support to the MEC	In accordance with the Ministerial Handbook	N/A	Ongoing	Ongoing	Ongoing	Ongoing
To renovate the office of the MEC	In line with the architectural plan	N/A	N/A	30 April 2005	N/A	N/A
To develop a filing system	In accordance with the archive Act	N/A	Ongoing	Ongoing	Ongoing	Ongoing

Table 2: Sub programme 1.3: Corporate Services

To provide core support for the achievement of organizational strategic plans and strategic objectives.

Strategic Objectives

1. TO RENDER EFFECTIVE MANAGEMENT SUPPORT TO THE DEPARTMENT.

<i>Measurable Objective</i>	<i>Performance Measure</i>	<i>Year 1 2004/05</i>	<i>Year 2 2005/06</i>	<i>Year 3 2006/07</i>	<i>Year 4 2007/08</i>	<i>Year 5 2008/09</i>
Implementation of PDMS	☐ Assessment of all officials in the department by the end of June	Ongoing	Performance plans for all filled posts 100%	Performance plans for all filled posts 100%	Performance plans for all filled posts 100%	Performance plans for all filled posts 100%
Implement employment equity plan	Number of individuals from designated groups who are employed	Ongoing	As per EE target	As per EE target	As per EE target	As per EE target
Promote effective and efficient communication	Number of media briefing/sessions held	Ongoing	2 Media briefings annually. Internal newsletter quarterly External newsletter biannually	2 Media briefings annually. Internal newsletter quarterly External newsletter biannually	2 Media briefings annually. Internal newsletter quarterly External newsletter biannually	2 Media briefings annually. Internal newsletter quarterly External newsletter biannually
Implementation of learner ships	Number of learners employed	N/A	15 learners per year	15 learners per year	15 learners per year	15 learners per year
Achievement of acceptable level of filled posts	Percentage of posts filled	Ongoing	75%	77%	79%	81%
Develop and implement approved special programmes policies	Implementation of approved policies and programmes	Ongoing	MRM	MRM	MRM	MRM

Table 4: Sub programmes 1.4 Financial Administration

This sub programme provides fiscal policy advice, determine the Medium Term Fiscal framework, develop and optimise the provincial revenue base and develop the provincial borrowing framework.

Strategic Objectives

1. SUPPORT THE DEPARTMENT THROUGH SOUND FINANCIAL ADMINISTRATION.
2. ENSURE SOUND SUPPLY CHAIN MANAGEMENT.

<i>Measurable Objective</i>	<i>Performance Measure</i>	<i>Year 1 2004/05</i>	<i>Year 2 2005/06</i>	<i>Year 3 2006/07</i>	<i>Year 4 2007/08</i>	<i>Year 5 2008/09</i>
Effective and efficient Supply Chain Management service	Compliance to PPPFA, FST 37 and FST 36	85 % compliance	100 % compliance	100 % compliance	100 % compliance	100 % compliance
	Accurate Asset register.	100 %	100 %	100 %	100 %	100 %
	Implemented legislation, policies, procedures	31 July 2005	Revised by 31 March 2006	Revised by 31 March 2007	Revised by 31 March 2008	Revised by 31 March 2009
	Payment of creditors within 30 days	100 % of creditors	100 % of creditors	100 % of creditors	100 % of creditors	100 % of creditors
	Timeous issuing of official orders	48 hours	48 hours	48 hours	48 hours	48 hours
	Adequate Transport Services	100 % of requests	100 % of requests	100 % of requests	100 % of requests	100 % of requests
Strategic planning process	Published and tabled strategic plan	March 2005	March 2006	March 2007	March 2008	March 2009
Preparation of a credible budget document	Updated provincial budget database (financial and non financial information)	100%	100%	100%	100%	100%
Departmental adjustment estimates	Accurate adjustment budget	100%	100%	100%	100%	100%
Monitoring of expenditure vs. budget	In Year Monitoring reports	12	12	12	12	12
Accurate financial accounting records	Reconcile and clearing of financial reports according to prescribed norms and standards	85 %of Key Performance Indicators	90 %of Key Performance Indicators	90 %of Key Performance Indicators	90 %of Key Performance Indicators	90 %of Key Performance Indicators
	Minimized financial audit inquiries	No matters of emphasis	No matters of emphasis	No matters of emphasis	No matters of emphasis	No matters of emphasis
Accurate annual financial statements	Unqualified Audit report	31 May 2005 31 August 2005	31 May 2006 31 August 2006	31 May 2007 31 August 2007	31 May 2008 31 August 2008	31 May 2009 31 August 2009
Effective Salary and Debt Management	Timeous pay over of salary deductions	7 th of every month	7 th of every month	7 th of every month	7 th of every month	7 th of every month
	Accurate and updated salary records	95%	95%	95%	95%	95%

<i>Measurable Objective</i>	<i>Performance Measure</i>	<i>Year 1 2004/05</i>	<i>Year 2 2005/06</i>	<i>Year 3 2006/07</i>	<i>Year 4 2007/08</i>	<i>Year 5 2008/09</i>
	Acceptable debt recovery rate	85%	85%	90%	90%	90%
	Accurate and Timeous Tax reconciliation	30 April 2005	30 April 2006	30 April 2007	30 April 2008	30 April 2009
Effective and efficient cash flow management	Maintaining an acceptable deviation rate between requested funds and expenditure	Less than 5%	Less than 5%	Less than 5%	Less than 5%	Less than 5%

Table 5: Sub programme 1.5 Internal Audit

This sub programme oversees the provincial allocation process aligned with provincial policies/ growth and development strategy.

Strategic Objectives

1. Provide high quality and professional internal audit services.
2. Provide professional advisory and consulting services.
3. Facilitate risk management within the department.
4. Build a strong customer/client relationship.

