



PROVINCIAL TREASURY FIVE YEAR STRATEGIC PLAN

Contents

| | |
|---|----------|
| PART A: STRATEGIC OVERVIEW | 1 |
| 1. Overview of Strategic Plan | 1 |
| 2. Vision | 2 |
| 3. Mission | 2 |
| 4. Values | 2 |
| 5. Provincial Strategic Goals: Creating Work and Fighting Poverty | 3 |
| 6. Strategies to achieve the Strategic Goal | 3 |
| 6.1 Employment Creation/Poverty Alleviation | 3 |
| 6.2 Skills Development and Learnerships | 4 |
| 7. Sectoral Situation Analysis | 4 |
| 7.1 Summary of Service Delivery Environment and Challenges | 4 |
| 7.2 Summary of Organisational Environment and Challenges | 5 |
| 8. Legislatives and Other Mandates | 5 |
| 9. Strategic Goals | 6 |
| 10. Description of Strategic Planning Process | 6 |
| 11. Information Systems to Monitor Progress | 7 |
| PART B: PROGRAMME AND SUB-PROGRAMME PLANS..... | 8 |
| 12 PROGRAMME 1: ADMINISTRATION | 8 |
| 12.1 Sub-Programme 1: Office of the Minister | 8 |
| 12.2 Sub-Programme 2: Office of the Head Of Department | 10 |
| 12.3 Sub-Programme 3: Corporate Services | 10 |
| 12.4 Sub-Programme 4: Chief Financial Office | 12 |
| 12.5 Sub-Programme 5: Human Resource Management | 14 |

| | |
|--|----|
| 13. PROGRAMME 2: RESOURCE MANAGEMENT | 15 |
| 13.1 Sub-Programme 1: Programme Support | 17 |
| 13.2 Sub-Programme 2: Macro Economic Analysis | 17 |
| 13.3 Sub-Programme 3: Fiscal Policy | 19 |
| 13.4 Sub-Programme 4: Budget Management..... | 20 |
| 13.5 Sub-Programme 5: Public Finance (Resource Acquisition) | 22 |
| 14. PROGRAMME 3: FINANCIAL MANAGEMENT | 24 |
| 14.1 Sub-Programme 1: Asset Management..... | 25 |
| 14.2 Sub-Programme 2: Financial Assets & Liabilities Management | 26 |
| 14.3 Sub-Programme 3: Supply Chain Management | 28 |
| 14.4 Sub-Programme 4: Supporting and Interlinked Financial Systems | 29 |
| 14.5 Sub-Programme 5: Accounting Services..... | 31 |
| 15. PROGRAMME 4: INTERNAL AUDIT | 32 |
| 15.1 Sub-Programme 1 and 2: Risk Management and Assurance Services | 33 |
| 15.2 Sub Programme 3: Legal Services..... | 38 |
| 16. ANNEXURES | 40 |
| Annexure A | 40 |
| Annexure B | 41 |
| Annexure C | 42 |
| Annexure D..... | 48 |

PART A: STRATEGIC OVERVIEW

1. Overview of Strategic Plan

This strategic plan that the Department has adopted is to establish a strong centre of excellence that works together with the Office of the Premier and our sister department Economic Development as the heart of governance in the first instance and with other departments where the value of coordination and integrated development will be achieved. We are cognisant of the importance of the major tool at our disposal namely the provincial budget of, R45.6bn (2005/6), R50,0bn (2006/7) and R54.5bn (2007/8). It is with this instrument that we wish to influence government activity towards creating work and fighting poverty.

The vision and mission of this department charts the way for the new beginning aimed at creating visible economic change during the second decade of freedom.

The vision and mission of the department are informed by the nature of the Province that is in existence after April 14 2004. A synopsis of the nature and type of the province is captured in the Provincial Profile. A provincial profile, tabled as a working document, paints a picture of a province that needs to be hard at work to address three main areas namely, poverty alleviation, economic rejuvenation and good governance.

We proceed from the knowledge that some communities in the Province are very poor by any standard while others live in first world conditions. This also includes the fact that in some geographic areas of our Province people are so poor that without government intervention they will be relegated to being without access to basic needs. Our strategy therefore is to support all poverty alleviation activities in a manner that ensures that maximum impact is made with the resources that are allocated for this purpose. Linked to this is an endeavour to ensure sound reporting and accountability for resources used in this area.

Government intervention alone does not provide for a new order in the respective geographic areas of our province. For this reason, we will lead the programmes which aim to create economic activity at the local level. A vibrant economy only exists when at the local level there is a necessary condition for better employment and better family life.

The provincial economy is divided into the first world economy that is global in its reach and very diverse. At the same time we have a large component of the informal economy which is largely of a subsistence nature. The second economy has a better labour absorption rate than the first one in that it tends to be labour-intensive and has longer production processes. The downside is that this economy is not able to adequately attract investment that will lead to its growth. Our strategy in this area is to invest in local projects that are labour-intensive and sustainable. This will lead to sustainable jobs in the local areas as well as improve household incomes. On the other side the first economy is yearning for public sector injection in areas that will improve their global competitiveness. Global competitiveness is improved when input costs are reduced and also when products can be at the markets in shorter periods than those of our competition among others. Our strategy therefore is to implement large projects such as the Dube Trade Port and influence other significant projects such as the port concession.

We accept the new world thinking that says that economic reform or any other public sector reform must include a measure of good governance. Good governance for its sake has many dimensions. For our part in the Provincial Treasury we will be concerned with the part that deals with good corporate governance and compliance. Our strategy delivers on the assurance function to the executive, the legislature and the public at large. We will test all the systems used by departments and their business processes to ensure that we have a tight internal control environment and that we achieve value for money at all times. Linked to this is the process of dealing with fraud and corruption within the administration. On the other side of this strategy is ensuring that there is strict compliance with statutory and regulatory frameworks within government. The principles as contained in Batho Pele remain key and to ensure that it becomes reality, leadership must accept responsibility to:

- ◆ Deepen their understanding – and that of their members of staff – of Batho Pele as a noble government service delivery policy deserving support and implementation;
- ◆ Create excitement, passion and better understanding about the programme and take urgent collective action in ensuring that efficient, effective services are delivered;
- ◆ Re-orientate all staff and stakeholders to the importance of service excellence;
- ◆ Include formal customer care training in the annual Departmental work place skills plans and that there is on-going training for front-line staff;
- ◆ Include Batho Pele principles, related action plans, SDIPs, Service Commitment Charters and customer care training in Departmental induction programmes; and
- ◆ Revitalise the Batho Pele programme in KwaZulu-Natal through workshops, culture change interventions, forums, induction programmes, training and culture audits.

2. Vision

By 2014, the Province will be a hub of economic activity which empowers its' people through sound, financial and fiscal management.

3. Mission

The Provincial Treasury will ensure a more equitable distribution of resources and provide strategic leadership in areas of financial and fiscal management and corporate governance.

4. Values

The success of any organisation rests with the inherent qualities of the personnel delegated with the responsibility of undertaking specific activities. These inherent qualities should be in line with the department's core values which are:

- ◆ Accountability
- ◆ Efficiency
- ◆ Service Excellence
- ◆ Financial Discipline

- ◆ Professionalism and support
- ◆ Integrity
- ◆ Learning
- ◆ Communication
- ◆ Respecting diversity
- ◆ Service excellence
- ◆ Accountability
- ◆ Innovation

5. Provincial Strategic Goal: Creating Work and Fighting Poverty

The economy of South Africa has been placed on a stable and solid growth path through a very sound macro-economic policy. But there is consensus by all social partners that more needs to be done to address market failures and in particular, to stimulate much higher levels of employment across the country. The employment creation focus needs to be pursued in all three spheres of Government and by all government departments within each sphere.

This gives meaning to the commitment to a *“People’s Contract to create work and fight poverty”*. Creating work and eradicating poverty of necessity requires a contract with everyone who can make a contribution to this co-ordinated job creation programme.

Our department will work hard towards the attainment of the goal which is to Create work and fight poverty. We will contribute technical and value driven strategies to give effect to the eradication of diseases such as the HIV/AIDS.

6. Strategies to Achieve the Strategic Goal

6.1 Employment Creation and Poverty Alleviation

At provincial level, we recognize that we seek to stimulate job creation in the context of a dual economy, that is a wealthy, regulated, first world and modern economy, and on the other hand, a poor, marginalized, unregulated informal economy which is characterized by high unemployment levels and “survivalist” economic activity. The heart of our strategy to create jobs is about more effectively bridging the gap between these two economies. In short, this gap needs to be bridged by Government playing a more active role in supporting the “mainstreaming” of the informal economy and stimulating labour-intensive economic activity and especially new small business development. What this means is implementing more substantial programmes at provincial and local levels to invest in infrastructure, drive and co-fund catalytic economic projects, implement a coherent human resource development strategy which talks to the labour market needs, address the HIV/Aids pandemic and provide business growth support so that entrepreneurs, organized communities, women’s groups, co-operatives and youth in both urban and rural areas so they can move from the level of survivalist activity to real competitive and sustainable business.

6.2 Skills Development and Learnerships

There is a mismatch between the skills produced by the institutions of higher learning and the skills demanded by the market. This in itself has contributed to a large number of youth who while they have academic qualifications remain unemployed. This results in a need for an integrated strategy for aligning more effectively the demand and supply of meaningful skills in the local economy.

The tertiary and FET sector needs to be able to develop their skills development plans in line with the emerging economic development strategy of the Province, whilst still ensuring that we provide learning which stimulates innovation and critical thought. In particular this strategy needs to formulate a targeted "Youth Empowerment Programme" whereby young school-leavers and graduates are given access to specialized support to both enter the job-market with more than academic skills, and support for entrepreneurship and small business opportunities.

The provincial government needs to encourage the private sector in the province, to take up the opportunity to set specific and significant targets for youth participating in the learnership programmes. A target of 100 000 learnerships per year for the Province for a five year period will make a significant impact in the reduction of unemployment and also youth empowerment. The resources are available through the SETAs for this, so there is no reason why we cannot meet this target. We will be engaging directly with business on this challenge.

7. Sectoral Situation Analysis

The department will be facing one of its most challenging years in 2005 with changes in legislation having a significant impact on certain core services being delivered. These are discussed in more detail below:

7.1 Summary of Service Delivery Environment and Challenges

The changes in legislation have resulted in changes to the mandate of this department particularly in the areas of procurement and financial management of municipalities. The Municipal Finance Management Act 2003 came into effect on 1 July 2004. The implementation of this legislation has far-reaching implications more than those seen during the implementation of the Public Finance Management Act. The difference with the Municipal Finance Management Act is that it affects another sphere of government. It will be testing to ensure co-operation within the provincial government and the municipal sphere during implementation.

The replacement of FMS with BAS has provided an opportunity to delegate additional functions, which are typically clerical in nature, to departments. This will further the efforts of ensuring that this department is a key advisor to provincial clients rather than one of administrative support.

The provincial banking arrangements with the previous service provider came to an end on 31 March 2004. The process to procure the services of a new provincial banker has been

finalised and the contract was awarded to Standard Bank. The challenges associated with this are in the area of business processes and change management. We will be required to align the business processes of a new banker to those of the provincial government.

