

Vote 6

Provincial Treasury

R thousand	2014/15			
	Main appropriation	Adjusted appropriation	Decrease	Increase
Operational budget	876 580	706 737	(169 843)	
MEC remuneration	1 735	1 735		
Total amount to be appropriated	878 315	708 472	(169 843)	
<i>of which:</i>				
Current payments	809 999	618 284	(191 715)	
Transfers and subsidies	57 498	78 270		20 772
Payments for capital assets	10 818	11 918		1 100
Payments for financial assets	-	-		
Responsible MEC	Mrs. B. F. Scott, MEC for Finance			
Administering department	Provincial Treasury			
Accounting Officer	Provincial Accountant-General			

1. Vision and mission

Vision

The department's vision is: *Be the centre of excellence in financial and fiscal management in the country.*

Mission

The department's mission is: *To ensure equitable resource allocation for the province of KwaZulu-Natal, analyse and monitor government (provincial and local, including their public entities) revenue and expenditure, and instil prudent financial management and good governance.*

Through robust public policy research, the Provincial Treasury will contribute to the realisation of government policy priorities by ensuring that government interventions in the economy are targeted, efficient, sustainable and empower the people.

2. Strategic objectives

Strategic policy direction: The Provincial Treasury will ensure a credible distribution of available funds between departments, taking cognisance of the demands for social services and the need to stimulate economic development and growth, and will commit to provide ongoing, effective and efficient support services to internal and external clients. The department will analyse and monitor government revenue and expenditure in the provincial and local spheres, including public entities, undertake robust public policy research and instil prudent financial management and good governance.

The department has set the following goals and strategic objectives in order to achieve this:

- 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 mobilisation and funding of co-operatives and effective procurement targeting.
- To focus on the enhancement of Broad-Based Black Economic Empowerment (B-BBEE) through effective Supply Chain Management (SCM) policies.
- To implement a policy of zero tolerance on fraud and corruption.
- To ensure good financial management with the elimination of over-expenditure and the reduction of roll-overs.

- To target government investment in service delivery.
- To promote sound cash management practices and to improve liquidity in the province.
- To enhance the Gaming and Betting Regulatory environment in KwaZulu-Natal. It should be noted that the department has added an additional strategic objective following the function shift of the KwaZulu-Natal Gaming and Betting Board (KZNGBB) from Vote 1: Office of the Premier.

3. Summary of adjusted estimates for the 2014/15 financial year

The original budget of the Provincial Treasury was R878.315 million in 2014/15. During the year, the department's allocation decreased by R169.843 million to R708.472 million. The main adjustments that led to the overall decrease are summarised below, and further details are provided in Section 4.

- *Roll-overs:* A total of R24.765 million was rolled over from 2013/14, comprising the following:
 - R6.382 million was rolled over in respect of the Strategic Cabinet Initiatives Fund. This roll-over increased the funding available for funding various initiatives approved by Cabinet. This is allocated to Programme 5: Growth and Development, against *Goods and services*.
 - R18.383 million was rolled over to Programme 5, against *Transfers and subsidies to: Provinces and municipalities* as follows:
 - R13.062 million was for the construction of the Shayamoya eco-complex, which was not complete due to tender prices being above the allocated budget for this project. Accordingly, prices had to be renegotiated with the contractors, which ultimately caused delays in the finalisation of the commencement of the project.
 - R5.321 million relates to the development of a light industrial park at Bhongweni. The slow progress resulted from delayed processes in appointing a service provider due to the fact that the Municipal Tender Committee was unavailable over the Christmas season. Furthermore, upon appointment of a service provider, an appeal was lodged and was submitted to Provincial Treasury which resulted in further delays in the appointment of a contractor.
- *Virement between programmes:*
 - The department undertook no virements between programmes. However, the department undertook extensive virements across sub-programmes and economic categories within programmes. Details of these virements are given per programme in Sections 4.1 and 4.2 below.
 - All of the virements within the programmes are permissible in terms of the PFMA and Treasury Regulations and, where applicable, were approved by the Provincial Treasury (such as the increase in *Transfers and subsidies*, as explained in detail in Section 4).
- *Other adjustments:* Taking the additional funding and suspensions into account, the department's budget decreased by a net amount of R194.608 million in respect of the following adjustments:
 - R974 000 was shifted from the statutory amount of Vote 2: Provincial Legislature, being an amount allocated as a special allowance for exiting members following the 2014 general elections. This amount was allocated under Programme 1: Administration against *Transfers and subsidies to: Households* relating to the exit package of the former MEC for Finance.
 - R106.382 million was suspended to various departments during the year from the Strategic Cabinet Initiatives Fund held under Vote 6: Provincial Treasury in Programme 5, against *Goods and services*, and details are given under the respective votes. These suspensions are summarised as follows:
 - R11.100 million to Vote 1: Office of the Premier for the Crown Gospel Awards ceremony and Music Unites and Have We Been Heard initiatives.
 - R47.667 million to Vote 4: Economic Development, Tourism and Environmental Affairs for the SA Women's Golf Championship, the Nelson Mandela Golf Tournament, the Metro FM Awards, Africa Bike Week, the World Amateur Golf Tournament and the World Pro-am Golfers.