Outputs and Measurable Objectives

<i>Measurable Objective</i>	<i>Performance Measure</i>	<i>Year 1 2004/05</i>	<i>Year 2 2005/06</i>	<i>Year 3 2006/07</i>	<i>Year 4 2007/08</i>	<i>Year 5 2008/09</i>
For internal Audit to be effective and to build capacity within the Unit, all vacant posts should be filled.	Appointments	Ongoing	10%	80%	100%	N/A
To prepare risk based annual internal audit plan.	Annual internal audit plan.	Ongoing	Ongoing	31 May 06	31 May 07	31 May 08
To compile a risk assessment report	Risk assessment report	Ongoing	Ongoing	31 March 06	31 March 07	31 March 08
To provide effective and professional internal audit services	Completion of planned and ad-hoc audit assignments	Ongoing	Ongoing	31 May 06	31 May 07	31 May 08
To register internal auditors with the IIA as members	Proof of membership	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing
To compile Integrity Promotion Strategy (that will be revised annually)	Report and implementation of Fraud Hotline	Ongoing	Ongoing	31 April 05	31 April 06	31 April 07
Report to management regarding the adequacy and effectiveness of internal control	Monthly and quarterly reports	Ongoing	Ongoing	12 reports	12 reports	12 reports

Reconciliation of budget with plan

The changes of expenditure (if possible in nominal and real terms) by overall programme and sub-programme should be shown and the rate of change in spending of past years compared with that projected for the MTEF period (see table). A narrative account should be given of how spending trends have transpired in previous years and how MTEF projections correspond to strategic plan objectives.

Table 6: Programme 1: Programme budget by sub-programme

<i>Sub-programme</i>	<i>Year -2 2002/03 (actual)</i>	<i>Year -1 2003/04 (actual)</i>	<i>Base year 2004/05 (estimate)</i>	<i>Year 1 2005/06 (budget)</i>	<i>Year 2 2006/07</i>	<i>Year 3 2007/08</i>
Office of the MEC	-	640	700	3049	3157	3268
Management support	1546	1977	3986	3720	3851	4105
Corporate Services	11168	12036	10915	11547	11860	12385
Financial Management	17318	13114	15533	14851	15451	16089
Internal Audit		118	4284	5367	5581	5794
Total programme	30032	27885	35418	38534	39900	41641

Programme 2: Sustainable Resource Management

To provide professional advice and support to the MEC on provincial economic analysis, fiscal policy, public finance development and management of the annual budget process. There are four operational sub programmes:

2.1 Programme support	To provide for the cost related to efficient running of the programme
2.2 Economic Analysis	To provide for provincial economic and social research and analysis, that informs fiscal policy development and the annual budget process thereby contributing to the provincial growth and development strategy.
2.3 Fiscal Policy	To provide fiscal policy advice, determine the Medium Term Fiscal framework, develop and optimise the provincial revenue base and develop the provincial borrowing framework.
2.4 Budget Management	To oversee the provincial allocation process aligned with provincial policies/ growth and development strategy.
2.5 Public Finance	To provide departmental policy advice, ensure budget implementation and enhance service delivery.

Situation analysis

- **The demand for the services being produced by the specific programme,**

Economic Analysis is a new function that the Free State Provincial Treasury will perform as from the current financial year (2005/2006) onwards. A lot will not be expected in this financial year since the department has to build capacity around this function in terms of employing skilled personnel. This Programme has to provide the Provincial Government with Economic and social research and analysis, that informs fiscal policy development and the annual budget process thereby contributing to the provincial growth and development strategy. The need to have this function arises from the fact that in the Province, we are only dependent on In-Year-Monitoring system or monthly expenditure reports to constantly monitor expenditure by the departments and there is no tool to measure the economic impact of the budget in the Province. The Economic Analysis component will be able to generate and analyze socio-economic data and feed this information into the provincial budget process.

Fiscal Policy will perform the functions, which were performed by the Provincial Own Revenue Management component. The Fiscal Policy sub-programme will provide fiscal policy advice, determine the Medium Term Fiscal Framework, develop and optimize the provincial borrowing framework. The Provincial Revenue Management, as this component was previously known, has been

changed to Fiscal Policy to be in a position to perform additional functions as outlined in this paragraph.

Budget Management sub-programme will oversee the provincial allocation process aligned with provincial policies/growth and development strategy. The cash management component that was part of the functions of Budget Management will now be housed in Programme three (3) which is Asset and Liability Management. It is also important to note that Budget Management also included Expenditure Monitoring under one programme in the previous financial year. In the current financial year Public Finance as a new sub-programme will include all issues around the interaction with different departments by Programme Officers in Treasury on budget issues of those departments and expenditure management or In-Year Monitoring reports. Public Finance sub-programme has to provide departmental policy advice and ensure budget implementation and enhance service delivery. This sub-programme will also monitor infrastructure expenditure in the province.

- **An appraisal of existing services and performance during the past year,**

Provincial Own Revenue (Fiscal Policy)

The performance during the past year for own revenue can be summarized as follows:

- The revenue budget target was exceeded by 16% in 2003/04 financial year. For the financial year under review, during December 2004, when this Strategic Plan was developed, 81% was already collected against the target for 2004/05 financial year.
- The revenue budget was captured successfully on the Basic Accounting System (BAS) by departments.
- Revenue collection and debt policies are in place.
- Revenue Management Team continuously reviewed and amended the revenue tariffs.