The procurement reforms of the past few years have now taken the form of supply chain management which attempts to place the focus on the entire processes of procurement from the initial needs analysis to the ultimate management and disposal of assets. This has impacted significantly on the role of the previous procurement administration office as departments will carry the full responsibility in the procuring of goods and services. Significant assistance will be required by departments to ensure that Supply Chain Management is implemented and contributes to achieving the broader objectives.

7.2 Summary of Organisational Environment and Challenges

The legislative changes mentioned in the preceding paragraph will have a significant impact on the organisational structure in terms of the resources required to provide the services. Municipal responsibilities have been established in both Resource Management and Financial Management to ensure compliance issues with local government. The focus of the development and implementation of the provincial infrastructure plan is supported through the Infrastructure Unit reporting directly to the Senior General Manager: Financial Management. A newly established component with direct reporting lines to the Head of Department is that of Inter Government Relations consisting of a General Manager and a Manager. The Internal Audit unit is extending the scope of services being provided from a consulting perspective with a Risk Management Unit headed by a General Manager. The efforts of the management support services will now be co-ordinated by a General Manager. These efforts have now refined Accounting Control to a pure financial management business unit where the focus is on financial management practices and business solutions. The Department's revised organisational structure, broken down to sub-programme level is attached as Annexure A. The schedule attached as Annexure B gives a summary of approved posts and the number of vacancies per programme.

8. Legislative and Other Mandates

The mandate of the department is clearly defined in the Public Finance Management Act (PFMA) and Treasury Regulations which directly influences the financial management operating environment in the public sector. Additional legislation leads to a further understanding of the roles and responsibilities of provincial treasuries in government. Given the oversight role treasury plays in government, changes in legislation have a ripple effect on the mandate of the department. As indicated in the preceding paragraphs, the Municipal Finance Management Act has extended the scope of our responsibilities to include the third sphere of government, local government.

The absolute impact of legislation can only be established through time and a conservative approach in terms of restructuring and resourcing is the optimal choice.

The KwaZulu-Natal Internal Audit Act sets and drives the activities, the reporting framework and the obligations of the Audit Committee through the Internal Audit Unit. Manuals and prescripts were developed to guide the activities of the Unit, set out the duties and responsibilities of the Audit Committee and of the Unit and the procedures for the conduct of the Audit Assignments.

The KwaZulu-Natal Procurement Act and the regulations govern procurement activities undertaken by this department. The Act established a procurement administration office which supports provincial departments in policy establishment, legislative review and amendment and administrative analysis of tender processes. The promulgation of the Supply Chain Management regulations required an alignment of the procurement administration office and the responsibilities required to be undertaken.

Human resources management is regulated through the Public Service Regulations, Constitution Act, No. 108 of 1996, Labour Relations Act, 66 of 1995, and DPSA's policy statements.

Other legislative mandates emanate from the following pieces of legislation:

Constitution Act, 108 of 1996; Criminal Procedures Act; National Prosecuting Act; Promotion of Access to Information Act; Income Tax Act 58 of 1962; Banking Act; KZN Direct Charges Act, 2002; Division of Revenue Act; Appropriation Act; Adjustments Appropriation Act; Provincial Tax Regulation Process Act (Act No. 53 of 2001); Provincial Borrowing Powers Act; Intergovernmental Fiscal Relations Act (Act No. 97 of 1997); The Bills of Exchange (Act 34 of 1964 as amended) and The Prescription Act.

9. Strategic Goals

The broader strategic goals of the department are:

- ◆ To promote sound financial and fiscal management and good governance.
- ◆ To place strong emphasis on fighting poverty and creating jobs in partnership with communities through the mobilization and funding of Co-operatives and effective procurement targeting.
- ◆ Establishment of funds to develop and support SMME's with sustainable opportunities through Government contracts.
- ◆ Effective distribution of the Growth Fund to increase investment in the first economy.
- ◆ To focus on the enhancement of broad-based BEE through effective procurement policies.
- ◆ Implementing a policy on zero tolerance on fraud and corruption.
- ◆ Good financial management with the elimination of over-expenditure and the reduction of rollovers.
- ◆ Economic growth through integrated planning for efficient and targeted government investment in service delivery.

10. Description of Strategic Planning Process

At the centre of organisational effectiveness are the principles of inclusiveness and participatory democracy. We, in the Provincial Treasury have embraced these principles. Underlying this is a process of consultation. This helps us link the strategy with the intended results. We will use the strategic plan to explain our business and to consult on the chosen processes to ensure the attainment of results.

Following the finalisation of the strategic plan will be the implementation of a performance management system that uses the Balanced Scorecard. This approach links the performance of individuals, teams and business units to the Department's performance.

It was initially intended, as announced by the MEC, to merge the two departments, previously Provincial Treasury and the Department of Economic Development to form the Department of Finance and Economic Development. Management Teams from the integrating departments identified and listed a number of projects to give expression to the strategic thrust and outcomes defined by the MEC in his post-election Budget speech. This initiative was, however, halted following a request from Central Government that the two departments remain separate entities.

The Management Team for Provincial Treasury reconvened to develop project plans but concluded that finalisation of the organisational structure is a priority. The final structure and the Strategic Plan have now been approved.

A Vision, Mission and high level strategic objectives for the Department were developed and agreed to by all participants.

11. Information Systems to Monitor Progress

The BSC is an organisational/departamental performance management system which aims to measure the overall organisation's performance in light of its strategy. It assists management in monitoring the strategy towards achieving the strategic objectives as well as the vision.

It recognises five factors necessary to holistically evaluate the organisation's overall performance as well as whether the organisation will achieve its strategic objectives and the vision. These factors which are referred to as perspectives are Finance, Customer, Process, Innovation, Employee, and Impact perspectives.

Each perspective constitutes Critical Success Factors and measures used to assess the achievement of the perspective and ultimately the organisations performance.

On a quarterly basis the performance of the organisation is appraised to determine whether it is still on track in achieving its objectives and vision. Warnings are given for any underperformance well in advance to ensure that corrective measures are taken timeously.

The department has finalised the performance management system which will serve as an essential monitoring tool for management in terms of the progress towards achieving our strategic goals and objectives.

The department will be one of the first in the province to implement the system. The inputs of the system have been linked to the strategic activities of the department and will form the basis of each individual's assessment. The system provides for key performance indicators with their respective measurable outputs.

PART B: PROGRAMME AND SUB-PROGRAMME PLANS

12. Programme 1: Administration

Brief Description of the Programme

The purpose of the programme is generally to provide for the support functions within the department. The main services are as follows:

- ◆ Provide support to the MEC
- ◆ Provide support to the HOD
- ◆ Render support and give advice in terms of human resource practices and labour relations
- ◆ Provide an inter-governmental service to the Department
- ◆ Provide financial administration and advice
- ◆ Co-ordination of research and knowledge management
- ◆ Provide corporate support

This Programme Consists of Five Sub-Programmes, namely:

- ◆ Office of the MEC
- ◆ Office of the HOD
- ◆ Corporate Services
- ◆ Chief Financial Office
- ◆ Human Resource Management

12.1 SUB-PROGRAMME 1: OFFICE OF THE MEC

Business Units:

- Ministerial Operations
- Corporate Communication
- Security

Strategic Objectives

- To support the Executing Authority in providing strategic and political direction to the department/s and its public entities.
- To provide the Executing Authority with relevant and effective ministerial support (administrative/parliamentary, public relations, etc.).

- To build and maintain a positive image of the department/s with internal and external publications.
- To ensure effective flow of information as per constitutional obligations (Batho Pele, Access to information Act, etc.).
- To provide safe and secure environment to all departments' employees and Executing Authority.

Analysis of Constraints and Measures Planned to Overcome Them

- *Office space:* With the given size of the Office against the number of personnel on the approved structure, the office space becomes a huge constraint in the operation of the Ministry. The current situation is such that 2 to 5 staff members are sharing one office. The other challenge experienced is lack of storage facility for corporate supplies.
- *Insufficient awareness and/or understanding of:* department/s systems, procedures and policies i.e. HR induction processes, BAS system, SCM, Legal advisory role. It has been discovered that staff members are either not aware of the existing systems in the department/s or have insufficient understanding of such systems.
- *Bureaucracy:* whilst bureaucratic measures are put in place to ensure proper usage of government resources, however, this can sometimes hinder speedy service delivery, and the Ministry has not been left out of this challenge.
- *Exemption from procurement procedures:* due to unforeseen circumstances the Ministry is sometimes forced to bypass procurement procedures to procure certain services, and this creates problems for other colleagues especially in the procurement unit.
- Inadequate internal communication and synergy amongst units.

Planned Quality Improvement Measures

- Expedite the process of identification of new and adequate office space and storage facility.
- Initiate full orientation and induction of staff with the existing departmental systems, policies and procedures.
- Assist in introducing and supporting new systems that ensure expedition of processes in the department and the public service as a whole, i.e. SCM.
- Lobby senior management to assist Ministry in dealing with sophisticated and urgent matters around procurement.

Resources Requirements

- Technologically advanced equipment/s (mini disc recorder, electronic pads, portable printers, shredders, electronic photographic cameras).
- Two-way radios and other security equipments.
- Additional finances may be required for the MEC projects.

12.2 SUB-PROGRAMME 2: OFFICE OF THE HOD

Strategic Objective

The purpose of this sub-programme is to enable the HOD to provide the department with strategic leadership and to fulfil all statutory requirements pertaining to the functioning of the department.

Also housed under the office of the HOD is the co-ordination of research and knowledge management programme. The aim of this programme is to provide for a world class centre for information and knowledge that is a prerequisite to the successful implementation of the departmental programmes and to drive the economy of the Province.

Analysis of Constraints and Measures Planned to Overcome Them

Capacity within the Office of the Head of Department is restricted. It is for this reason that an Intergovernmental Relations Unit is to be created to administer routine office correspondence, in this way freeing up the Head of Department to accompany the Minister on community outreach programmes.

Description of Planned Quality Improvement Measures

An Inter-Governmental Relations Unit will be put in place to assist the Head of Department with routine administrative issues and to track departmental programmes and initiatives. This unit will be in regular and direct contact with senior management, directing correspondence to the relevant section and assimilating responses. This unit will add capacity and assist the Office of the Head of Department to become more effective and efficient.

Resource Information (Personnel, Finances, Infrastructure)

The Office of the Head of Department has a full staff complement with the Head of Department, Personal Assistant, Secretary, Librarian. According to the newly approved establishment, an Intergovernmental Relations Unit, will fall under the Office of the Head of Department. In terms of the new establishment, the office will employ two additional staff members; a General Manager and a Manager.

12.3 SUB-PROGRAMME 3: CORPORATE SERVICES

Strategic Objective

To provide effective and efficient Corporate Services to Provincial Treasury.

Analysis of Constraints and Measures Planned to Overcome Them

This division mostly deals reactively to all problematic issues requiring a team of staff willing to perform additional functions to ensure efficiency in service delivery. The planned increase of staff in the Department will impact on demands such as the vehicle fleet

requirements and the availability of office accommodation. In an endeavour to be pro-active future demands are anticipated and the necessary advanced planning done.

Description of Planned Quality Improvement Measures

The Directorate: Corporate Services renders the following transversal support functions:

- All building management related functions
- Access control and security arrangements
- Logistical support to Supply Chain Management
- Management of the transport fleet (official and subsidised vehicles)
- Management of registry and record control
- Control of stores e.g. stationery and management of office automation
- Management of telecommunication services

The component Corporate Services was able to maintain an effective building management programme which includes the provision of services such as cleaning, security and general maintenance. Specific projects have also been undertaken e.g. an improved access control system, improved safety measures and various building alterations/improvements.