- R12 million to Vote 11: Co-operative Governance and Traditional Affairs (COGTA) for the organisation of the 2014 Nelson Mandela Marathon, which took place on 31 August 2014.
- R11 million to Vote 15: Arts and Culture for Amambazo: The Musical, the National Choral Music Awards and the Royal Soapie Awards.
- R24.615 million to Vote 16: Sport and Recreation for the U19 International Football Tournament, the hosting of the 20th Association of International Marathons (AIMS) congress by the Comrades Marathon Association (CMA), the Pietermaritzburg Bike City, the Duzi Canoe Marathon, the Soccerex Africa Forum, the MTN8 Cup Final and the International Karate Organisation (IKO) Karate World Cup.
- o R50 million was suspended from the Rural Development funds under Vote 6 in Programme 5, against *Goods and services* to Vote 11 in respect of the Small Town Rehabilitation programme. These funds were held by Provincial Treasury for in-year allocations to departments for the development of rural areas.
- o R39.200 million savings were surrendered by Vote 6 to the Provincial Revenue Fund due to slower than anticipated progress in respect of the Municipal Bid Appeals Tribunal (MBAT) project, the Municipal Support Programme (MSP) project, the B-BBEE verification project, the Infrastructure Crack Team project, the feasibility study of the Government Office Precinct project, among others. The savings were moved from Programmes 2, 3, 4 and 5, mainly against *Goods and services*, and a small portion against *Compensation of employees*.

Tables 6.1 and 6.2 below reflect a summary of the 2014/15 adjusted appropriation of the department, summarised according to programme and economic classification.

Table 6.1: Summary by programmes

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
1. Administration	117 338	-	-	-	-	974	974	118 312
2. Fiscal Resource Management	110 123	-	-	-	-	(23 100)	(23 100)	87 023
3. Financial Management	334 795	-	-	-	-	(4 100)	(4 100)	330 695
4. Internal Audit	129 749	-	-	-	-	(4 000)	(4 000)	125 749
5. Growth and Development	186 310	24 765	-	-	-	(164 382)	(139 617)	46 693
Total	878 315	24 765	-	-	-	(194 608)	(169 843)	708 472
Amount to be voted								(169 843)

Table 6.2: Summary by economic classification

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
Current payments	809 999	6 382	-	(2 515)	-	(195 582)	(191 715)	618 284
Compensation of employees	230 825	-	-	(5 500)	-	(4 800)	(10 300)	220 525
Goods and services	571 406	6 382	-	9 785	-	(190 782)	(174 615)	396 791
Interest and rent on land	7 768	-	-	(6 800)	-	-	(6 800)	968
Transfers and subsidies to:	57 498	18 383	-	1 415	-	974	20 772	78 270
Provinces and municipalities	13 522	18 383	-	215	-	-	18 598	32 120
Departmental agencies and accounts	39 276	-	-	1 000	-	-	1 000	40 276
Higher education institutions	-	-	-	-	-	-	-	-
Foreign governments and international organisations	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	-	-	-	-	-
Non-profit institutions	-	-	-	-	-	-	-	-
Households	4 700	-	-	200	-	974	1 174	5 874
Payments for capital assets	10 818	-	-	1 100	-	-	1 100	11 918
Buildings and other fixed structures	-	-	-	-	-	-	-	-
Machinery and equipment	10 818	-	-	1 100	-	-	1 100	11 918
Heritage assets	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-
Land and subsoil assets	-	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-	-
Payments for financial assets	-	-	-	-	-	-	-	-
Total	878 315	24 765	-	-	-	(194 608)	(169 843)	708 472
Amount to be voted								(169 843)

4. Changes to programme purposes and service delivery measures

The department made no changes to the purpose of its programmes. In his inauguration speech, the Premier pronounced some provincial reconfigurations and, among them, the KZNGBB, as well as seven permanent oversight staff were moved from Vote 1 to Vote 6. This function shift was formalised when the *Explanatory memo to the EPRE* was tabled, where the budget relating to this function was moved to Programme 3: Financial Management (which includes an additional sub-programme: Gaming and Betting), and the economic classifications *Compensation of employees*, *Goods and services* and *Transfers and subsidies to: Departmental agencies and accounts*.

The non financial information reflected in the 2014/15 *EPRE* is partly aligned to the 2014/15 APP of the department. Targets which need correction in order to align the *EPRE* to the APP are shown under the “2014/15 Revised target” column in the service delivery tables below.

4.1 Programme 1: Administration

The purpose of this programme is to render support services to the department, provide corporate resource management, and financial management support to the department.

Tables 6.3 and 6.4 below reflect a summary of the 2014/15 adjusted appropriation of Programme 1, summarised according to sub-programme and economic classification.

Details of the main adjustments, which resulted in an overall increase of R974 000, are provided in the paragraphs following the tables.

Table 6.3: Programme 1: Administration

R thousand	Main appropriation	Adjustments appropriation				Total adjustments appropriation	Adjusted appropriation	
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts			Other adjustments
Office of the MEC	28 612			(4 050)		974	(3 076)	25 536
Head of the Department	9 150						-	9 150
Chief Financial Office	26 382			(2 000)			(2 000)	24 382
Corporate Services	53 194			6 050			6 050	59 244
Total	117 338	-	-	-	-	974	974	118 312
Amount to be voted							974	974

Table 6.4: Summary by economic classification

R thousand	Main appropriation	Adjustments appropriation				Total adjustments appropriation	Adjusted appropriation	
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts			Other adjustments
Current payments	111 174	-	-	(2 315)	-	-	(2 315)	108 859
Compensation of employees	62 919			(5 400)			(5 400)	57 519
Goods and services	48 255			3 085			3 085	51 340
Interest and rent on land							-	-
Transfers and subsidies to:	4 022	-	-	1 215	-	974	2 189	6 211
Provinces and municipalities	22			215			215	237
Departmental agencies and accounts				1 000			1 000	1 000
Higher education institutions							-	-
Foreign governments and international organisations							-	-
Public corporations and private enterprises							-	-
Non-profit institutions							-	-
Households	4 000					974	974	4 974
Payments for capital assets	2 142	-	-	1 100	-	-	1 100	3 242
Buildings and other fixed structures							-	-
Machinery and equipment	2 142			1 100			1 100	3 242
Heritage assets							-	-
Specialised military assets							-	-
Biological assets							-	-
Land and subsoil assets							-	-
Software and other intangible assets							-	-
Payments for financial assets							-	-
Total	117 338	-	-	-	-	974	974	118 312
Amount to be voted							974	974