Budget Management and Public Finance

The Province was able to prepare and implement a credible and developmental budget for the period under review in pursuit of improved public expenditure management. This budget bears testimony to enhanced resource allocation in support of economic development, job creation and poverty alleviation. The successful implementation of this budget can be attributed to the continuous monthly reporting on expenditure in terms of the In-Year-Monitoring and Management System. Central to the above, the Province has been able to actively manage the budget and control the use of resources as provincial departments deliver services to the people of the Free State. Furthermore significant progress has been made with regard to preparation and tabling of strategic and performance plans, with measurable objectives, which remain a necessary condition for accountability.

- **The key challenges over the strategic plan period**

The key challenges over the strategic plan period can be summarized as follows:

- Since Economic analysis will be a new programme from 2005/06, this poses a challenge to the Provincial Treasury to capacitate itself by recruiting suitable candidates to perform this function,
- The same will apply to Fiscal Policy given the other new functions allocated under this sub-programme.
- Previously Budget Management and Public Finance were combined and this also poses another challenge of keeping both sub-programmes busy and identifying roles for each.
- Borrowing and Taxation has never been the competency of Provincial Treasuries since this was only with National Treasury and for the fact that there is no clarity on whether this functions will be devolved to provinces in the near future.
- As from 2005/06 financial year, departments has to report to the Provincial Treasury the non-financial data and we need to capacity ourselves on how effectively to evaluate the non-financial data.
- Infrastructure expenditure has been slow in most departments all financial years and consequently resulting in high expenditure (spike) during February and March.
- Strategic and Performance Plans as well as Infrastructure plans are not directly linked to budgets of some of the departments.
- Another challenge is around the credibility of the provincial revenue budget (mechanisms in place) since we entirely depend on inputs from departments regarding revenue budgets.
- To ensure that the Municipal Finance Management Act is implemented successfully and that the provincial treasury is in a position to fulfill its role as far as the monitoring of Local Government Budgets is concerned.
- The resources to fund this new programme structure may be a problem since it is implemented after the budget process has been completed.

Policies, priorities and strategic objectives

Strategic Objectives Linked to Programme 2

2. Establish policies for effective control of Budget aggregates: total Revenue and Spending
3. Promote effective management of the Provincial Revenue Fund.
4. Alignment of budgets to PGDP's, Strategic and Performance Plans, IDP's.
5. Effective monitoring of aggregate budgets.
6. Set credible expenditure and revenue budgets.
7. Render effective technical and strategic support to departments.
8. To strengthen and provide technical and strategic support for the institutional capacity of provincial and local government.
9. Monitor compliance with the Public Finance Management Act, Municipal Finance management Act, accounting policy, regulations and guidelines.
10. Provide for provincial economic and social research and analysis, that informs fiscal policy development and the annual budget process thereby contributing to the provincial growth and development strategy.

Analysis of constraints and measures planned to overcome them

As already outline above, the provincial treasury will be performing the economic analysis for the first time in 2005/06 financial year. Some of the measures to overcome this, and other challenges listed above are to have proper systems in place to ensure the following:

- That suitable candidates who will perform fiscal and economic policy are recruited,
- Capacity building through training to the existing staff in all the sub-programmes will be an ideal situation.

Description of planned quality improvement measures

The Sustainable Resource management will undertake a number of steps to improve the quality of services provided by the component. Of particular importance is the forging of partnerships, both internal and external.

These partnerships will improve the quality of the services provided by the component through the resultant.

- Leveraging of technical expertise and capacity;
- Streamline departmental revenue expenditure analysis and advice; and
- The building of dialogue and debate at the horizontal level between provinces and at the vertical level between provincial and national local sphere.

The Public Finance Unit aims to further develop and apply the assessment and interpretation capabilities of the component to achieve quality in-year monitoring

reports, inclusive of non-financial information, that will promote optimal resource allocation. The capacity of the other relevant disciplines within Provincial Treasury will be enhanced to ensure a smooth transition of responsibilities in terms of the MFMA.

Active participation with the National Treasury to develop budget and strategic planning formats to promote the publication of quality budget information

Specification of measurable objectives and performance indicators per sub programme

Table 2: Sub programmes 2.3 Fiscal Policy

This sub programme provides fiscal policy advice, determine the Medium Term Fiscal framework, develop and optimise the provincial revenue base and develop the provincial borrowing framework.

Strategic Objectives

1. ESTABLISH POLICIES FOR EFFECTIVE CONTROL OF BUDGET AGGREGATES: REVENUE.
2. TO PROVIDE FISCAL POLICY ADVICE, DETERMINE THE MEDIUM TERM FISCAL FRAMEWORK, DEVELOP AND OPTIMISE THE PROVINCIAL REVENUE BASE AND DEVELOP THE PROVINCIAL BORROWING FRAMEWORK.
3. ENFORCE COMPLIANCE WITH REVENUE POLICIES, FINANCIAL DIRECTIVE, PFMA, AND TREASURY REGULATIONS.
4. RENDER EFFECTIVE TECHNICAL AND STRATEGIC SUPPORT TO DEPARTMENTS

<i>Measurable Objective</i>	<i>Performance Measure</i>	<i>Year 1 2004/05</i>	<i>Year 2 2005/06</i>	<i>Year 3 2006/07</i>	<i>Year 4 2007/08</i>	<i>Year5 2008/09</i>
Borrowing framework developed	Appropriate framework developed and adjusted annually	N/A	N/A	N/A	1 framework	1 revised framework
	Acceptance of the framework by the executive and provincial parliament			1 Draft	Start of Financial year	Start of Financial year
Provincial own revenue sources optimized and expanded	Ascertain revenue base of dept	11 Departments	11 Departments	11 Departments	Annually reviewed	Annually reviewed
	Number of existing revenue sources reviewed	N/A	N/A	N/A	4 Sources	4 Sources