The cleaning contract have been finalised and awarded to Jackson's Cleaning Services. Finalisation of the security contract was delayed pending the introduction of Supply Chain Management. The general upkeep of the building can now be maintained more effectively as a handyman has now been appointed. The alterations in the foyer to be completed shortly will be a significant improvement to the current arrangement. All alterations /improvements in the rest of the building are completed although alterations are an ongoing requirement in the building.

The procurement of goods and services has now been reallocated to the CFO in line with the principles of Supply Chain Management. The establishment of a centralized procurement function for the Department ensures that resultant service agreements are in place and properly monitored. Apart from the frequent requests for goods/services that are procured by means of quotations a tender for the provision of a Security Service is reaching finalization.

Based on a recent needs assessment the official vehicle fleet underwent a drastic change being reduced from 22 to 12 which included the replacement of 8 vehicles. The fleet now fully complies with prescripts in terms of age and distance travelled and significant reductions in maintenance costs are expected. However, due to staff increase in the Department an additional 12 vehicles will be needed.

The approved upgrade of the Department's PABX will have a major impact on improved services and this new facility with its more sophisticated management system is expected to reduce costs significantly.

Rigid control over the issue of stationery resulted in an overall saving of 10% for the year (R 20 000) and the supply of office automation equipment that have been rolled out is showing a saving of 40 % on previous expenditure. (R 600 000 per annum).

Gradual expansion of the registry service being provided is taking place. An amended filing index has been drawn up and submitted to Provincial Archives for approval. The amendments to the organisational structure will, however, affect the finalisation of the index.

The key challenges for the Directorate are to improve on the level of efficiency in the provision of all the functions indicated with specific focus on the following:

- To ensure that the working environment is such that staff members can perform at the best of their ability with particular focus on the increased requirements.
- Optimal utilisation and control of the vehicle fleet.
- Introduction of an effective filing index to be finally adopted by all role players.
- To link the logistical support effectively with the Asset Management system.
- To ensure the efficient management of office automation equipment.
- To ensure optimal utilization of the telephone communication system.

Resource information (Personnel, Finances, Infrastructure)

The Directorate is 87,5% capacitated at present with the vacancies anticipated to be filled by April 2005. The budget of R 2 411 000 is currently adequate to finance the additional personnel to be appointed.

12.4 SUB-PROGRAMME 4: CHIEF FINANCIAL OFFICE

Strategic Objectives

- Implementation of Supply Chain Management which will ensure effective efficient and economical procurement Policies, Procedures and processes.
- To ensure sustainable implementation of Asset Management System.
- To have an unqualified audit report and limited queries in the next 5 years.
- To ensure that staff are suitably trained.

Analysis of Constraints and Measures Planned To Overcome Them

The component is experiencing difficulties due to the challenges of changes taking place back to back. Many of these initiatives are driven by this component. The Supply Chain Management by law should implement within the Office of the Chief Financial Officer. The constraint is the expert knowledge that is required to drive and implement this process. It is a known fact that this is a new initiative within the government and that the process of aligning accordingly is a mammoth task.

The Asset Management project also brings its own challenges and again this initiative is being implemented in close consultation with the CFO and this department has been identified as a test site. While this process is driven by consultants, they seek guidance from the Office of the CFO and the department as a whole to gain the understanding before implementation.

The implementation of an Internal Control Unit has become more urgent and evident as we cannot rely on the Provincial Internal Audit Unit because of their demand within the province. One of the strategic objectives is to have unqualified audited AFS which demand pulling out all stops.

The preparation of the consolidated budget is still a nightmare because of incorrect audited Annual Financial Statements.

The quality of reports from Responsibility Managers is still not up to the level required for informative reporting.

To overcome the abovementioned constraints and challenges, the component will have to train staff extensively and where necessary will employ outside expert help to work closely with our staff.

We will review AFS more vigorously and work closely with the Office of the Auditor General.

Description of Planned Quality Improvement Measures

The most important quality improvement measure planned will be to re-engineer business processes to revise and curtail those that do not add value or stifle delivery. To this end the office will review practise notes, delegation and procurement procedures. The component will proactively avail financial information and advice as well as working closely with the whole department.

Another objective will be to set standards for all the processes required for the work performed in the Office of the CFO. We will constantly and intimately support Programme and Responsibility Managers in the preparation of budgetary and financial information.

Resource Information (Personnel, Finances, Infrastructure)

The component will require three additional resources to capacitate the Office of Chief Financial Officer namely one Assistant Manager who will deal with SCM, one Assistant Director who will anchor the Internal Control Unit and one Chief Accounting Clerk who will support Loss Control and SCM. These resources further require furniture and computers and well as accommodation.

12.5 SUB-PROGRAMME 5: HUMAN RESOURCE MANAGEMENT

Strategic Objectives

- To provide direct services (e.g. staffing, payroll, labour relations) and staff development programs that are responsive to the need of the Department and delivered at the highest possible standard of quality.
- To provide human resource infrastructure planning and consultancy support throughout the Department to help achieve organizational improvement.
- To ensure that the Department fulfills its statutory and audit requirements in managing HR processes and procedures. This would be achieved in part by assisting in ensuring that staff are appropriately skilled to be able to provide high quality services to the communities served.
- To create a working environment which is safe, secure and encourages all staff to contribute to the best of their ability.

Analysis of Constraints and Measures Planned to Overcome Them

The lack of support and co-operation from other business units that are being served as well as the kind of perceptions that have been nurtured over time towards human resource management functions generally within the department. In response to this kind of challenge, this division intends to engage on programs that are designed to have more visibility and to demonstrate to our clients that we are there to serve and support.

Description of Planned Quality Improvement Measures

Other than those Human Resource Management activities that are prescribed for within the regulatory framework, it has been considered necessary by this unit to explore measures that would enhance its visibility and improve on the level of interaction with clients in order to improve the level of understanding of the type of services that the clients can and will receive.

Resource Information (Personnel, Finances, Infrastructure)

The staff complement is made up of nine (9) personnel who are located at different salary levels including the manager. There are eight (8) vacant positions some of which are in the process of being filled and the remainder would be filled progressively during the current financial year. The total allocated budget for the current financial year including personnel costs is R 4,9 million.

In terms of resources required, there is a need for more office space in order to accommodate staff once the vacant posts are filled. There is also a serious limitation in terms of the availability of training facilities available to the division (i.e. availability of boardrooms as when training has to be offered.)

13. Programme 2: Resource Management

Brief Description of the Programme

The purpose of Programme 2: Resource Management is to effectively manage and monitor the provincial and local government fiscal resources.

The programme consists of five sub-programmes, namely:

- ◆ Programme Support
- ◆ Macro-economic Analysis
- ◆ Fiscal Policy
- ◆ Budget Management
- ◆ Public Finance (Resource Acquisition)

Situation Analysis

For the MTEF period and five years commencing in 2005/06, the programme has been restructured with a view to:

- ◆ focusing exclusively on the macro-economic analysis, policy implications and management of all aspects of the provinces financial resources within the medium term framework; and
- ◆ meeting the department's obligations to the local sphere of government in terms of the recently promulgated Municipal Finance Management Act (MFMA), specifically in the area of monitoring and reporting on the municipal budget process.

At the provincial level, the services provided by the programme have contributed greatly during the last five years to ensuring financial stability and a sound and sustainable fiscal framework in the province. The budget policy and planning framework has become more sophisticated and consistent, with the implementation of objective measures and analysis to evaluate departmental budget and service delivery performance. This in turn has led to a consistent policy framework approved by the executive in determining the annual budget allocations.

The in-year revenue and expenditure monitoring processes managed in the programme have for some time been regarded as a benchmark in national terms. The sophistication and accuracy of these monitoring systems have enabled the Treasury to alert the MEC and Executive well in advance of pending problems in revenue collection and especially expenditure, allowing sufficient time for corrective action to be taken. The nett result has been a sustained period of fiscal stability in the province – a far cry from the unstable and fiscally irresponsible situation which prevailed in the period 1996/97 and 1997/98.

In the last three years there has been an increasing focus on the issue of provincial own-revenue collection, and the sub-programme Public Finance has been instrumental in improving the efficiency of departmental revenue collection systems through focused interventions in the departments which are major sources of revenue collection.

Another noteworthy advance in the services provided by the programme is in the area of macro-economic analysis. In the last two years a dedicated sub-programme has been established to provide this service, with impressive early results achieved. These achievements include:

- ◆ the compilation, for the first time, of a regional supply and use table (SUT), to be used to conduct detailed sectoral analysis of the regional economy and relevant impact assessments; and
- ◆ a poverty alleviation framework to be used as a planning tool to direct provincial resources to areas and communities most in need of socio-economic upliftment.

Key challenges over the forthcoming MTEF and Strategic Plan period are the following:

- ◆ the building of capacity in the programme to provide a comprehensive municipal budget evaluation, monitoring, reporting and capacity-building service;
- ◆ the further development and management of the poverty alleviation framework; and
- ◆ the implementation and management of a performance budgeting system and framework throughout the provincial administration.

Policies, Priorities and Strategic Objectives

As mentioned, key strategic objectives of the programme in the five year period commencing in 2005/06 will be to further expand the macro-economic analytical services provided to the provincial government, to implement a credible and sustainable performance budgeting system in the administration, and to establish a fully-capacitated municipal budget monitoring and reporting component in the budget management sub-programme. All these key strategic objectives are integral to the implementation of the recently revised and approved Provincial Growth and Development Strategy (PGDS) – especially in the case of performance budgeting and the afore-mentioned poverty alleviation framework.

Strategic Objectives

Strategic Goal

To contribute to the achievement of the province's growth and development strategy through the effective management of the provinces fiscal resources, and effective monitoring of municipal planning and budgeting processes.

Strategic Objectives

- ◆ To determine and evaluate economic parameters and socio-economic imperatives within a provincial, local and national macro-economic context.
- ◆ To promote and ensure effective and optimal financial resource allocation for provincial and local government.
- ◆ To ensure efficient budget management and accurate financial reporting for the provincial and local government.
- ◆ To ensure optimal and sustainable revenue generation and collection by provincial departments and municipalities.

Analysis of Constraints and Measures Planned to Overcome Them

The major constraints facing the Resource Management Programme arise from the number of new functions and initiatives which the component will be expected to take on board during the period under review, with limited existing capacity and experience within the programme. By definition, the MFMA being new legislation, there is very little experience within Treasury in the local government sphere – this experience will have to be acquired and built within the programme in a systematic, phased manner.

Likewise, major new initiatives such as the performance budgeting system and Poverty Alleviation Framework, which will be managed from within the Programme, will exert tremendous pressure on the existing resources. Appointing new staff members will not necessarily alleviate the pressures in the short term, as these staff will have to undergo orientation programmes and extensive functional training before they become fully productive.

These constraints notwithstanding, there is no doubt that it will be possible to meet all the challenges facing the programme by means of an integrated human resource strategy aimed at:

- In-sourcing of additional specialist skills and resources in key posts;
- Out-sourcing of time-bound assignments where appropriate; and
- A comprehensive skills audit, gap analysis and structured functional training programme to improve existing skills within the programme.