Virement – Programme 1: Administration

The department undertook virements within the programme, which affected all sub-programmes, with the exception of the Head of Department sub-programme, as follows:

- R5.400 million was identified from *Compensation of employees* due to various vacancies that have not been filled as a result of lengthy recruitment processes, and the difficulty in finding suitably qualified candidates. The savings were moved as follows:
 - R3.085 million was moved to *Goods and services* for the payment of running costs for the MEC's state vehicle, higher than anticipated property payments, as well as legal costs toward the Special Investigation Unit (SIU).
 - R215 000 was moved to *Transfers and subsidies to: Provinces and municipalities* in respect of a number of small donations to various schools in the Msunduzi Municipality for the purchase of school uniforms and shoes for under-privileged learners.
 - R1 million was moved to *Transfers and subsidies to: Departmental agencies and accounts* in respect of the Financial Literacy project. This project was initiated by the MEC for Finance with the aim of educating the citizens of the province about using their money wisely and also on various aspects such as encouraging saving and financial discipline.
 - R1.100 million was moved to *Machinery and equipment* for the procurement of state vehicles.

All of these virements are permissible in terms of the PFMA and the Treasury Regulations, and the increase in *Transfers and subsidies* was approved by Provincial Treasury.

Other adjustments – Programme 1: Administration: R974 000

An amount of R974 000 was suspended from the statutory allocation under Vote 2 and was allocated to the sub-programme: Office of the MEC against *Transfers and subsidies to: Households* relating to the exit package of the former MEC for Finance.

4.2 Programme 2: Fiscal Resource Management

The main purpose of the programme is to effectively manage and monitor the provincial and local government fiscal resources.

Tables 6.5 and 6.6 below reflect a summary of the 2014/15 adjusted appropriation of Programme 2, summarised according to sub-programme and economic classification.

Details of the main adjustments, which resulted in an overall decrease of R23.100 million, are provided in the paragraphs following the tables.

Table 6.5: Programme 2: Fiscal Resource Management

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
Programme Support	3 059					(1 000)	(1 000)	2 059
Economic Analysis	34 527					(8 000)	(8 000)	26 527
Public Finance	13 564					(1 000)	(1 000)	12 564
Municipal Finance	58 973					(13 100)	(13 100)	45 873
Total	110 123	-	-	-	-	(23 100)	(23 100)	87 023
Amount to be voted								(23 100)

Table 6.6: Summary by economic classification

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
Current payments	109 857	-	-	-	-	(23 100)	(23 100)	86 757
Compensation of employees	44 755						-	44 755
Goods and services	65 102					(23 100)	(23 100)	42 002
Interest and rent on land							-	-
Transfers and subsidies to:	-	-	-	-	-	-	-	-
Provinces and municipalities							-	-
Departmental agencies and accounts							-	-
Higher education institutions							-	-
Foreign governments and international organisations							-	-
Public corporations and private enterprises							-	-
Non-profit institutions							-	-
Households							-	-
Payments for capital assets	266	-	-	-	-	-	-	266
Buildings and other fixed structures							-	-
Machinery and equipment	266						-	266
Heritage assets							-	-
Specialised military assets							-	-
Biological assets							-	-
Land and subsoil assets							-	-
Software and other intangible assets							-	-
Payments for financial assets	-	-	-	-	-	-	-	-
Total	110 123	-	-	-	-	(23 100)	(23 100)	87 023
Amount to be voted								(23 100)

Other adjustments – Programme 2: Fiscal Resources Management: (R23.100 million)

The following adjustments, amounting to a reduction of R23.100 million, were made to the programme against *Goods and services* as follows, and were surrendered to the Provincial Revenue Fund:

- R1 million was reduced from the sub-programme: Programme Support. This relates to savings associated with non-filling of posts as a result of lengthy recruitment processes.
- R8 million was reduced from the sub-programme: Economic Analysis in respect of the Infrastructure Crack team project that was allocated in 2014/15. The Crack Team was involved in fewer infrastructure projects than initially anticipated.
- R1 million was reduced from the sub-programme: Public Finance as a result of the implementation of financial controls.
- R13.100 million was suspended from the sub-programme: Municipal Finance being savings declared as some projects, such as the MSP, were delayed due to unresolved disputes with the service provider.

Service delivery measures – Programme 2: Fiscal Resource Management

Table 6.7 shows the service delivery information for Programme 2, which is fully aligned to the APP of Provincial Treasury, as well as the actual achievements for the first six months of the year.

Table 6.7: Service delivery measures – Programme 2: Fiscal Resource Management

Outputs	Performance indicators	Performance targets		
		2014/15 Original target	2014/15 Mid-year actual	2014/15 Revised target
1.1 Economic Analysis				
1.1.1 To determine and evaluate economic parameters and socio-economic imperatives to inform provincial and local allocation	<ul style="list-style-type: none"> • To provide an economic analysis for the province 	Produce 4 provincial departmental economic reports		1
		Produce 1 Socio-economic Review Outlook (SERO)		-
		Produce 9 district socio-economic reports		6
	<ul style="list-style-type: none"> • To provide input into Overview of Prov. Revenue and Expenditure (OPRE) on time for tabling 	Input to OPRE on time for tabling		-