Measurable Objective	Performance Measure	Year 1 2004/05	Year 2 2005/06	Year 3 2006/07	Year 4 2007/08	Year5 2008/09
	Develop framework of research into new resources	N/A	N/A	N/A	1 Framework	N/A
	Number of potential revenue sources investigated	N/A	N/A	N/A	1 Source	1 Source
	Options for provincial taxation investigated	N/A	Researched report	1 st draft report	2 nd draft report	3 rd final report
	Involvement in capacity building	Quarterly meetings	Quarterly meetings	8 workshops	8 workshops	8 workshops
	Number of Department with an increase in own revenue collection	N/A	N/A	4 Departments	5 Departments	6 Departments
Norms and standards of own revenue complied with	Number of monthly inspection monitoring report concerns followed up	5 reports per month	5 reports per month	5 reports per month	5 reports per month	5 reports per month
Promote the collection of outstanding revenue	Decrease in outstanding revenue	N/A	2 Departments	2 Departments	2 Departments	2 Departments
Effective management of revenue collection	Reviewed of policies	11 polices	11 policies	19 policies	19 policies	19 policies
	Reviewed of tariff structure policies	11 tariff policies	11 tariff policies	16 tariff policies	16 tariff policies	16 tariff policies
	Analyzed revenue reports	12 reports	12 reports	12 reports	12 reports	12 reports

Table 5: Sub programme 2.4 Budget Management

This sub programme oversees the provincial allocation process aligned with provincial policies/ growth and development strategy

Strategic Objectives

5. ESTABLISH POLICIES FOR EFFECTIVE CONTROL OF BUDGET AGGREGATES: TOTAL REVENUE AND SPENDING
6. ALIGN OF BUDGETS TO PGDP'S, STRATEGIC AND PERFORMANCE PLANS, IDP'S.
7. EFFECTIVE MONITORING OF AGGREGATE BUDGETS.
8. SET CREDIBLE EXPENDITURE AND REVENUE BUDGETS
9. RENDER EFFECTIVE TECHNICAL AND STRATEGIC SUPPORT TO DEPARTMENTS.
10. MONITOR COMPLIANCE WITH THE PUBLIC FINANCE MANAGEMENT ACT, MUNICIPAL FINANCE MANAGEMENT ACT, ACCOUNTING POLICY, REGULATIONS AND GUIDELINES.

Outputs and Measurable Objectives

<i>Measurable Objective</i>	<i>Performance Measure</i>	<i>Year 1 2004/05</i>	<i>Year 2 2005/06</i>	<i>Year 3 2006/07</i>	<i>Year 4 2007/08</i>	<i>Year5 2008/09</i>
Plan developmental provincial budget	□ Budget cycle in line with national budget process	Ongoing	Developed budget cycle before end of May each year	Developed budget cycle before end of May each year	Developed budget cycle before end of May each year	Developed budget cycle before end of May each year
Prepare developmental provincial budget	□ Provincial budget in line with National and Provincial Priorities	Ongoing	Table provincial budget one week after the national budget	Table provincial budget one week after the national budget	Table provincial budget one week after the national budget	Table provincial budget one week after the national budget
Preparation of Annual Framework and Division of Revenue	□ Annual budget circular and provincial treasury guideline	Ongoing	One circular and guideline before end of May	One circular and guideline before end of May	One circular and guideline before end of May	One circular and guideline before end of May
Preparation of Provincial Budget Process Schedule	○ Credible budget process schedule	Ongoing	1 Schedule before end of May	1 Schedule before end of May	1 Schedule before end of May	1 Schedule before end of May
Budget preparation process for the provincial / local government sphere co-ordinates	○ To align planning with budgeting between the 2 spheres of government	Ongoing	Before 1 June	Before 1 June	Before 1 June	Before 1 June
	○ Reports on Municipal visits	Ongoing	One report - Two weeks after the visits	One report - Two weeks after the visits	One report - Two weeks after the visits	One report - Two weeks after the visits
	○ Municipal budget analysis/assessment report	Ongoing	4 Reports per year	4 Reports per year	4 Reports per year	4 Reports per year

Measurable Objective	Performance Measure	Year 1 2004/05	Year 2 2005/06	Year 3 2006/07	Year 4 2007/08	Year 5 2008/09
	o Sound and prompt advise and queries pertaining to municipalities	Ongoing	As may be required from time to time	As may be required from time to time	As may be required from time to time	As may be required from time to time
Preparation of budget documents	□ Reliable and accurate budget documents in line with EXCO allocations	Ongoing	Budget Statement 1 & 2 aligned with National and provincial priorities	Budget Statement 1 & 2 aligned with National and provincial priorities	Budget Statement 1 & 2 aligned with National and provincial priorities	Budget Statement 1 & 2 aligned with National and provincial priorities
Appropriation Act	□ Tabled and approved appropriation Bill/Act	Ongoing	1 Appropriation Act per year in line with the prescribed format	1 Appropriation Act per year in line with the prescribed format	1 Appropriation Act per year in line with the prescribed format	1 Appropriation Act per year in line with the prescribed format
To prepare credible Provincial Adjustments Estimate book	□ Credible adjustments book	Ongoing	Annually one adjustment book in line with format and EXCO approval	Annually one adjustment book in line with format and EXCO approval	Annually one adjustment book in line with format and EXCO approval	Annually one adjustment book in line with format and EXCO approval
Ensure credibility of budgets and that revenue matches expenditure in the province	□ Balanced budget	Ongoing	Annually in line with the PFMA	Annually in line with the PFMA	Annually in line with the PFMA	Annually in line with the PFMA
All municipal budgets monitored and assessed	□ Credible municipal budgets	Ongoing	Before 1 June	Before 1 June	Before 1 June	Before 1 June
Ensure the development and maintenance of the provincial database	□ Updated provincial budget database	Ongoing	Monthly update in line with expenditure and MTEF allocations	Monthly update in line with expenditure and MTEF allocations	Monthly update in line with expenditure and MTEF allocations	Monthly update in line with expenditure and MTEF allocations
Ensure the development and maintenance of the municipal database	□ Promote accessibility of municipal information	Ongoing	Develop database -	Maintain monthly	Maintain monthly	Maintain monthly

Table 5: Sub programme 2.5 Public Finance

This sub programme provides for departmental policy advice, ensures budget implementation, enhances service delivery and ensures customer care.