Description of planned quality improvement measures

Details of the planned quality improvement measures are provided at sub-programme level.

A Service Delivery Improvement Plan (SDIP) for the Programme is also included as part of the Performance Plan of this document, detailing the specific targets in terms of improving service delivery performance in the various sub-programmes.

13.1 SUB-PROGRAMME 1: PROGRAMME SUPPORT

The purpose of this sub-programme is to provide administrative and logistical support to the various components in Programme 2.

13.2 SUB-PROGRAMME 2: MACRO-ECONOMIC ANALYSIS

Strategic Objective

To determine and evaluate economic parameters and socio-economic imperatives within a provincial, local and national macro-economic context.

To achieve the above objective, it will be necessary for the component to collect and analyse demographic, social and economic statistics through the development of

indicators, forecasts, maps for KwaZulu-Natal, and to ensure that statistics provided for provincial and municipal budgets are properly devised – this will be the major priority in the five year period under review.

Other priorities will be to:

- Provide input for the provincial policy framework, namely, The Provincial Growth and Development Strategy (PGDS)
- Assist in the monitoring and evaluation of PGDS
- Provide input for policy managed by Provincial Treasury (such as poverty alleviation framework, etc.)
- To develop tools for policy planning (such as the Computable General Equilibrium (CGE) model)

Analysis of Constraints and Measures Planned To Overcome Them

The main constraints facing the component are:

- Lack of internal capacity and skills (at time of writing, the posts of deputy managers: economics & statistics were still vacant, and the post establishment initially did not provide for administrative support).
- Lack of database system – GIS expertise within the component.
- Discrepancies in statistics collected from various sources.
- Lack of computer software such as econometric software.

The measures to overcome the above constraints comprise the following:

- The unit, like other components in the Programme, will begin filling the vacant posts with effect from the beginning of the 2005/06 financial year.
- Provincial Treasury will affiliate to the National Statistic System (NSS), consisting of all the statistics providers and users in the country – this will hopefully resolve the issue of discrepancies in official statistics in use.
- The component will network extensively and cooperate closely with the existing GIS forum in the province.

Description of planned quality improvement measures

The incumbent manager in the component will functionally train all newly appointed economists and/or statisticians on the System of National Accounts. In addition, a skills audit for newly appointed economists and/or statisticians will be conducted with a view to identifying their training requirements, and providing appropriate trainings/courses.

Finally, there will be intensive and ongoing contact with the family of statistics providers both in the province and elsewhere in the country, as well as with National Treasury.

13.3 SUB-PROGRAMME 3: FISCAL POLICY

Strategic Objective

To promote and ensure effective and optimal financial resource allocation for provincial and local government.

In order to achieve maximum allocative efficiency, the component is constantly working with provincial departments to ensure that they have credible budgets. For the 2005/06 MTEF, the component devised a *Baseline Analysis Template* in Excel which was completed by all departments. The central question that the template attempts to answer is: *how did each department arrive at its budget at a programme and economic classification level?* Most departments acknowledged that the template did assist them in setting their baseline budgets right. For example, some departments were unaware that they have over-budgeted for personnel, but by using the template they were able to rectify the problem.

In future MTEF budgets, the component will strive to further improve allocative efficiency in the budget process by ensuring that historically under-funded departments are optimally funded, and by establishing credible links between service delivery performance and resource allocation through the systematic implementation of a performance budgeting system.

With regard to local government, the component will endeavour to ensure that municipalities in the province are optimally funded in terms of the macro-economic fiscal framework and (annual) vertical division of revenue proposals.

Analysis of Constraints and Measures Planned to Overcome Them

The major constraints faced by the Fiscal Policy component are:

- Lack of financial management capacity in provincial departments, which impacts negatively on the budget evaluation and planning process;
- Inputs from departments which are of a poor standard and which are not submitted timeously;
- Lack of internal capacity.

With a view to overcoming the constraint of limited financial management capacity in departments, Treasury is in the process of identifying possible solutions for the provision of suitable financial management training in all provincial departments. This training will inter alia help improve the standard of budget planning and budget submissions compiled by departments, leading to overall improvements in the annual budget process.

With regard to the issue of limited internal capacity, the vacant posts will be progressively filled with effect from 1 March 2005.

Description of Planned Quality Improvement Measures

The incumbent staff in this component will be assessed for weaknesses and skills gaps, and appropriate training/courses will be identified to improve the quality of work produced. New appointments will be carefully screened and selected in order to ensure that they possess the necessary skills and qualifications to perform their functions effectively.

Finally, in order to improve communication and co-ordination of functions between the various components of the programme, it is planned that all the components of the programme will be housed on one floor in Treasury House.

13.4 SUB-PROGRAMME 4: BUDGET MANAGEMENT

Strategic Objective

To ensure efficient budget management and accurate financial reporting for the provincial and local government.

The function of the Budget Management component is process driven and is largely determined by statutory deadlines as stipulated in the PFMA and MFMA. Monthly, quarterly and annual reporting is required on both the provincial and municipal expenditure budgets, and the provincial Adjustments Estimate has to be tabled within a month after the national Adjustments Estimate is tabled. Hence the Budget Management component is compelled in terms of the PFMA and MFMA to meet rigorous reporting and financial deadlines.

At the provincial level, the component has established an enviable reputation nationally for compliance with deadlines and the quality/accuracy of its monitoring and reporting mechanisms, based on the concept of the “early warning system” (EWS), whereby the in-year monitoring reports are used to identify potential areas of serious over or under-expenditure in the provincial budget, allowing for early corrective action to be taken. In particular, the Budget Management component has developed a quarterly performance report template aimed at improving the analysis of departments’ budget performance, over and above the monthly EWS reports. In fact, this template has been circulated by the National Treasury to all provincial treasuries as a benchmark for them to follow.

These achievements notwithstanding, the component is continuously striving to improve the quality of provincial departments’ budget inputs and financial management reporting. In this way, the component can improve the overall quality of any published document produced by the component.

At the municipal level, the challenge will be to establish similar monitoring and reporting structures for the municipal budget process. The implementation of the Municipal Finance Management Act (MFMA) with effect from 1 July 2004 has had a significant impact on the Provincial Treasury’s functions and organisational structure. The implementation of the Act, inter alia, has necessitated the expansion of the Budget Management component’s post establishment with the primary function of monitoring, reporting on and evaluating the preparation and implementation municipal budgets in the province’s 61 municipalities. The component will, in addition, be required to co-operate closely with the

other components in the Resource Management programme and other divisions in the Treasury, as well as with the Department of Traditional and Local Government Affairs, in order to utilise existing capacity and skills within these structures, coordinate the interface with the municipal sphere of government in building financial management capacity, and to avoid unnecessary duplication.

Analysis of Constraints and Measures Planned to Overcome Them

The major constraints faced by the Budget Management component are:

- Lack of financial management capacity in provincial departments and municipalities;
- Inputs from departments and municipalities which are of a poor standard and not submitted timeously;
- Lack of experience and capacity in the newly expanded component;
- Relatively large number of municipalities and entities in the province;
- Inadequate reporting and financial systems in municipalities;
- Potential for duplication of functions between Provincial Treasury and Department of Traditional and Local Government Affairs (DTLGA) in implementing MFMA reforms.
- Duplication of financial reporting systems at municipal level.

The measures to be Instituted in Order to Overcome the Above Constraints are:

- Treasury is in the process of addressing the need for suitable financial management training in all provincial departments;
- This training will also help improve the standard of budget and expenditure inputs compiled by departments;
- The Budget Management section will begin filling its vacant posts with effect from 1 March 2005;
- The component will participate in a co-ordinated capacity building programme at the municipal level in partnership with National Treasury, DTLGA and appointed service providers. In this regard, the component has completed an initial round of capacity-building workshops at all 10 District Municipalities, involving all municipalities in the province – further capacity building workshops and formal training courses will be implemented and coordinated in conjunction with National Treasury;
- The duplication of municipal financial reporting systems will be addressed in conjunction with the Financial Management Programme, National Treasury and DTLGA.
- A Memorandum of Understanding (MoU) between the Provincial Treasury and DTLGA has been drawn up, spelling out the mutually agreed respective roles and functions of the two departments in implementing the MFMA in the province.

Description of Planned Quality Improvement Measures

The staff in this component will be assessed for weaknesses and appropriate training/courses will be identified accordingly to improve the quality of work produced. Also, in order to improve communication between the various components of the Budget Office, it is planned that all the components of the programme be housed on one floor.

In appointing new personnel, furthermore, care will be taken to appoint officials with appropriate skills and expertise, and to provide appropriate functional training for the newly appointed staff.

In respect of the new functions and responsibilities of the component in terms of the MFMA, current incumbents and newly appointed staff in the component will receive further functional and specialised training in all aspects relevant to their functions in terms of the MFMA – this will be coordinated with the National Treasury. The functional training will include periodic secondments to selected municipalities in the province to enable staff members to gain practical knowledge and experience of municipal financial management systems and issues;

Municipal budget monitoring and evaluation formats, templates and checklists will be developed to ensure uniformity in the monitoring and reporting processes.

13.5 SUB-PROGRAMME 5: PUBLIC FINANCE (RESOURCE ACQUISITION)

Strategic Objective

The strategic objective of the sub-programme: Public Finance is as follows:

To ensure optimal and sustainable revenue generation and collection by provincial departments and municipalities

The functional priorities of the Public Finance sub-programme are to ensure that the province receives its allocated equitable shares from National Treasury, and to ensure that the province maximises the generation and collection of own revenue to supplement what is received in the form of national transfers. The function of the component is umbilically tied to the national as well as the provincial budget processes, which are executed in terms of the PFMA. In terms of this the major outputs of the component are time bound and must conform to the standards set by the National Treasury.

Realistic revenue budgeting has not been taken seriously in the past by most provincial departments, as revenue collection has always been regarded as an insignificant part of the budget process. For this reason a major priority of the component is to continuously encourage and assist provincial departments to improve their revenue collection and forecasting, with a view to ensuring that all revenue rightfully due to the province is indeed recovered and used for service delivery.

In order to stem the declining trend in provincial own revenue collection, the Provincial Treasury commissioned a study on Provincial Own Revenue aimed at identifying the various sources of revenue, current bases of revenue, current tariffs, rates and fees, weaknesses

and risk areas in revenue collection. Based on the findings and recommendations of the study, the component has initiated a Provincial Own Revenue Enhancement Implementation Strategy. The main aspects of the strategy are the formation of a Provincial Task Team, Departmental Task Teams and Institutional Task Teams. The terms of reference of the teams were to review the findings and recommendations, reprioritise them, seek resources (IT, human and financial) put in place an implementation strategy, implement the strategy, monitor and evaluate progress. The Provincial Own Revenue Enhancement Implementation Task Team plays a monitoring, co-ordinating, evaluating and oversight role in the implementation process at the provincial level.

In line with this the component has organised workshops for the district institutions of the Department of Health with a view to sensitising officials on the importance of own revenue collection and use in our intergovernmental fiscal relations and making them aware of the findings and recommendations of the revenue study, and specifically the weaknesses and risk areas inherent in their revenue collection.

The partial implementation of the recommendations of the revenue study has resulted in a slight increase in revenue collection by most provincial departments.