Table 6.7: Service delivery measures – Programme 2: Fiscal Resource Management

Outputs	Performance indicators	Performance targets		
		2014/15 Original target	2014/15 Mid-year actual	2014/15 Revised target
1.1.2	Provide a platform to enhancing regional economic growth and development	• To provide quality research for regional policy analysis	Produce 4 economic research reports	3
1.2	Infrastructure			
1.2.1	Ensure efficient infrastructure planning and management in the province	<ul style="list-style-type: none"> • Assessment report of User Asset Management Plans (U-AMPs) • Reports on implementation of IDIP in KZN • Report on site visits conducted • Progress reports on infrastructure budgets and delivery plans • Estimates of Provincial Revenue and Expenditure 	<ul style="list-style-type: none"> Compile a consolidated assessment report on U-AMPs Produce 4 reports on implementation of IDIP in KZN Submit 4 reports on site visits conducted Submit 4 reports the infrastructure expenditure in KZN Inputs into <i>EPRE</i> on time for tabling 	<ul style="list-style-type: none"> - 2 2 2 -
2.	Public Finance			
2.1	Provincial Budget Management			
2.1.1	Promote effective and optimal financial resource allocation for prov. govt.	<ul style="list-style-type: none"> • No. of chapters in MTEC report • <i>EPRE</i> on time for tabling • <i>AEPRE</i> on time for tabling 	<ul style="list-style-type: none"> 16 inputs completed 1 day before MTEC <i>EPRE</i> on time for tabling <i>AEPRE</i> on time for tabling 	<ul style="list-style-type: none"> 16 - -
2.1.2	Ensure efficient budget and expenditure management and accurate financial reporting for prov. govt. (including public entities)	<ul style="list-style-type: none"> • Section 32 report (Monthly provincial IYM report) • 4 quarterly budget performance reports submitted by deadline as set by NT. 	<ul style="list-style-type: none"> 12 reports to be submitted to NT by 22nd of each month 3 quarterly budget performance reports 	<ul style="list-style-type: none"> 6 2
2.2	Provincial Own Revenue			
2.2.1	Promote optimal and sustainable revenue generation and collection by prov. depts. and public entities	<ul style="list-style-type: none"> • Conduct and co-ordinate quarterly prov. revenue forums • Monitoring of depts. revenue collection • Revenue input into the publication of provincial budget documents 	<ul style="list-style-type: none"> 4 forums per year 16 depts Revenue input into <i>OPRE</i> and <i>EPRE</i> on time for tabling 	<ul style="list-style-type: none"> 2 2 -
2.3	Special Advisory Support Services			
2.3.1	Provide effective and optimal financial resource allocation for prov. govt. (including public entities)	<ul style="list-style-type: none"> • Input into the revision and maintenance of DORA • Institutionalise framework for monitoring of provincial public entities 	<ul style="list-style-type: none"> Input submitted by due date as set by NT Report bi-annually for all listed public entities 	<ul style="list-style-type: none"> PT input into 2015 DORA submitted by due date Prepared unaudited close-out report for all entities and prepared budget MTEC report for all listed entities
3.	Municipal Finance			
3.1	To ensure efficient budget and expenditure management and accurate financial reporting for local govt.	<ul style="list-style-type: none"> • Section 71(6) report (Monthly municipal IYM report) within prescribed time frame • Section 71(7) quarterly budget performance reports 	<ul style="list-style-type: none"> 12 Section 71(6) reports 4 Section 71(7) quarterly budget performance reports, 45 days after end of quarter 	<ul style="list-style-type: none"> 5 1
3.2	To assist and provide technical support to delegated municipalities that are in financial distress	<ul style="list-style-type: none"> • No. of municipalities supported by MSP 	<ul style="list-style-type: none"> 8 municipalities to be supported through MSP 	<ul style="list-style-type: none"> 11

4.3 Programme 3: Financial Management

The purpose of this programme is to ensure effective and efficient management of physical and financial assets for provincial and local government. Tables 6.8 and 6.9 below reflect a summary of the 2014/15 adjusted appropriation of Programme 3, summarised according to sub-programme and economic classification. Details of the main adjustments, which resulted in a decrease of R4.100 million against the adjusted appropriation, are provided in the paragraphs following the tables.

Table 6.8: Programme 3: Financial Management

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
Financial Asset and Liability Management	27 255			(10 800)			(10 800)	16 455
Public Private Partnerships (PPPs)	7 592			(1 000)			(1 000)	6 592
Supply Chain Management	70 614			(2 000)		(3 300)	(5 300)	65 314
Financial Reporting	52 022			12 000			12 000	64 022
Norms and Standards	5 327			(200)		(800)	(1 000)	4 327
Supporting and Interlinked Financial Systems	127 853			2 000			2 000	129 853
Gaming and Betting	44 132						-	44 132
Total	334 795	-	-	-	-	(4 100)	(4 100)	330 695
Amount to be voted							(4 100)	

Table 6.9: Summary by economic classification

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
Current payments	287 219	-	-	(200)	-	(4 100)	(4 300)	282 919
Compensation of employees	60 114			(100)		(800)	(900)	59 214
Goods and services	219 337			6 700		(3 300)	3 400	222 737
Interest and rent on land	7 768			(6 800)			(6 800)	968
Transfers and subsidies to:	39 976	-	-	200	-	-	200	40 176
Provinces and municipalities							-	-
Departmental agencies and accounts	39 276						-	39 276
Higher education institutions							-	-
Foreign governments and international organisations							-	-
Public corporations and private enterprises							-	-
Non-profit institutions							-	-
Households	700			200			200	900
Payments for capital assets	7 600	-	-	-	-	-	-	7 600
Buildings and other fixed structures							-	-
Machinery and equipment	7 600						-	7 600
Heritage assets							-	-
Specialised military assets							-	-
Biological assets							-	-
Land and subsoil assets							-	-
Software and other intangible assets							-	-
Payments for financial assets							-	-
Total	334 795	-	-	-	-	(4 100)	(4 100)	330 695
Amount to be voted							(4 100)	

Virement – Programme 3: Financial Management

The following virements were undertaken within Programme 3, which affected all sub-programmes, with the exception of the sub-programme: Gaming and Betting:

- Savings of R100 000 were identified against *Compensation of employees* due to non-filling of posts, as previously explained.
- Savings of R6.800 million were identified against *Interest and rent on land*. These savings resulted from the improvement in the provincial cash position of the province. There has been an improvement of funds available in the PMG and IGCC accounts due to the effective implementation of financial control measures by provincial departments, and tight cashflow management. This has affected the amount of interest the province has to pay, as the province remains cash positive and, as such, is earning rather than paying interest.
- These savings amounting to R6.900 million were moved as follows:
 - R6.700 million was moved to *Goods and services* in respect of financial management support to Vote 5: Education relating to Operation Clean Audit, as well as for the finalisation of the take-over of the McCord Hospital, and a provision for GRAP training in support of municipalities.
 - R200 000 was moved to *Transfers and subsidies to: Households* to cater for the payment of leave gratuities that were higher than budgeted.