Strategic Objectives

1. To provide departmental policy advice, ensure budget implementation, enhance service delivery and ensure customer care.
2. Facilitate alignment of budgets to PGDP's, Strategic and Performance Plans, IDP's.
3. Effective monitoring of aggregate budgets
4. Render effective technical and strategic support to departments in respect of reporting.
5. Monitor compliance with the Public Finance Management Act, Municipal Finance management Act, accounting policy, regulations and guidelines in terms of reporting.

Outputs and Measurable Objectives

<i>Measurable Objective</i>	<i>Performance Measure</i>	<i>Year 1 2004/05</i>	<i>Year 2 2005/06</i>	<i>Year 3 2006/07</i>	<i>Year 4 2007/08</i>	<i>Year5 2008/09</i>
Analyze and report on infrastructure expenditure trends	<input type="checkbox"/> Accurate, credible expenditure reports	-	22 July 22 Oct 22 Jan 22 April	22 July 22 Oct 22 Jan 22 April	22 July 22 Oct 22 Jan 22 April	22 July 22 Oct 22 Jan 22 April
Analyze and report on provincial expenditure trends	<input type="checkbox"/> Accurate, credible consolidated timely expenditure reports	-	Before 22 nd of each month	Before 22 nd of each month	Before 22 nd of each month	Before 22 nd of each month
In-year monitoring, quarterly and half year reports for the province produced	<input type="checkbox"/> Accurate credible consolidated timely reports produced	-	Before 22 nd of each month	Before 22 nd of each month	Before 22 nd of each month	Before 22 nd of each month
Publication of Section 32 & 35 (PFMA) information	<input type="checkbox"/> Facilitate the publication of quarterly provincial Section 32 information including conditional grants (including section 35)	-	Within 30 days after each quarter	Within 30 days after each quarter	Within 30 days after each quarter	Within 30 days after each quarter
Publication of Section 71 & 72 (MFMA) information	<input type="checkbox"/> Facilitate the publication of quarterly municipal Section 71 & 72 information including conditional grants	-	-	Within 30 days after each quarter	Within 30 days after each quarter	Within 30 days after each quarter
Monitor monthly outcomes of municipalities	<input type="checkbox"/> Accurate, credible consolidated timely expenditure reports	-	-	Before 22 nd of each month	Before 22 nd of each month	Before 22 nd of each month

Reconciliation of budget with plan

Economic Analysis: No funds are allocated for this sub-programme, because it was only established after the budget process started. Funds will be transferred to this sub-programme during the financial year.

The following sub-programmes will need additional funding to perform their role in terms of the Municipal Finance Management Act:

- ☐ Fiscal Policy
- ☐ Budget Management
- ☐ Public Finance

Table 6: Programme 2: Programme budget by sub-programme (R million)¹

<i>Sub-programme</i>	<i>Actual 2002/03 (actual)</i>	<i>Actual 2003/04</i>	<i>Year 1 2004/05</i>	<i>Year 2 2005/06</i>	<i>Year 3 2006/07</i>	<i>Year 4 2007/08</i>
Programme Support	48	788	1,146	1,170	1,217	1,277
Economic Analysis	-	-	-	-	-	-
Fiscal Policy	2,622	2,476	3,623	4,401	4,577	4,760
Budget Management	4,266	4,051	5,897	3,525	3,659	3,698
Public Finance	-	1,534	3,440	4,209	4,351	4,318
Total programme	6,936	8,849	14,106	13,305	13,804	14,053

10 Programme 3: Assets and Liabilities Management

To provide policy direction, facilitating the effective and efficient management of physical and financial assets, PPPs and liabilities.

There are four sub programmes:

3.1 Programme support	To provide for the cost related to efficient running of the programme
3.2 Asset Management	To facilitate the effective and efficient management of physical and financial assets. Responsible for the enforcement and promotion of sound financial and physical asset management in the Free State Provincial Government.
3.3 Liabilities Management	To facilitate the effective and efficient management of liabilities.
3.4 Supporting and interlinked Financial Systems	To provide for the oversight and management of existing financial systems and the transition to the Integrated Financial Management System enhancing compliance with the PFMA and other relevant legislation.

Situation analysis

Appraisals

1. Lack of co-ordination (LOGIS, Asset Management)
2. Lack of cash flow forecasting capabilities in line departments which resulted in opportunity costs.
3. Incomplete implementation of Supply Chain Management in line function departments.
4. Lack of proper implementation of infrastructure plans by line departments.
5. Implementation of SCM got-off the ground in all departments.
6. Liquidity was maintained throughout the year for the entire Province.
7. Successful LOGIS/BAS integration in all Provincial Departments. Successfully trained 607 trainees and maintained the LOGIS supplier and Item Master for the Province.
8. Infrastructure co-ordination was initiated and maintained throughout the year.
9. Continuous support and advice was given to departments on the effective and efficient utilisation of movable and immovable aspects.
10. Successful implementation of BAS in all departments.
11. Targets were exceeded in the training of transversal system users.