A major challenge, and hence urgent priority, of the sub-programme will be to develop a strategy to engage with municipalities on the issue of revenue generation and collection – this in terms of the mandate given to the Provincial Treasury by the Municipal Finance Management Act. It is common knowledge that municipal revenue management and billing systems currently leave a lot to be desired, with most municipalities only collecting a small percentage of the debt owed to them by consumers, ratepayers and creditors. Capacity building and assistance to municipalities in this area therefore presents itself as a major challenge.

In the medium term, another major priority will be to develop a policy framework for provincial borrowing and taxation – the latter in terms of the Provincial Tax Regulation Process Act.

Analysis of Constraints and Measures Planned to Overcome Them

The major constraints facing the component include:

- The lack of a credible debtor and billing system in major revenue collecting departments and municipalities to control and monitor revenue generation and collection.
- Lack of capacity in provincial departments and municipalities to maximise revenue generation and collection;
- Inadequate focus in departments and municipalities on the importance of the own revenue generating function.

The measures to be instituted in order to overcome the above constraints:

- The Provincial Task Team on Revenue Enhancement has recommended that departments make submissions for additional (financial) resources required for the implementation of the findings and recommendations of the revenue study.

- Regular training and evaluation of the competencies of revenue controllers/officials in key revenue collecting departments.
- The acquisition of a credible IT system for the capturing, reporting, monitoring, control and evaluation of revenue collection by key revenue generating departments – e.g. a debtor system for health patients fees and IT system for liquor licensing.

Appointment of additional staff members to focus on addressing deficiencies in municipal revenue and billing systems.

Description of Planned Quality Improvement Measures

It is intended to conduct a skills audit for the staff of the component, whereafter appropriate training courses will be identified to address the skills gap and to enhance the quality of work produced.

Communication between the various components of the programme will also be improved when all components are on the same floor and have regular meetings to share information and co-ordinate processes.

Resource Information

As mentioned, in order to fulfil its new responsibilities in terms of the MFMA, it was necessary to expand the post establishment considerably from the current number of 25 budgeted posts (only 13 filled) to a total of 52. The majority of the new appointments will be in the form of local government expenditure analysts, in the Budget Management sub-programme, although all sub-programmes will acquire additional capacity to perform their new functions and responsibilities in terms of the MFMA.

An initial costing of the expanded post structure reveals that additional amounts of R9,2m, R8,4m and R8,9m over the existing baseline will be required over the MTEF.

A major challenge will be to find suitable accommodation within Treasury House to accommodate the expanded establishment. From experience it is clear that having components within the same programme dispersed in various locations militates against effective communication and coordination of functions – accordingly, ideally a single floor in Treasury House should be reserved for the Programme.

14. PROGRAMME 3: FINANCIAL MANAGEMENT

Brief Description of the Programme

Financial Management is made up of a number of programmes which contribute to facilitating improved financial management through development of suitable support systems and structures.

The programme is made up of five sub-programmes namely:

- ◆ Asset Management

- ◆ Financial Assets and Liability Management
- ◆ Supply Chain Management
- ◆ Supporting and Interlinked Financial Systems
- ◆ Accounting Services (which comprises norms and standards and financial reporting)

Situation Analysis

The Province is facing a period of ongoing change based on policy developments and technological advancements. The client departments are currently grossly incapacitated and resist any changes as a result. The strategy therefore in addressing these issues is critical to ensure that the appropriate buy-in is attained. Treasury will be relied on to provide the appropriate advice and support in the form of policy development and practical implementation with supporting training techniques.

The division is currently understaffed in terms of undertaking the significant additional responsibilities introduced by the MFMA and SCM. Posts will be evaluated during the month of April and all posts will be filled by 1 June 2005.

14.1 SUB-PROGRAMME 1: ASSET MANAGEMENT

Business Unit: Physical Assets & Public Private Partnership Unit

Strategic Objectives

- Development of asset management processes through formulation of policies & practices for need assessments, facilities management & assets register (incorporating accrual system of accounting – asset register).
- To provide assistance to departments with implementation of PPP regulations and in due course request delegation of regulation 16 of the PFMA.
- To facilitate the implementation of BEE and EPWP policy within infrastructure management through specific projects and PPPFA.

Analysis of Constraints and Measures Planned to Overcome Them

The major constraints faced in the component are:

- Lack of appropriate skilled personnel at the client departments (vacancies and inadequate skills level) to plan and implement effective infrastructure management.
- Lack of understanding of the opportunities and tools available to promote BEE and EPWP.
- Lack of adequate information available to effectively plan and manage infrastructure and real estate.
- Lack of co-ordination between departments in terms of infrastructure planning and real estate management.
- Ineffective maintenance of data on the relevant asset systems.

The Measures to be Instituted in Order to Overcome the Above Constraints:

- Introduction of the Infrastructure Delivery Improvement Programme (IDIP), initially piloting the programme at Department of Education and Transport and thereafter rolling out the programme to all departments.
- Detailed guidance, support and practice manual to provide the necessary support to client departments.
- Second or contract in the necessary expertise as a temporary measure for client departments until appropriate skills have been retained.
- Through an analysis of the infrastructure budget in partnership with departments, specific opportunities to contribute to government policy priorities will be specifically earmarked as such. The implementation thereof will be monitored by this unit.
- An analysis of the systems available to facilitate the production of information and control of revenue collection will be undertaken in conjunction with their respective line function department. It is critical that departments work closely in order to ensure that the appropriate decisions are taken.
- Departments which realise the value of the systems provided will remain current in terms of the data provided. It is our challenge to ensure that value-for-money is affected and that monitoring of the system and relevant reconciliations is undertaken.

Description of Planned Quality Improvement Measures

| OUTPUT | PERFORMANCE MEASURES | SERVICE DELIVERY IMPROVEMENT TARGETS |
|-------------------------------|--------------------------|--|
| Infrastructure plans | Timeously | Infrastructure plans submitted to HOD one week before 31 March |
| Quarterly performance reports | Timeously and error free | Quarterly reports submitted week one to HOD before due at NT |

Resource Information (Personnel, Finances, Infrastructure)

The division is 50% capacitated at present with the vacancies anticipated to be filled by April 2005. Given the nature of the responsibilities of the division, highly skilled individuals are required to ensure that the highest stand of advice and support is provided to client departments. The budget is currently adequate as the roles of the division are that of advisory and are typically reflected in personnel and administrative costs.

14.2 SUB-PROGRAMME 2: FINANCIAL ASSETS AND LIABILITIES MANAGEMENT***Strategic Objectives***

- To provide an effective banking service to all client departments.
- To provide assistance in the improvement of cash management policies and practices at municipalities.
- To provide technical advice on long-term debt arrangements at municipal level in conjunction with the IDP and budgetary process.
- To provide advisory services to client departments on all tax and salary deduction matters following the decentralisation of functions.

Analysis of Constraints and Measures Planned to Overcome Them

The significant changes faced by departments over the past five years has placed departments under continuous pressure given the significant lack of skills and expertise in the various departments. Departments are now performing functions that were centrally provided by Treasury and therefore significant change management is required to ensure successful implementation of any change.

At a municipal level these issues are compounded with more significant lack of capacity and financial constraints providing minimal assistance for remedy. Municipalities have incurred significant debts over the past few years which therefore requires considerable management and knowledge of cash management and the raising and managing of debts in line with the budgetary process.

Ensuring compliance to policies and practices is a continuous problem in all sectors of government. Both the internal and external auditors would review the level of compliance and report accordingly; however the risk of non-compliance is reduced with practical and interactive policy development and appropriate support and training.

The additional functions being devolved to departments have been supported by training and the provision of skilled staff. This process will continue with additional monitoring and continuous training.

The issue of lack of skills at municipal level must be addressed by the MFMA task team to ensure that all efforts to improve the skills level are co-ordinated by the respective roleplayers (LG, Umsekeli and Treasury).

Given that Treasury has not interacted with municipalities a strong relationship is required to ensure their co-operation and support through an understanding of Treasury's role and evidence of our abilities to provide the needed expertise.

Description of Planned Quality Improvement Measures

| OUTPUT | PERFORMANCE MEASURES | SERVICE DELIVERY IMPROVEMENT TARGETS |
|--|--|--|
| Banking Database | Accuracy and timely update | Confirmation by municipalities by 30 June 2005 Intermittent updates within 48 hours |
| Advisory services | Timely | To respond with 24 hours of enquiries |
| Recommendations and policy development | Analysis of cash management policies & practices | Detailed report to be provided within one week of analysis |
| Depositing of cash received | Accuracy and timely | Cash receipted immediately and deposited within 24 hours |
| Transfer of cash | Timely | Within 24 hours |
| Interaction with public | Accurately, timely and friendly | Within 12 hours |
| Telephone calls | Timely | To respond by 3 rings |

Resource information (Personnel, Finances, Infrastructure)

The current structure reflects a significant number of staff who will be required to move to client departments during the devolving of functions. Ultimately the section should comprise of senior officials who will provide the necessary guidance and support to municipalities on cash and liability management. Currently the vacancies at junior levels are not being filled and the section is overstaffed. The impact of the MFMA will only be resolved in June and therefore the phased outsourcing of officials.

The current budget is adequate for the service being envisaged and staff have been appropriately equipped with the necessary infrastructure to perform their duties.

14.3 SUB-PROGRAMME 3: SUPPLY CHAIN MANAGEMENT

Strategic Objectives

Develop and monitor SCM policies, practices and guidelines that will ensure SCM implementation in an effective and systematic fashion to support government's objectives in developing BEE, SMMEs, Women and the Youth, job creation and poverty alleviation.

Analysis of Constraints and Measures Planned to Overcome Them

Departments have been procuring goods and services since government has been in existence. The procurement reforms in the past four years have allowed for improvements in the manner in which goods and service have been procured. Departments do not however procure in the most effective and efficient manner. This is primarily due to lack of knowledge and expertise in the field. Inadequate planning and research into procurement is evident with significant underspending in capital expenditure. Procurement cannot be seen in isolation of the budget cycle, infrastructure planning and asset management.

The focus of preference points has also led to a narrow implementation thereof without significant contribution being realised to government's objectives. The concept of "cheapest" no longer applies as government moves to a fair and transparent mechanism for all participants. The introduction of preference points has also seen an increase in defaulters by suppliers who intend to benefit unjustly by the award of points.

Detailed guidelines, practices and policies will be developed in conjunction with the respective roleplayers to ensure that the best practice of demand management, acquisition, logistics and disposal are implementable. The centre of excellence will provide invaluable support to client departments during this transitional stage. The compliance unit will also provide a mechanism to alert departments where policies are not being adhered to in conjunction with the internal audit unit. Extensive training will be provided to all client departments given the significant turnover of officials and the recent appointment of the SCM units.

The compliance unit will be reviewing suppliers for areas of compliance to practice notes and whether the capacity exists to participate in government contracts. The departments play a crucial role in assessing the performance of contractors/suppliers (both during the contract and at conclusion) and a facility on the supplier's database now provides for the accumulation of such performance history. This information must be used by departments

when evaluating both quotations and tenders to ensure that awards are appropriate. The active implementation and enforcement of the blacklisting policy will provide a significant deterrent for suppliers to attempt to defraud or misrepresent themselves to government.

The division has also recognised the need for support to suppliers in participating in tenders particularly SMMEs. A help desk has been established which will assist suppliers in this regard in conjunction with the business support centres throughout the province. An aggressive marketing campaign will be undertaken to ensure that the general public is aware of this service. The establishment of the help desk will also provide a mechanism for reporting of defaulters.