All of these virements are permissible in terms of the PFMA and the Treasury Regulations.

Other adjustments – Programme 3: Financial Management: (R4.100 million)

The following funds were reduced from Programme 3 and surrendered to the Provincial Revenue Fund:

- R3.300 million was surrendered from *Goods and services* in the sub-programme: Supply Chain Management due to lower than anticipated budget requirements with regard to MBAT as the MBAT met less frequently. The reduction was also due to lower costs for the B-BBEE Verification projects.
- R800 000 was surrendered from the sub-programme: Norms and Standards against *Compensation of employees* relating to delays in the filling of posts due to lengthy recruitment processes.

Service delivery measures – Programme 3: Financial Management

Table 6.10 shows the service delivery information for Programme 3, as well as the actual achievement for the first six months of the year. The department made some changes to the targets in order to ensure alignment between the *EPRE* and the *APP*, as well as added targets pertaining to the previously mentioned function shift of Gaming and Betting, which were not included when the *EPRE* was tabled. These targets are shown under the 2014/15 “Revised target” column in the table. The outputs reflected as “n/a” indicate that the targets are not being used.

Table 6.10: Service delivery measures – Programme 3: Financial Management

Outputs	Performance indicators	Performance targets		
		2014/15 Original target	2014/15 Mid-year actual	2014/15 Revised target
1. Financial Asset and Liability Management				
1.1 To promote sound cash management practices and improve liquidity in KZN and assist depts. and municipalities in attainment of a clean audit outcome for the province	<ul style="list-style-type: none"> • Provide guidance and support iroTax payroll functions to KZN depts • Conduct tax information seminar annually • Risk analysis per dept. to ensure compliance to tax legislation • Provide quarterly assessment reports on status of bank related suspense accounts • Review monthly bank reconciliations per dept. • Produce quarterly reports on withdrawals on municipal bank accounts 	new 2 sessions 64 reports 64 assessment reports Ongoing support to 16 depts 192 reconciled bank reconciliations	15 depts 2 sessions 32 30 90 2	15 depts per quarter 60 reports 60 assessment reports 180 reconciled bank reconciliations 4 reports on withdrawals from municipal accounts
1.2 To promote sound Asset Management practices in depts	<ul style="list-style-type: none"> • No. of asset workshops and training sessions conducted 	4 seminars/training workshops	1	
2. Public Private Partnerships (PPPs)				
2.1 To provide technical, financial and legal advice and support of all provincial PPP projects in line with PPP project cycle as regulated by NT guidelines	<ul style="list-style-type: none"> • No. of seminars/workshops conducted for prov. depts., public entities, municipalities and municipal entities • No. of seminars/workshops conducted for municipalities and municipal entities • No. of reports for Provincial Treasury, management and MEC • No. of contract management reports on closed deal 	2 2 12 12	5 - 6 6	n/a
3. Supply Chain Management				
3.1 Support and monitor adherence of state institutions to SCM prescripts	<ul style="list-style-type: none"> • No. of SCM training sessions and information sessions conducted • No. of assessments • No. of reviews of the supplier registration form • No. of policies and practice notes reviewed and issued 	4 training sessions/workshops 3 SCM forums for depts and municipalities Conduct SCM assessments in depts, municipalities and public entities Conduct compliance assessments and investigate complaints Review and update supplier information Review and update policies and practice notes	12 3 40 - - 1	4 SCM forums

Table 6.10: Service delivery measures – Programme 3: Financial Management

Outputs	Performance indicators	Performance targets		
		2014/15 Original target	2014/15 Mid-year actual	2014/15 Revised target
4. Financial Reporting				
4.1 To present fairly the consolidated financial position of the province	• Consolidated AFS for provincial depts and provincial revenue fund	Consolidated AFS for FY 13/14	-	
	• Consolidated AFS for public entities tabled in Legislature	new	-	Consolidated AFS for FY 13/14 tabled in Legislature by 30 November 2014
4.2 To provide financial management support to depts, public entities and municipalities		Revenue fund AFS for 13/14	Compiled Revenue Fund AFS	
	• Provincial audit outcome analysis for municipalities, depts and public entities	Summary of audit outcome. Analysis of AG's audit report for provincial depts. and public entities by 31 August 2014	Summary of Audit Outcome Analysis for Provincial depts and public entities	
		Summary of audit outcome analysis on AG's audit report for municipalities by 31 January 2015	-	
	• AFS support and training to depts	1 AFS training workshop by 31 March 2014	-	
		Pre-audit review in 16 depts by 31 May 2014	Pre-audit in 15 depts	
	• Financial management monitoring support to municipalities	Summary of Audit Outcomes Analysis after A-G Audit Report	-	n/a
	• Financial management monitoring support to public entities	Pre-audit review in 12 public entities by 31 May 2014	1	
		1 AFS training workshop for 12 public entities by 31 March 2014	-	
	• Financial management monitoring support to municipalities	1 AFS training workshop for 58 municipalities by 30 June 2014	-	
		Pre-audit assignment report in 10 municipalities by 30 August 2014	-	
	Progress reports on on-site financial management support to 10 municipalities within 10 days of the end of each quarter	Progress reports on on-site financial management support to 10 municipalities within 10 days of the end of each quarter		
5. Norms and Standards				
5.1 To develop, review and facilitate implementation of financial norms and standards in depts., municipalities and entities	• No. of policies and practice notes developed/reviewed for depts., municipalities and their respective entities	40 instruction notes and policies developed and/or reviewed based on needs analysis	14 instruction notes reviewed. 4 policies developed and 44 policies reviewed for municipalities	
5.2 Compliance monitoring and evaluation of financial norms and standards		All depts. assessed and monitored	16	
6. Supporting and Interlinked Financial Systems				
6.1 Develop and review, implement and monitor departmental supporting information technology enabler policies and procedures	• No. of policy reviews completed	4	2	
	• No of compliance reports compiled	12	6	
	• No. of information sessions conducted	8	3	
6.2 To ensure business continuity through management of IT network infrastructure, desktop and LAN support and network security	• Mean time to resolve (MTTR)	8 hr MTTR	2 hs MTTR	
	• Percentage network uptime	99%	99%	
6.3 Provide technical support for transversal systems	• MTTR (transversal systems)	8 hr MTTR	4hr 57 mins	