Key Challenges

1. Proper integration of LOGIS and Asset Management.
2. To consolidate the capacity building efforts regarding the improvement of cash flow management practices in line departments.
3. To accelerate the Supply Chain Management implementation in line departments.
4. To foster effective project management techniques and clarify responsibility lines regarding infrastructure delivery.
5. Successful and Timeous enhancement of systems.
6. Training of all users of the transversal systems.
7. Transformation to financial management improvement program.

Policies, priorities and strategic objectives

These should follow from the situation analysis. Any links to the provincial strategic position statement and sector priorities (e.g. developed by the relevant national department) should be made.

It is suggested that a table with the following structure should be used to specify strategic objectives relevant to the programme.

Strategic Objectives Linked to Programme 3

1. Establish and ensure implementation of policies for effective management of assets and liabilities
2. Ensure proper management of the Provincial Revenue Fund.
3. Render effective technical and strategic support to departments.
4. To strengthen and provide technical and strategic support for the institutional capacity of provincial and local government.
5. To provide for the management and implementation of existing financial systems and the transition to the Integrated Financial Management System (IFMS) enhancing compliance with PFMA and other relevant legislation.
6. Monitor compliance with the Public Finance Management Act, Municipal Finance management Act, accounting policy, regulations and guidelines.
7. Provide strategic leadership in Supply Chain Management, Infrastructure delivery models and Public Private Partnership projects.

Analysis of constraints

- Lack of capacity and skills.
- Imperfect co-ordination between the Provincial and Local spheres of government at inception (MFMA).
- Financial constraints.
- Lack of capacity in infrastructure implementing agencies.
- Slow pace of the IFMS (Integrated Financial Systems) project.

Measures planned to overcome them

- Improve capacity level.
- Clarification of roles for all role-players (MFMA).
- Bid for additional funds through the normal budgetary processes.
- Implementation of the IDIP.
- Urge the National Treasury to expedite the IFMS project.

Description of planned quality improvement measures

- Continuous training of departmental officials as well as co-ordination of training in line departments.
- Continuous evaluation of the performance of line departments.

Specification of measurable objectives and performance indicators per sub programme

Table 3: Sub programme 3.2: Asset Management

This sub-programme is responsible for the enforcement and promotion of sound financial and physical asset management in the Free State Provincial Government.

Strategic Objectives

1. ESTABLISH AND ENSURE IMPLEMENTATION OF POLICIES FOR EFFECTIVE MANAGEMENT OF ASSETS
2. PROVIDE STRATEGIC LEADERSHIP IN SUPPLY CHAIN MANAGEMENT, INFRASTRUCTURE DELIVERY MODELS AND PUBLIC PRIVATE PARTNERSHIP PROJECTS
3. ENSURE PROPER MANAGEMENT OF THE PROVINCIAL REVENUE FUND.
4. RENDER EFFECTIVE TECHNICAL AND STRATEGIC SUPPORT TO DEPARTMENTS.
5. TO STRENGTHEN AND PROVIDE TECHNICAL AND STRATEGIC SUPPORT FOR THE INSTITUTIONAL CAPACITY OF PROVINCIAL AND LOCAL GOVERNMENT.
6. MONITOR COMPLIANCE WITH THE PUBLIC FINANCE MANAGEMENT ACT, MUNICIPAL FINANCE MANAGEMENT ACT, ACCOUNTING POLICY, REGULATIONS AND GUIDELINES.

Measurable Objectives

Measurable Objective	Performance Measure	Year 1 2004/05	Year 2 2005/06	Year 3 2006/07	Year 4 2007/08	Year 5 2008/09
Policies for the effective management of assets developed and implemented	Quality of policies developed and implemented for: cash management, PPP, SCM		5 Draft Policies on SCM[am/cont adm] developed + 1 Draft on Procurement Policy 50% done PPP Policy developed and issued by NT [adhered by FSPT]	6 Policies on SCM to be implemented and monitored Ongoing	Ongoing Ongoing	Ongoing Ongoing
To promote effective Cash flow management within line departments	Intervention to correct below par performance in line departments		Ongoing	Ongoing	Ongoing	Ongoing
To promote and monitor the implementation of SCM framework	Credible SCM policy consistent with National Framework Intervention strategies Number of value for money assessments conducted Attainment of BEE and other goals(transversal contracts)		SCM Launch held on 9 Sept 2 Bilateral Cessions held with FS Provincial Dept's [Aug 2004/ March 2005] Presentations to FS Legislature 2 x IDMC Presentations SCM Forum established 5 x SCM Road Shows 1 x Transversal Contract Drafted	Ongoing Ongoing Ongoing 5 x Transversal Contracts to be implemented	Ongoing Ongoing Ongoing 6 x Transversal Contracts to be Implemented	Ongoing Ongoing Ongoing Ongoing
To promote participation of historically disadvantaged in the public sector procurement.	To conduct road shows, information sessions etc. Issue practice notes or directives to line departments.		5 Road Shows on SCM conducted [+ 1000 Attendants]	1 Road Show per Quarter Conduct Information Cessions Issue Practice Notes Feedback to National Treasury	1 Road Show per quarter Ongoing Ongoing Ongoing	1 Road Show per quarter Ongoing Ongoing Ongoing