Description of Planned Quality Improvement Measures

| OUTPUT | PERFORMANCE MEASURES | SERVICE DELIVERY IMPROVEMENT TARGETS |
|--|---|--|
| Helpdesk | Timely, accurate, complete. | Answer calls within 3 rings Provide response within 4 hours |
| Compliance reports | Timely, complete, relevant, error free. | Finalised report within one week of investigation/review |
| Monthly report | Timely, complete, accurate, error free. | Submit to NT by 15th of each month |
| Half-yearly assessment of performance against plan | Timely, complete, accurate, error free. | Present consolidated report to HOD by 30 October |
| Procurement Plans | Timely, complete, accurate, error free. | Present consolidated report by 30 April |
| Spend Analysis | Timely, complete, relevant, accurate, error free. | Present consolidated report by 30 April |

Resource Information (Personnel, Finances, Infrastructure)

The introduction of SCM saw a significant change in the role of the procurement office. This resulted in a significant restructuring of the division. The revised role requires significantly more senior positions from administering tenders to providing technical advice on all matters pertaining to SCM. As a result a large proportion of the management positions are vacant and require immediate filling to ensure that departments are provided with the appropriate support.

The change in structure would necessitate an increase in budget not only in personnel but in the administration of particularly the compliance investigations that will be required.

14.4 SUB-PROGRAMME 4: SUPPORTING AND INTERLINKED FINANCIAL SYSTEMS

Strategic Objectives

To implement and support an integrated Information System by March 2010.

Analysis of Constraints and Measures Planned to Overcome Them

The reforms taking place in government are not matched with supporting information systems and technology. The reporting requirements therefore place tremendous pressure on departments to provide information and analysis on data which is not readily available. As a result sub-systems are maintained which are not integrated and information is neither reliable nor accurate.

IT requirements are usually considered as an afterthought in most policy developments. This usually results in systems being procured without the necessary market analysis and review resulting in users not being satisfied with the eventual outcome.

The nature of systems support provided previously was limited to system issues rather than on the actual interpretation of information. Given the significant changes in the systems and the portfolio of users, support of this nature is critical.

Treasury will continue to interact with National Treasury on all matters pertaining to the integrated financial management systems to ensure that the requirements of this province are met. We will however need to emphasise that the province cannot be delayed by three years in terms of new developments or systems enhancements. The province may need to consider alternative solutions to deal with the immediate needs around SCM and information management.

An IT strategy will be informed by the strategic objectives set by the divisions of this department and other KwaZulu-Natal Provincial Departments. Co-ordination of the expectations must be clearly understood and mapped out in terms of the anticipated deliverable. Departmental Heads will be informed of the role of the IT division in terms of analysing and designing specifications for systems moving forward regardless of the size thereof.

The organisation structure reflects the change in focus in terms of the nature of the services to be provided. Departments will have dedicated resources to assist them in the areas of information management, user support and technical support.

Description of Planned Quality Improvement Measures

| OUTPUT | PERFORMANCE MEASURES | SERVICE DELIVERY IMPROVEMENT TARGETS |
|---------------------------|---|---|
| Registration of Suppliers | Response time | Within 48 hours of receipt of application. |
| User Support | Response time | Response within 1 hour of call logged. |
| Technical Support | Response time | Response within 30 minutes of call logged. |
| Information System Plan. | Annual Updates on the Information Systems plan/strategy | Quarterly reports on Information Systems deliverables based on Provincial Strategic objectives. |

Resource Information (Personnel, Finances, Infrastructure)

The structure reveals a number of vacancies which are anticipated to be filled by 1 May 2005. The current budget does not provide for any significant systems implementation as indications by National Treasury are that these are only likely to materialize three years

hence. Infrastructure changes are anticipated in order to support the information management analysis through comprehensive data interrogation tools.

14.5 SUB-PROGRAMME 5: ACCOUNTING SERVICES (NORMS AND STANDARDS AND FINANCIAL REPORTING)

Strategic Objectives

- Development of norms and standards to facilitate improved financial management
- To facilitate the improvement in quality of financial reporting
- To provide appropriate mechanisms for financial management capacity building

Analysis of Constraints and Measures Planned to Overcome Them

The significant changes faced by departments, public entities and municipalities over the past five years has placed departments under continuous pressure given the significant lack of skills and expertise in the various departments. Financial management reforms initiated by the PFMA have clearly highlighted the need for highly qualified finance personnel. Departments are progressing slowly in this regard with poor responses to filling of vacancies and difficulties in retaining personnel. The systems changes have resulted in the need to change business processes and therefore significant training and support is required.

The success of implementing any policies and practices lies in the co-operative development approach. Involvement in the initial stages will ensure that the various role-players are committed to the process. Another important issue is that of practical guides, training and constant support. The support must be provided by staff of the highest quality to enhance the clients' understanding and their confidence in our ability.

Description of Planned Quality Improvement Measures

| OUTPUT | PERFORMANCE MEASURES | SERVICE DELIVERY IMPROVEMENT TARGETS |
|------------------------|----------------------|---|
| Advisory support | Timely, quality | Response to enquiries within 8 hours |
| Training | Timely, quality | Training before & after issue of policies and practices <i>Ad-hoc</i> Training within 14 days Quality of training 80% |
| Policy, Practices | Quality | Within 5 days of needs assessment Ranked appropriate & practical by clients 80% |
| Administrative support | Timely | Response to calls within 3 rings Response to emails within 2 hours |

Resource information (Personnel, finances, infrastructure)

The division has recently been created to support the Accountant-General's office as well as the implementation of the MFMA from a financial management perspective. The posts

are therefore vacant and will be filled following the evaluation process. In the interim support will be provided from the internal business units and Local Government. The funding for the posts must be obtained from the reprioritization process where funds were to be utilised for outside support compared to the now internal capacity.

15. PROGRAMME 4: INTERNAL AUDIT

Brief Description of the Programme

The Internal Audit function is a centralised shared service that aims at assisting Provincial Departments, Provincial Public Entities and Municipalities in ensuring a sound system of Governance. This programme consists of two sub-programmes, namely Internal Audit Services which is solely focused on providing assurance and advice to management and Risk Management Services which is a consulting function on areas of Strategy Development and Management, Organisational Design, Project Management, Information Technology, Financial Management and Reporting, Forensic Investigations, Fraud Prevention etc. The main purpose of the programme is to strive to be an effective and value adding vehicle that provides executives with objective assurance about the design and operation of internal control systems and risk management and governance strategies, build and maintain successful client relationships, develop our knowledge by creating a learning culture and building foundations for excellence to support KwaZulu-Natal Provincial Government in achieving its objectives.

Situation Analysis

The following details outline some of the challenges that Internal Audit is currently facing. Although significant effort has been made to manage these challenges, some of them are posed by the external environment with little or no control from the Unit.

- ◆ Inability by the clients to furnish management comments in time for the Unit to take action and monitor progress in resolving issues identified as weaknesses in the client's systems of internal control and environment.
- ◆ Inability by the Unit to render an effective and efficient service to the clients due to resistance from clients to cooperate and provide information.
- ◆ Inability by the clients to take meaningful action on issues where commitments were made that action will be taken to correct identified deficiencies.
- ◆ Occasional lack of appreciation by the client departments of the nature and effect of recommendations raised by Internal Audit.
- ◆ Auditor-General may not place reliance on Internal Audit's work which will result in duplication of effort particularly on the audit of financial information.
- ◆ Inadequate level of skills in certain areas particularly skills relevant for the audit of financial information.
- ◆ Client departments' management's poor understanding of the internal audit functions.
- ◆ Political sensitivities.
- ◆ Lack of Cabinet involvement in issues of internal audit function.

STRATEGIC OBJECTIVES

15.1 Sub-Programme 1 and 2: Risk Management and Assurance Services

Because of the nature and dynamics of the environment in which the Unit operates the strategic objectives discussed below cut across the following sub-programmes:

- Assurance Services (Sub-Programme 1)
- Consulting Services (Risk Management) (Sub-Programme 2)

Strategic Objective 1: Engagement of Cabinet

Internal Audit is a structure of Cabinet in terms of the governance framework and resolutions of Cabinet to centralise the internal audit function in Provincial Treasury. There is currently no formalised approach or strategy to facilitate for communication between the Unit and Cabinet on areas of risk, governance and internal controls.

Our strategy is to invent mechanisms by which the Unit will sensitise Cabinet on a proactive basis.

Strategic Objective 2: Maintain a Solid Client Focus

Our Unit has realised that the focus on our clients is not strong which has the following repercussions:

- Inability by the clients to issue management comments in time for the Unit to take action and monitor progress in resolving issues identified as weaknesses in the client's systems of internal control and environment.
- Inability by the Unit to render an effective and efficient service to the clients due to resistance from clients to cooperate and provide information.
- Inability by the clients to take meaningful action on issues where commitments were made that action will be taken to correct identified deficiencies.

To this end, the Unit has put into its strategic objectives initiatives to foster good client relations that will enhance the ability of the Unit to perform meaningful audits and increase the ability and the chances of our clients to implement recommendations. These initiatives are:

- **Marketing of the Unit**

The Unit and the services that it provides will be marketed to all stakeholders including, Cabinet, Mexco and the Departments. This will enhance the standing of the Unit in our Provincial Government and also ensure that there is sufficient understanding of the reasons for its existence and the anticipated outcome. We anticipate that this will improve the relationship with clients and enforce a culture of discipline as far as implementation of the Unit's recommendations.

- **Increase visibility of the Unit**

Action plans will be embarked upon that will increase the visibility of the Unit in the Provincial Government. This will be achieved mainly at management levels and at an Audit Committee level where such visibility has not been satisfactory. More time will be invested in meetings with the clients to gain understanding of progress made in implementing recommendations and resolutions of the Unit and the Audit Committee, as well as gaining an understanding of the needs of the clients that the Unit can satisfy.

- **Increase awareness about the Unit**

Internal Audit aims at increasing the awareness of the Unit and the service it offers to the KwaZulu-Natal Provincial Administration. A marketing strategy will be crystallised that will ensure that:

- Brochures and documents will be distributed to clients that will inform them of our services, and also bear information on risks and management strategies, fraud prevention strategies and best practice guides in terms of financial management and control.
- A magazine that will be circulated to all stakeholders that will have educational articles on issues that are pertinent to the effective Governance of our Provincial Government. Such articles have been identified and actions are underway to conduct research and compile the articles for circulation.
- A web-page is made available that will improve the awareness about the unit and advertise on the accessibility of the Unit and its management. This web-page will be linked to the Provincial Treasury web-site.
- Regular visits will be made to the senior management of client departments with a view of assessing their needs and offering professional assistance where possible.

- **Auditing of performance**

In the Budget statement for 2004/2005 financial year the issue of performance budgeting was highlighted. This seeks to give a maximum return on the investment that the citizens make in a form of taxes. The unit is making a strategic focus in this area. The fundamental shift of focus is from auditing processes for adequacy and functioning of the underlying systems of internal control to auditing performance.

The plans of Internal Audit for the next three years will be adjusted from process driven internal audit function to a service delivery and performance driven internal audit function. This will give more value and information to the extent of delivery against our goals which we have attached a budget to. With the implementation and functional performance budgeting system and balance score card concepts to manage performance of provincial departments, performance audit will gain momentum and we will start seeing the true value of this approach as it seek to audit actual delivery of departments against strategic objectives and not mere processes.