Table 6.10: Service delivery measures – Programme 3: Financial Management

Outputs	Performance indicators	Performance targets		
		2014/15 Original target	2014/15 Mid-year actual	2014/15 Revised target
7. Gaming and Betting				
7.1 Enhance the Gaming and Betting Regulatory environment in KZN	• Amended KZN Gaming and Betting Legislation	new	Draft 5b of Bill, completed and forwarded to MEC	KZN Gaming and Betting Amendment Bill, 2014, to be presented to Cabinet
		new	1 draft of KZN Gaming and Betting Amendment Bill produced. Amendments to Regulations put on hold pending passing of Bill	Publication of legislation in the Provincial Gazette
	• Appointment of new KZN Gaming and Betting Board	new	Nominees published and shortlisted	Nomination process for new Board in terms of the Act
	• No. of quarterly regulatory reports on service delivery, governance and compliance matters of Gaming and Betting Board activities	new	2	4
	• Collected revenue	new	R250 121 595	R572 704 000

4.4 Programme 4: Internal Audit

Programme 4's main purpose is to develop effective risk management strategies and governance, to build and maintain successful client relationships, to develop knowledge by creating a learning culture, and to build foundations for excellence to support the provincial government in achieving its objectives. Tables 6.11 and 6.12 below reflect a summary of the 2014/15 adjusted appropriation of Programme 4, summarised according to sub-programme and economic classification. Details of the main adjustments, which resulted in an overall decrease of R4 million, are provided in the paragraphs below the tables.

Table 6.11: Programme 4: Internal Audit

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
Assurance Service	69 885					(2 000)	(2 000)	67 885
Risk Management	59 864					(2 000)	(2 000)	57 864
Total	129 749	-	-	-	-	(4 000)	(4 000)	125 749
Amount to be voted								(4 000)

Table 6.12: Summary by economic classification

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
Current payments	128 939	-	-	-	-	(4 000)	(4 000)	124 939
Compensation of employees	63 037					(4 000)	(4 000)	59 037
Goods and services	65 902					-	-	65 902
Interest and rent on land						-	-	-
Transfers and subsidies to:	-	-	-	-	-	-	-	-
Provinces and municipalities						-	-	-
Departmental agencies and accounts						-	-	-
Higher education institutions						-	-	-
Foreign governments and international organisations						-	-	-
Public corporations and private enterprises						-	-	-
Non-profit institutions						-	-	-
Households						-	-	-
Payments for capital assets	810	-	-	-	-	-	-	810
Buildings and other fixed structures						-	-	-
Machinery and equipment	810					-	-	810
Heritage assets						-	-	-
Specialised military assets						-	-	-
Biological assets						-	-	-
Land and subsoil assets						-	-	-
Software and other intangible assets						-	-	-
Payments for financial assets	-	-	-	-	-	-	-	-
Total	129 749	-	-	-	-	(4 000)	(4 000)	125 749
Amount to be voted								(4 000)

Other adjustments – Programme 4: Internal Audit: (R4 million)

An amount of R2 million each was moved from the sub-programmes: Assurance Services and Risk Management against *Compensation of employees* as a result of delays with the filling of posts due to lengthy recruitment processes. These funds were surrendered to the Provincial Revenue Fund.

Service delivery measures – Programme 4: Internal Audit

Table 6.13 shows the service delivery information for Programme 4 as per the APP of Provincial Treasury, as well as the actual achievements for the first six months of the year. The department made one minor change to the *Cluster audit and risk committee meetings with clients* performance indicator target in order to fully align the *EPRE* with the APP. This change is indicated in the 2014/15 “Revised target” column.

Table 6.13: Service delivery measures – Programme 4: Internal Audit

Outputs	Performance indicators	Performance targets		
		2014/15 Original target	2014/15 Mid-year actual	2014/15 Revised target
1. Assurance Services				
1.1. An efficient, effective and economical assurance service	<ul style="list-style-type: none"> Internal audit operational plan and a rolling three-year strategic plan Annual audit and risk committee report on clients' areas of risk management, governance and internal control submitted to MEC: Finance Internal Audit risk based and follow up audits conducted, including financial, IT, performance and governance audits Audits on predetermined objectives 	23 1 160 23	23 1 82 4	
1.2. Build and maintain client relationships	<ul style="list-style-type: none"> Cluster audit and risk committee meetings with clients 	60	32	64
1.3. Enhance capacity within and outside the unit	<ul style="list-style-type: none"> Training and development programme Internal and/independent external Quality assurance review (QAR) 	16 2	7 1	
2. Risk Management				
2.1. To promote good governance through effective risk management	<ul style="list-style-type: none"> Consolidated risk assessments facilitated for municipalities Updated risk reports issued for depts. and public entities Follow-up on implementation of risk mitigation and risk maturity improvement plans for each municipality (twice a year) and each dept. (quarterly) Consolidated provincial risk profile developed Conduct risk maturity gap analysis and develop action plans for provincial depts. and public entities Conduct Enterprise Risk Management (ERM) compliance and risk maturity reviews and assist municipalities with addressing identified weaknesses Audit Committee quarterly reports on the clients' areas of risk management and risk governance Training/raising awareness on governance and risk management 	30 22 120 1 25 30 60 10	27 7 30 - - - 15 9	
3. Risk Management (Forensic Services)				
3.1. Promote a culture of zero tolerance for fraud and corruption	<ul style="list-style-type: none"> No. of reviews on the status of fraud management in depts. public entities and municipalities No. of forensic audits performed and investigations as per clients' requests and referrals from the Assurance team Updated register of forensic investigations – MEC report No. of follow up reports conducted per completed investigation 	20 25 4 30	- 8 2 19	