Measurable Objective	Performance Measure	Year 1 2004/05	Year 2 2005/06	Year 3 2006/07	Year 4 2007/08	Year 5 2008/09
To develop roll-out and manage supplier management system	Collect and analyze information on the socio-economic impact of SCM policy (PPPFA compliance) Credible, fully functional supplier management system		To appoint a Service Provider which will develop the Software Program To appoint personnel that will manage and maintain the system on a day to day basis Roll out to FSPG Dept's Training to FSPG Dept's	Enhancement of the system Training to all FS Dept's Daily Monitoring and Maintenance Capturing and verification of application forms	Ongoing Ongoing Ongoing Ongoing	Ongoing Ongoing Ongoing Ongoing
To maximize the return on surplus funds	Investment of Surplus funds in line with the investment policy		According to prescripts	According to prescripts	According to prescripts	According to prescripts
Effectively match transfer of funds with cash flow projections	Timely transfer of funds related to departmental requisitions		Monthly	Monthly	Monthly	Monthly
Accurate financial accounting records for the PRF maintained	Preparation of PRF annual financial statements and monthly cash flow management reports		Annually Monthly	Annually Monthly	Annually Monthly	Annually Monthly
To co-ordinate the capacity building of asset management practitioners in line departments (financial assets, physical assets and infrastructure)	Number of Training programmes coordinated		3 Training Programmes coordinated. <u>Attendants:</u> Disposals:59 Stocktake:19 SCM Forum:40	1 per Quarter	Ongoing	Ongoing
To promote effective and efficient utilization of movable and immovable assets in the province.	Number of reports on effective utilization of moveable and immovable assets		Reports [91252 km's traveled]	2 Reports per Dept per month + 2 Reports per Municipality per month	Ongoing Ongoing	Ongoing Ongoing

Table 5: Sub programmes 3.4 Supporting and interlinked Financial System

This sub programme provides for the management and implementation of existing financial systems and the transition to the Integrated Financial Management System (IFMS) enhancing compliance with PFMA and other relevant legislation.

Strategic Objectives

1. Render effective technical and strategic support to departments.
2. To strengthen and provide technical and strategic support for the institutional capacity of provincial and local government.
3. To provide for the management and implementation of existing financial systems and the transition to the Integrated Financial Management System (IFMS) enhancing compliance with PFMA and other relevant legislation.
4. Monitor compliance with the Public Finance Management Act, Municipal Finance management Act, accounting policy, regulations and guidelines.

Outputs and Measurable Objectives

<i>Measurable Objective</i>	<i>Performance Measure</i>	<i>Year 1 2004/05</i>	<i>Year 2 2005/06</i>	<i>Year 3 2006/07</i>	<i>Year 4 2007/08</i>	<i>Year 5 2008/09</i>
Manage and maintain the Logistical system	<input type="checkbox"/> Availability and stability of the Logistical system	-	80%	According to norms and standards	According to norms and standards	According to norms and standards
Building capacity in respect of the Logical system for FS Province	<input type="checkbox"/> Percentage of competent trainees	-	70% trainees passed courses	According to National Standards	According to National Standards	According to National Standards
Strengthen and provide technical and functional support for institutional capacity of the Provincial Departments	<input type="checkbox"/> Respond to call within 8 working hours and solve problems within 24 working hours	-	90% of calls handled	In line with best practice	In line with best practice	In line with best practice
Ensure a maintained Logis Supplier Register and item master for Provincial Departments	<input type="checkbox"/> According to National Norms and standards	-	According to National Norms and standards	According to National Norms and standards	According to National Norms and standards	According to National Norms and standards

Measurable Objective	Performance Measure	Year 1 2004/05	Year 2 2005/06	Year 3 2006/07	Year 4 2007/08	Year 5 2008/09
To ensure the availability and stability of the BAS and Persal systems	<input type="checkbox"/> Administration and Maintenance of BAS terminal servers and other relating servers	-	Uptime 90%	Uptime 90%	Uptime 90%	Uptime 90%
	<input type="checkbox"/> BAS user administration	-	Within 24 hours	Within 24 hours	Within 24 hours	Within 24 hours
	<input type="checkbox"/> Persal user administration	-	Within 24 hours	Within 24 hours	Within 24 hours	Within 24 hours
	<input type="checkbox"/> Helpdesk for Persal and Bas reporting problems	-	Available 90%	Available 90%	Available 90%	Available 90%
	<input type="checkbox"/> First line technical support and problems solving	-	Within 24 hours	Within 24 hours	Within 24 hours	Within 24 hours
	<input type="checkbox"/> Network monitoring and Administration	-	Uptime 90%	Uptime 90%	Uptime 90%	Uptime 90%

Reconciliation of budget with plan

Table 6: Programme 3: Programme budget by sub-programme

<i>Sub-programme</i>	<i>Year -2 2002/03 (actual)</i>	<i>Year -1 2003/04 (actual)</i>	<i>Base year 2004/05 (estimate)</i>	<i>Year 1 2005/06 (budget)</i>	<i>Year 2 2006/07</i>	<i>Year 3 2007/08</i>
Programme Support	0	872	1088	1186	1252	1303
Asset Management	2979	3435	7665	10894	11532	12150
Liability Management						
Support and Interlinked Financial Systems	21806	27192	29485	39187	42279	45206
Total programme	24785	31499	38238	51267	55063	58659

Programme 4: Financial Governance

Promote accountability through substantive reflection of financial activities of the province as well as compliance with financial norms and standards.

This programme consists of the following sub programmes:

4.1 Programme support	To provide for the cost related to efficient running of the programme
4.2 Accounting Services	To ensure the effective implementation of accounting practices in line with Generally Recognised Accounting Practice; prepare consolidated financial statements that reflect the financial position of the province.
4.3 Norms and Standards	The sub programme ensures the development and implementation of Norms and Standards for the province
4.4 Risk Management	To promote effective optimal financial resource utilisation
4.5 Provincial Internal Audit	To coordinate the activities of all provincial internal audit offices and committees.