- **Satisfy the requirements laid out in the Treasury Regulations**

To this end, the Internal Audit approach will shift from being driven by the departmental senior management to being driven by the appropriate regulatory framework. This will

ensure that the focus is on auditing the entire environment rather than sections of it. Internal Audit views this as the approach that will enable the Audit Committee to make an informed assessment and comment on the internal controls, risks and financial implications and reliability of information from the institutions as required by section 3.1.10 of the regulations.

- **Address queries from the Auditor-General**

Internal Audit Unit intends to reduce negative publicity on the provincial administration through the reports that are produced by the Auditor-General. To this end, assignments will be planned in consultation with the client management that will ensure that the concerns raised by the Auditor-General are adequately addressed. The extent of the involvement of Internal Audit will be to advise Accounting Officers, based on audit assignments, on how to resolve the queries from the Auditor-General. It needs to be emphasised that the responsibility and accountability on the queries rests with the Accounting Officers, and therefore, the involvement of Internal Audit Unit will be of an advisory nature.

- **Follow-up Audits**

The ultimate value of Internal Audit lies not in the number of assignments we conduct, but in the acceptance and effective implementation of the recommendations we raise with management in various client departments. Internal Audit aims at making meaningful and practical recommendations that will assist Accounting Officers to manage their Departments effectively. Our recommendations are by no means mandatory for the Accounting Officers as they carry the ultimate responsibility to implement or manage the risks that the recommendations purport to address.

Our strategy is to increase the follow-up on recommendations with a view of assessing effectiveness of such recommendations where implemented and appraising management of the risks of not implementing them in relevant cases.

- **Mitigate the risk of fraud**

The Unit aims at developing and monitoring strategies to reduce incidences of fraud and corruption in the public service. Mechanisms and strategies will be developed to detect and where possible recover the losses incurred by the departments as a result of fraud. Consistent effort will be made to close identified avenues for fraud which will result in this risk being significantly reduced. To this end, the Risk Management Section of the Unit will be working closely with the Accounting Officers in preventing, recovering and correcting internal control systems that can be abused by officials and third parties.

Strategic Objective 3: Strengthening Management

Our Unit has realised that it will not achieve its objectives with a management and an Audit Committee that is not strong. To this end initiatives have been identified that will ensure that the management of the Unit is strong both technically and from a leadership perspective to handle the challenges that will face the Unit. The two fundamental initiatives are:

- ◆ Weaknesses in management have been identified and a training program will be developed to address those weaknesses.
- ◆ A performance management system for managers has been intensified to place more focus on enhancing management skills and achieving set objectives for managers.

Strategic Objective 4: Increasing Capacity in the Unit

Our Unit has historically been working in partnership with Integritas (a consortium of consultants) to achieve its objectives. This has been identified as a major weakness from the following angles:

- ◆ Management
- ◆ Costs
- ◆ Investment in enhancing skills
- ◆ Marketing and client confidence

Our strategy is to limit the use of consultants and invest more energies in developing and operating as an independent Unit. This, however, has brought about a capacity challenge onto the Unit as the consultants provided capacity that enabled the unit to deliver on clients' expectations.

To overcome this dilemma, this Unit has assessed the capacity it would require to operate efficiently but independently. The revised structure has been approved.

Strategic Objective 5: Foster good relations with clients

We have identified that the relations with the clients at the moment are not encouraging a value adding service from the Unit. This is largely due to an appreciation by the clients of their role as far as risk management and governance are concerned and acceptance that the Unit can, indeed, provide assistance in this regard. It also is due to a non-solid understanding by the Unit of the clients, their strategies and processes that will enhance the potential value that the clients can receive from us.

Managers within the Unit have been and will continue to be developed into client managers with a specific objective of ensuring that our clients are receiving a service that adds value to their operations. Timely delivery of such service will be enforced via a performance management system on all managers within the Unit. The quality of the service will be managed by a Quality Improvement Program which has been developed and will be implemented in the strategic period that continuously reviews the quality via a predetermined checklist and makes specific recommendations for improvement.

It is anticipated that this objective be carefully carried out as a balance needs to be reached between fostering good relations with the clients and objectivity and independence of reporting on findings of inefficiencies in controls of fraud and corruption. Internal Auditors in the profession tend to incorrectly strike this balance which raises questions on objectivity.

The Unit has been analysed as having the Cabinet as the ultimate client. Our approach has been revamped to take this into account and ensure that there are adequate strategies to satisfy this client. The Unit has a professional relationship with client departments which should not be compromised and should add considerable value. Again, strategies have been developed to satisfy this obligation.

A conclusion has been made that more training needs to be undertaken to our client departments on issues of corporate governance, risk management and control. Currently, there is limited acceptance by the clients, particularly at middle and lower management levels that this is, indeed, part and parcel of their responsibilities. At higher levels, we have assessed that effective strategies and measures to monitor risks have not been implemented. Internal Audit will play a pivotal role in educating government in this regard.

Analysis of Constraints and Measures Planned to Overcome Them

Our dilemma is the lack of funding to fill all vacancies in order to fulfil our mandate. Furthermore skills and expertise that is required in Risk Management is inadequate in the market which is exacerbated by the salaries offered by the government in these positions. We have developed an action plan to recruit bearing in mind the following factors:

◆ Culture

Principles of organisational behaviour indicate that when one significantly increases the structure of the organisation, one should do so cautiously as the existing culture might be diluted. This, we will manage by employing at manageable intervals to ensure that the culture is inculcated as we employ new staff.

◆ Accommodation

The Unit and Provincial Treasury are currently at full capacity from an accommodation point of view. Increasing the capacity of the Unit will require additional accommodation which is currently not available within the Department. This issue has been raised with Corporate Services and is currently under investigation.

◆ Training and Development

Internal Audit operates in a unique environment with its own processes and procedures. To this end, it is important that we train and develop our Human Resources in the field of internal auditing for government. This will have a bearing on delivery as the new intake will have to undergo intensive training. Our three year plan has been developed to take this into account.

Description of Planned Quality Improvement Measures

Internal Audit has already implemented a quality improvement programme and is due to launch it in the 2004/2005 financial year. This will ensure that there are adequate internal and external quality assessors for the Unit.

Internal Assessments

These are conducted by the levels of management within the Unit up to the Head of Internal Audit. A preset checklist has been developed to facilitate this initiative. Furthermore, a checklist has been developed for the Audit Committee to assess the quality of the Unit on a quarterly basis. The checklist operates on a score system and attaches quantitative measures to quality.

External Assessments

Internal Audit has a relationship with external consultants who will be responsible for measuring quality on a quarterly basis using a checklist that was developed based on our methodology. Again, quality scores will be attached based on the assessment. Furthermore, a quality assessment based on the Standards of Internal Auditing will be undertaken by the Institute of Internal Auditors once every three years. This will ensure that the Unit's operations, including the Audit Committee, are in line with the standards and best practice.

15.2 Sub-Programme 3: Legal Services

Strategic Objectives

To provide professional legal services to Provincial Treasury.

Analysis of Constraints and Measures Planned to Overcome Them

The Unit has been incapacitated for a period of more than 2 years due to the transfer of one of its 2 legal advisors to another section of the Department. The Unit also functioned without any secretarial support, which meant that as a result of that transfer, the Unit had to operate with only one professional staff member to provide legal services to a Department whose functional mandate had increased considerably.

Constraints

- Computers currently used by the Unit are old and have memory capacity that is too small for the type of work that the Unit is required to produce. The software that is used is outdated and urgently requires an upgrade.
- The offices currently used by the Unit are not ideal for the nature of work performed by a Unit. This is because, at times, the nature of work to be performed in Legal Services is of a sensitive, confidential and private nature that no persons other than employees of this Unit should have access to, but currently there is no privacy in anything that is being dealt with in the Legal Services.

Office space will also need to be identified for the person who will be the new Deputy Manager in the Unit. At present there is no office space to be used for additional staff member. For operational reasons, the Deputy Manager's office must, ideally, be close to the Manager's office.

- Jutastat is currently off the network, which means that this Unit cannot utilise this highly effective source of electronic cases and statutes. Therefore it is impossible to work without such a system considering the fact that the Department does not have a well resourced library to be used for legal research. This affect the work the Unit is required to perform, and in some cases it becomes totally impossible to do anything requiring research. Currently the Unit forwards requests to the librarian who tries her best to get whatever information may be needed. This is not a long-term solution to the problem. If the librarian is, for whatever reason, away from the library that day then the work will have to be put on hold until such time as those documents can be retrieved.

Description of Planned Quality Improvement Measures

A temporary secretary has been appointed and the post for the replacement of the transferred staff member has been advertised.

As mentioned above, the Legal Services unit has been experiencing an incapacity problem for more than 2 years, however, the Unit has been able to provide professional legal support to other sections of the Department and has improved the quality of such service by benchmarking with successful Legal Services units of similar organisations, more especially the parastatals.

The introduction of the balance score card system is one of the measures that are likely to help this unit to accurately measure its performance in fulfilling its functional objectives.

This Unit has been relocated to fall under the Internal Audit Division with an intention of rationalizing the risk assessment functions of the Department. This relocation is likely to increase the volume of work to this Unit hence there are plans of expanding its organizational structure in order to cope with the anticipated increase in the volume of work as a result of additional functions.

Resource Information (Personnel, Finances, Infrastructure)

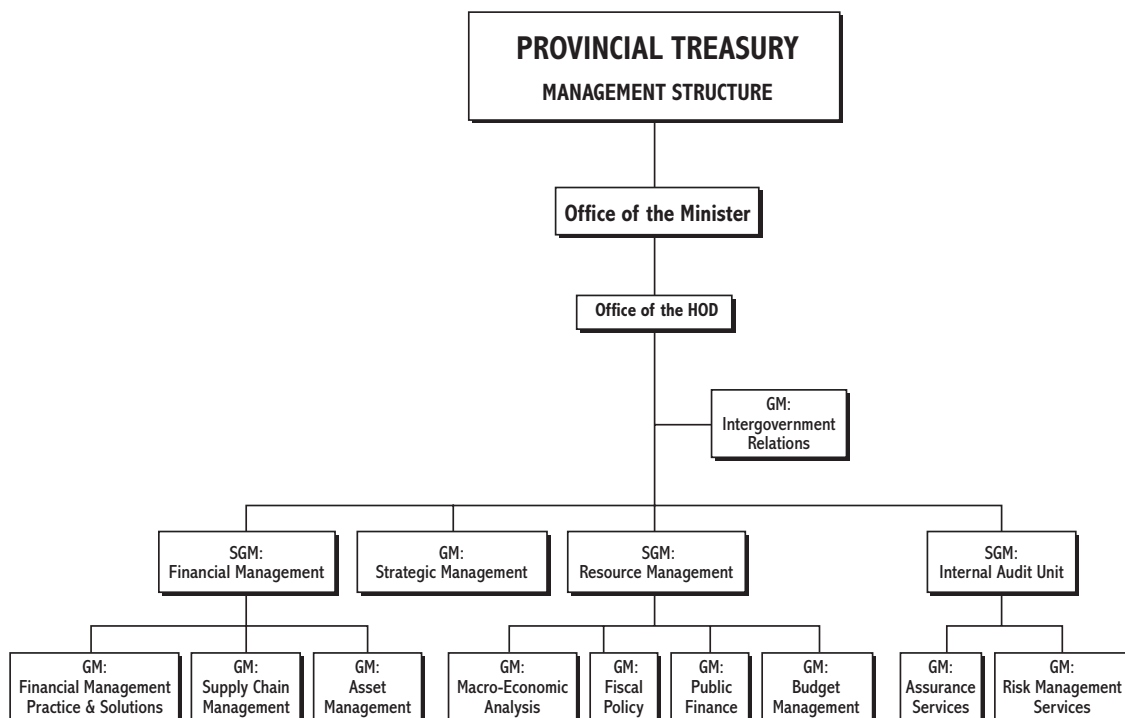
Once the appointment of the Deputy-Manager has been completed, the Unit will have 2 legal advisors and one temporary secretary. With regard to the personnel future needs of the Unit, it will also depend on the decision of top management of this Department.