4.5 Programme 5: Growth and Development

Programme 5 makes provision for budget road shows, the feasibility study for the Government Office Precinct project, special projects approved by Cabinet and the development of airports in Pietermaritzburg and Richards Bay, among others.

Tables 6.14 and 6.15 below summarise the 2014/15 adjusted appropriation of Programme 5, summarised according to sub-programme and economic classification. Details of the main adjustments, which resulted in an overall decrease of R139.617 million, are provided in the paragraphs following the tables.

Table 6.14: Programme 5: Growth and Development

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
Budget Communication	7 810						-	7 810
Special Infrastructure Projects	13 500	18 383					18 383	31 883
Strategic Cabinet Initiatives	150 000	6 382				(156 382)	(150 000)	-
Special Projects	15 000					(8 000)	(8 000)	7 000
Total	186 310	24 765	-	-	-	(164 382)	(139 617)	46 693
Amount to be voted								(139 617)

Table 6.15: Summary by economic classification

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
Current payments	172 810	6 382	-	-	-	(164 382)	(158 000)	14 810
Compensation of employees							-	-
Goods and services	172 810	6 382				(164 382)	(158 000)	14 810
Interest and rent on land							-	-
Transfers and subsidies to:	13 500	18 383	-	-	-	-	18 383	31 883
Provinces and municipalities	13 500	18 383					18 383	31 883
Departmental agencies and accounts							-	-
Higher education institutions							-	-
Foreign governments and international organisations							-	-
Public corporations and private enterprises							-	-
Non-profit institutions							-	-
Households							-	-
Payments for capital assets	-	-	-	-	-	-	-	-
Buildings and other fixed structures							-	-
Machinery and equipment							-	-
Heritage assets							-	-
Specialised military assets							-	-
Biological assets							-	-
Land and subsoil assets							-	-
Software and other intangible assets							-	-
Payments for financial assets	-	-	-	-	-	-	-	-
Total	186 310	24 765	-	-	-	(164 382)	(139 617)	46 693
Amount to be voted								(139 617)

Roll-overs – Programme 5: Growth and Development: R24.765 million

- As previously explained, an amount of R24.765 million was rolled over from 2013/14, as follows:
 - R6.382 million was allocated to the sub-programme: Strategic Cabinet Initiatives against *Goods and services* in respect of the Strategic Cabinet Initiatives Fund. This roll-over increased the funding available to be suspended to departments for funding various initiatives approved by Cabinet.
 - R18.383 million was allocated to the sub-programme: Special Infrastructure Projects against *Transfers and subsidies to: Provinces and municipalities* for the Shayamoya eco-complex (R13.062 million) and the light industrial park at Bhongweni (R5.321 million).

Other adjustments – Programme 5: Growth and Development: (R164.382 million)

An amount of R164.382 million was moved from *Goods and services* and the sub-programmes: Strategic Cabinet Initiatives (R156.382 million) and Special Projects (R8 million), as follows:

- R106.382 million was suspended from the Strategic Cabinet Initiatives Fund held under Vote 6: Provincial Treasury, and details are given under the respective votes, allocated as follows:
 - R11.100 million to Vote 1 for the Crown Gospel Awards ceremony (R5 million) and for the Music Unites and Have We Been Heard initiatives (R6.100 million).

- o R47.667 million to Vote 4 as follows:
 - R9 million for the SA Women's Golf Championship, which hosts international and local women golfers and aims to increase tourists arrival, spending and duration of stay, thus creating a positive impact on economic development of the province. This was held on 19 October 2014.
 - R5 million for the Nelson Mandela Golf Tournament. This tournament is in honour of the former President, Nelson Mandela, and will take place on 14 December 2014.
 - R10.527 million for the Metro FM Awards to be held in March 2015. The primary objective of these awards is to reward, acknowledge and showcase local music talent for exceptional artistic work produced.
 - R5 million for the Africa Bike Week that aims to establish Africa's biggest biking event and grow the event over 5 years to eventually attract hundreds of thousands of spectators. This event was held in May 2014.
 - R9.070 million for the World Amateur Golf Tournament. This event is expected to take place in November 2014.
 - R9.070 million for the World Pro-am Golfers Tournament, to be held in February 2015.
- o R12 million to Vote 11 for the organisation of the 2014 Nelson Mandela Marathon, which took place on 31 August 2014.
- o R11 million to Vote 15 as follows:
 - R1 million for Amambazo: The Musical in respect of Ladysmith Black Mambazo's contribution toward the freedom of the country from apartheid.
 - R5 million for the National Choral Music Awards. These awards were inaugurated in South Africa in 2012 to showcase and celebrate the best of South African choral music. These awards contribute to nation building and social cohesion. The award ceremony was held in Durban on 1 November 2014.
 - R5 million for the Royal Soapie Awards. These awards were inaugurated in 2013 to promote creativity, quality, and excellence of local productions. This event will be held at the Inkosi Albert Luthuli International Convention Centre (ICC) in Durban in March 2015.
- o R24.615 million to Vote 16 as follows:
 - R3.420 million for the U19 International Football Tournament. The department, in partnership with the eThekweni Metro, Independent Electoral Commission (IEC) in Sport, as well as the South African Football Association (SAFA) hosted the U19 International Football Tournament in Durban from 28 July to 9 August 2014.
 - R1 million for the hosting of the 20th AIMS congress by the CMA in Durban from 28 to 31 May 2014.
 - R4.867 million for the Pietermaritzburg Bike City, which hosted the MTB World Championships on 29 June 2014 at the Cascades MTB Park in Pietermaritzburg.
 - R3.810 million for the Duzi Canoe Marathon, which will be held in February 2015.
 - R5.700 million for the Soccerex Africa Forum. This event focuses on growing football's legacy in Africa and brings senior decision makers in the football fraternity to share their expertise. This event was held from 4 to 5 November 2014.
 - R4.250 million for the MTN8 Cup Final, which was held on 28 September 2014 at the Moses Mabhida Stadium in Durban.
 - R1.568 million to host the 4th Karate World Cup in association with the IKO Kyokushin Kaikan Matsushima Group at the ICC in Durban which took place from 6 to 7 September 2014.