Situation analysis

Achievements to date

- Compiled consolidated financial statements that are in line with National guide.
- Compiled 3 Quarterly EXCO memos.
- Evaluation and progress reports in relation to the implementation of the Resolutions.
- Five sessions already held and 217 officials trained.(Provincial departments).
- Successful monitoring of the implementation of the government prescribed norms & standard such as **MFMA, PFMA, and GRAP**, other regulations and guidelines.
- Facilitate and co ordinate effective training in respect of the Act.
- Render assistance to the Provincial Public Accounts Committee with respect to the implementation of Resolutions.

Key Challenges

- 100 % compliance with the Act.
- Full implementation of PROPAC Resolutions.
- Successful transformation to accrual accounting.
- Monitor Timeous submission of annual financial statements by Departments and Public Entities,
- Lack of skill and expertise.
- Contradictions of the time frame in the Act

Measures planned to overcome the constraints

- Building of capacity through training initiatives
- Thoroughly checking through site visit and examining the working file of the departments to ensure that the resolutions are effectively implemented
- Amendment of the Act
- Capacity building

Policies, priorities and strategic objectives

PFMA, GRAP, Treasury Regulations and MFMA.

Strategic Objectives Linked to Programme 4

- | |
|--|
| <ol style="list-style-type: none">1. Development and implementation of accounting policies and practices to ensure compliance with GRAP standards2. Consolidate AFS for the provincial departments and public entities3. Render effective strategic support to departments.4. To strengthen and provide strategic support for the institutional capacity of provincial and local government.5. Monitor compliance with the Public Finance Management Act, Municipal Finance management Act, accounting policy, regulations and guidelines. |
|--|

Specification of measurable objectives and performance indicators

Table 4: Sub programme 4.2: Accounting Services

This sub programme ensures the effective implementation of accounting practices in line with Generally Recognised Accounting Practice; prepare consolidated financial statements that reflect the financial position of the province.

Strategic Goal

Contributing to the economic, efficient and effective service delivery

Strategic Objectives

1. Development and implementation of accounting policies and practices to ensure compliance with GRAP standards
2. Consolidate AFS for the provincial departments and public entities
3. Render effective strategic support to departments.
4. Monitor compliance with the Accounting Policy, regulations and guidelines.

Measurable Objective/ output	Performance Measure	Year 1 2004/05	Year 2 2005/06	Year 3 2006/07	Year 4 2007/08	Year 5 2008/09
Accounting policy, guidelines and practices Implemented in line with National Framework	Reports in line with formats and guidelines of GRAP Departments 100% compliant with Provincial formats and guidelines Completed set of Accounting policies implemented accord to set timeframes	As per GRAP standards 11 Dept	As per GRAP standards 11 Dept	As per GRAP standards 11 Dept	As per GRAP standards 11 Dept	As per GRAP standards 11 Dept
Ensure that Annual Financial Statements are accurately compiled	100% Correctness	As per approved Accounting policy	As per approved Accounting policy	As per approved Accounting policy	As per approved Accounting policy	As per approved Accounting policy
Timely submission of AFS to AG, NT facilitated	Meeting of all due dates as set by National Treasury.	31 May	31 May	31 May	31 May	31 May
Consolidated AFS for the province are compiled.	In line with approved National Guidelines	30 June	30 June	30 June	30 June	30 June

Table 4: Sub programmes 4.3 Norms and Standards

The sub programme ensures the development and implementation of Norms and Standards for the province

Strategic Objectives

1. Development and implementation of accounting policies and practices to ensure compliance with GRAP standards.
2. Consolidate AFS for the provincial departments and public entities (LG)
3. Render effective technical and strategic support to departments.
4. To strengthen and provide strategic support for the institutional capacity of provincial and local government.
5. Monitor compliance with the Public Finance Management Act, Municipal Finance management Act, accounting policy, regulations and guidelines.

Measurable Objectives

Measurable Objective	Performance Measure	Year 1 2004/05	Year 2 2005/06	Year 3 2006/07	Year 4 2007/08	Year 5 2008/09
Guidelines and norms and standards issued to departments	4 Compliance reports of normative standards Delegations Updated annually	-	Delegations updated and issued in May 04	Annually	Annually	Annually
To promote effective implementation of Propac resolutions and assist Propac	Evaluation and progress report issued Finance bill compiled	-	3 evaluation & progress reports issued in August, November 04 and March 05 Finance bill compiled and enacted in August 04	Progress and evaluation reports issued 8 working days before Propac meeting	Progress and evaluation reports issued 8 working days before Propac meeting	Progress and evaluation reports issued 8 working days before Propac meeting
To assess the degree of compliance and coordinate effective PFMA training in the provincial departments and public entities	4 compliance reports of Normative measures Number of training sessions per year	-	3 issued 1 to be issued in March 05 5 training sessions held with 222 officials trained in Province	4 quarterly reports 5 training sessions	4 quarterly reports 6 training sessions	4 quarterly reports 7 training sessions
Monitor compliance in selected high capacity municipalities in line with the MFMA Act	Number of compliance reports	-	-	High capacity municipalities 3 reports	High, Medium capacity municipalities 3 reports	High, Medium, Low capacity municipalities 3 reports

Reconciliation of budget with plan

Table 6: Programme 4: Programme budget by sub-programme

<i>Sub-programme</i>	<i>Year -2 2002/03 (actual)</i>	<i>Year -1 2003/04 (actual)</i>	<i>Base year 2004/05 (estimate)</i>	<i>Year 1 2005/06 (budget)</i>	<i>Year 2 2006/07</i>	<i>Year 3 2007/08</i>
Programme Support	370	1116	1085	1724	1443	1501
Accounting Services	7101	12769	15811	5246	5455	5674
Norms and Standards		1225	2760	3972	4014	4086
Total programme	7471	15110	19656	10942	10912	11261