In relation to financial resources of the Unit, there is a need to provide for a budget to pay for professional legal consultants instructed to drive the Rationalization of Laws Project on behalf of the Department.

There is a need to resuscitate the process of appointing the panel of attorneys. This will also require a budget to procure and complete the process. This Unit will also need a budget for the upgrading of computers.

ANNEXURE A

Provincial Treasury Management Structure



ANNEXURE B

Summary of Posts on The Establishment of Provincial Treasury per programme as at 28 February 2005

| PROGRAMMES | APPROVED POSTS | BUDGETED VACANT POSTS |
|---|----------------|-----------------------|
| PROGRAMME 1: ADMINISTRATION | | |
| Sub-Programme 1: Office of the Minister | 18 | 9 |
| Sub-Programme 2: Office of the HOD | 4 | 4 |
| Sub-Programme 3: Corporate Services | 21 | 2 |
| Sub-Programme 4: Chief Financial Office | 11 | 6 |
| Sub-Programme 5: Human Resource Management | 10 | 7 |
| SUB-TOTAL | 64 | 28 |
| PROGRAMME 2: RESOURCE MANAGEMENT | | |
| Sub-Programme 1: Programme Support | 1 | 3 |
| Sub-Programme 2: Macro Economic Analysis | 1 | 5 |
| Sub-Programme 3: Fiscal Policy | 1 | 5 |
| Sub-Programme 4: Budget Management | 7 | 20 |
| Sub-Programme 5: Public Finance (Resource Acquisition) | 4 | 7 |
| SUB-TOTAL | 14 | 40 |
| PROGRAMME 3: FINANCIAL MANAGEMENT | | |
| Sub-Programme 1: Asset Management | 6 | 5 |
| Sub-Programme 2: Financial Assets & Liabilities Management | 45 | 8 |
| Sub-Programme 3: Supply Chain Management | 21 | 5 |
| Sub-Programme 4: Supporting and Interlinked Financial Systems | 19 | 7 |
| Sub-Programme 5: Accounting Services | 1 | 1 |
| SUB-TOTAL | 91 | 26 |
| PROGRAMME 4: INTERNAL AUDIT | | |
| Sub-Programme 1: Risk Management | 22 | 23 |
| Sub-Programme 2: Assurance Services | 55 | 51 |
| TOTAL | 246 | 168 |

ANNEXURE C

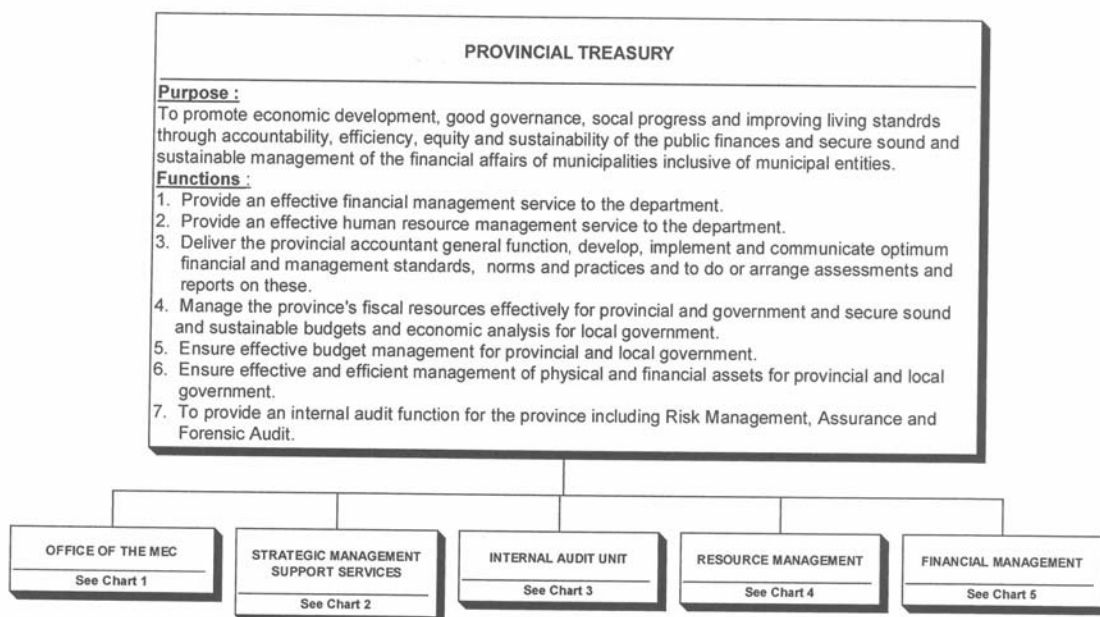


Chart 1: Office of the Ministry

| <u>OFFICE OF THE MEC</u> | |
|--------------------------|---|
| <u>Purpose:</u> | To provide support to the MEC: Provincial Treasury & Economic Development |
| <u>Function:</u> | <ol style="list-style-type: none">1. Ministry Operations2. Security & Risk Management3. Corporate Communications |
| | <ol style="list-style-type: none">1 MEC1 Chief of Staff (13)3 Managers (13)1 Personal Assistant (12)8 Deputy Directors (11)3 Assistant Directors (9)4 Secretaries (6)1 Receptionist (6)1 Registry Clerk (6)4 Drivers (6) |

Chart 2: Strategic Management

| STRATEGIC MANAGEMENT | |
|----------------------|--|
| <u>Purpose :</u> | To provide strategic management support |
| <u>Functions :</u> | <ol style="list-style-type: none">1. Human Resource Management and Development2. Chief Financial Office3. Corporate Services |
| | <ol style="list-style-type: none">1 General Manager (14)3 Managers(13)4 Deputy Managers (11)7 Assistant Directors (10)2 Senior Admin Officers (8)1 Principal Personnel Officer (7)4 Senior State Accountants1 Chief Admin Clerk (7)1 Chief Registry Clerk (7)1 Chief Accounting Clerk (7)1 Secretary (7)3 Secretaries (6)6 Senior Personnel Officers (6)8 Senior Accounting Clerks (4/6)5 Senior Registry Clerks (4/6)2 Registry Clerks (3)2 Admin Clerks (3)2 Drivers (3)1 Handyman (3)3 Senior Messengers (2) |

Chart 3: Programme and Administrative Support

| PROGRAMME AND ADMINISTRATIVE SUPPORT | |
|--|--|
| Purpose : | |
| 1. To strategically drive internal audit function within the province that adds value to our clients. | |
| 2. To provide administrative and logistical support for the Unit and Audit committee. | |
| Functions : | |
| 1. Provide leadership to internal audit function within the province. | |
| 2. Provide overall general administrative and logistical support to the Audit Committee and the Unit. | |
| 3. Perform full secretariat functions to the Audit committee as per the Internal Audit Act and the PFMA. | |
| 4. Manage the programme's budget. | |
| 5. Manage the development and implementation of the Unit's Balance Score Card. | |
| 6. Advise the Head of the Unit on the appropriate deployment and utilization of infrastructural resources. | |
| 7. Provide support and maintains information systems to forensic investigation services. | |
| <hr/> | |
| 1 Head : Internal Audit Unit (15) | |
| 2 General Manager (14) | |
| 7 Manager (13) | |
| 8 Senior Internal Auditors (12) | |
| 2 Chief Corporate Investigators (12) | |
| 6 Risk Management Specialists (12) | |
| 1 Deputy Manager (11) | |
| 1 Office Manger (10) | |
| 1 Information Officer (10) | |
| 19 Audit Supervisors (10) | |
| 6 Senior Corporate Investigators (10) | |
| 78 Internal Auditors (8) | |
| 24 Corporate Investigators(8) | |
| 2 Personal Assistant (7) | |
| 2 Personal Assistant (6) | |

Chart 4: Resource Management

| RESOURCE MANAGEMENT | |
|---------------------|--|
| Purpose : | To effectively manage and monitor the provincial and local government fiscal resources. |
| Functions : | <ol style="list-style-type: none">1. Determine and evaluate economic parameters and socio-economic imperatives within a provincial, local and national macro-economic context.2. Promote effective and optimal financial resource allocation for provincial and local government.3. Ensure optimal and sustainable revenue generation and collection by provincial departments and municipalities.4. Ensure efficient budget management and accurate financial reporting for provincial and local government. |
| | <ul style="list-style-type: none">1 Senior General Manager (15)4 General Manager (14)8 Manager (13)1 Budget Co-ordinator (12)3 Economist Advisor (11/12)8 Local Govt Co-Ord (11/12)2 Economists (11)8 Expenditure Analysts (11)8 Local Govt Exp Analysts (11)1 Office Manager (9)1 Admin Officer (7)5 Secretary (7)4 Secretary (6) |

Chart 5: Financial Management

| FINANCIAL MANAGEMENT | |
|----------------------|---|
| Purpose : | To ensure effective and efficient management of physical and financial assets for provincial and local government. To deliver the prov accountatn general function, develop, implement and to do or arrange assessments and reports on these. |
| Functions : | <ol style="list-style-type: none"> 1. Ensure effective & efficient management of assets and to elicit the effective & efficient implementation of PPP projects. 2. Realise effective & efficient acquisition of goods & services for provincial government to secure sound supply chain management for local government. 3. Manage development and maintenance of financial systems for provincial and local government. 4. Optimise liquidity requirements and maximise returns within acceptable levels of risk for provincial government and to secure sound cash management for local government. 5. Ensure that financial reporting is a full and true reflection of the financial position of the province and municipal as prescribed inclusive of the accounting responsibilities related to the provincial revenue fund and paymaster-general account. 6. Develop and implement financial and assoc. governance norms and standards to enhance performance orientated financial results and accountability within provincial departments and municipalities as prescribed. |
| | 1 Provincial Accountant-General (SGM)(15) 3 General Managers (14) 11 Managers (13) 11 Deputy Managers (11/12) 1 Technical Financial System Supporter (11/12) 30 Assistant Managers (9/10) 7 Senior State Accountants (8) 4 Financial System Supporter (8) 2 Senior Admin Officers (8) 1 Office Administrator (8) 6 Chief Accounting Clerks (7) 3 Admin Officers (7) 1 Project Administrator (7) 3 Secretary (7) 2 Administrative Assistants (6) 1 Data Capturer (6) 1 Data Typist (6) 43 Senior Accounting Clerks (4/5/6) 4 Senior Clerks (4/5/6) 1 Senior Admin Clerk (4) |

ANNEXURE D