- R8 million was suspended from the sub-programme: Special Projects in respect of the feasibility study of the Government Office Precinct project, which has been put on hold following an indication by National Treasury that the country must consolidate its debt, and this will be achieved through budget cuts to all three spheres of government starting from 2015/16. Once the country's fiscal consolidation is uplifted, this project will be reviewed.
- R50 million was suspended from the Rural Development funds to Vote 11 in respect of projects relating to the Small Town Rehabilitation programme for the development of rural areas. It should be noted that these funds to Vote 11 are specifically and exclusively appropriated funds in terms of the KZN Main Appropriation Act, and therefore may not be used for any other purpose.

Service delivery measures – Programme 5: Growth and Development

Table 6.16 shows the service delivery information for Programme 5 as per the APP of Provincial Treasury, as well as the actual achievement for the first six months of the year. The target is fully aligned with the *EPRE* and APP.

Table 6.16: Service delivery measures – Programme 5: Growth and Development

Outputs	Performance indicators	Performance targets		
		2014/15 Original target	2014/15 Mid-year actual	2014/15 Revised target
To provide specific departmental approved events and initiatives not catered for in any other programme that will provide development in the province	• No. of events co-ordinated successfully	5	4	

5. Gifts, donations and sponsorships

The department is not envisaging any gifts, donations and sponsorships in excess of R100 000 during the current financial year.

6. Infrastructure

Table 6.17 shows the summary of infrastructure payments per main category. Details of the main adjustments, which resulted in an increase of R23.883 million, are given in the paragraphs below.

Table 6.17: Summary of infrastructure payments by category

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
Existing infrastructure assets	-	-	-	-	-	-	-	-
Maintenance and repair: Current							-	-
Upgrades and additions: Capital							-	-
Refurbishment and rehabilitation: Capital							-	-
New infrastructure assets: Capital								
Infrastructure transfers	8 000	18 383	-	-	-	5 500	23 883	31 883
Infrastructure transfers: Capital	8 000	18 383				5 500	23 883	31 883
Infrastructure transfers: Current							-	-
Infrastructure: Payments for fin assets								
Infrastructure: Leases								
Capital infrastructure	8 000	18 383	-	-	-	5 500	23 883	31 883
Current infrastructure	-	-	-	-	-	-	-	-
Total	8 000	18 383	-	-	-	5 500	23 883	31 883
Amount to be voted								23 883

- *Roll-overs*: R18.383 million was rolled over from 2013/14 in respect of *Infrastructure transfers: Capital* for the development of the light industrial park at Bhongweni (R5.321 million) and for the Shayamoya eco-complex (R13.062 million) in the Greater Kokstad Municipality, as discussed.

- *Other adjustments:* An amount of R5.500 million was inadvertently not allocated to the *Infrastructure transfers: Capital* category during the preparation of the 2014/15 EPRE, and it is now being corrected. This relates to the Msunduzi electricity-related development.

7. Conditional grants

The department does not receive a national conditional grant allocation.

8. Transfers and subsidies

Table 6.18 shows the summary of transfers and subsidies per programme. Details of the main adjustments, which result in an overall increase of R20.772 million, are provided in the paragraphs following the tables.

Table 6.18: Summary of transfers and subsidies by programme and main category

R thousand	Main appropriation	Adjustments appropriation				Total adjustments appropriation	Adjusted appropriation	
		Roll-overs	Unforeseeable/ unavoidable	Virement	Shifts			Other adjustments
1. Administration	4 022	-	-	1 215	-	974	2 189	6 211
Provinces and municipalities	22	-	-	215	-	-	215	237
Motor vehicle licences	22	-	-	-	-	-	-	22
Donations to schools in Msunduzi Municipality	-	-	-	215	-	-	215	215
Departmental agencies and accounts	-	-	-	-	-	-	-	-
Financial Literacy project	-	-	-	1 000	-	-	1 000	1 000
Households	4 000	-	-	-	-	974	974	4 974
Social benefits	-	-	-	-	-	974	974	974
Other transfers to households - bursaries	4 000	-	-	-	-	-	-	4 000
3. Financial Management	39 976	-	-	200	-	-	200	40 176
Departmental agencies and accounts	39 276	-	-	-	-	-	-	39 276
Gaming and Betting	39 276	-	-	-	-	-	-	39 276
Households	700	-	-	200	-	-	200	900
Social benefits	700	-	-	200	-	-	200	900
5. Growth and Development	13 500	18 383	-	-	-	-	18 383	31 883
Provinces and municipalities	13 500	18 383	-	-	-	-	18 383	31 883
Development of light industrial park	8 000	5 321	-	-	-	-	5 321	13 321
Shayamoya eco-complex	-	13 062	-	-	-	-	13 062	13 062
Msunduzi electricity-related	5 500	-	-	-	-	-	-	5 500
Total	57 498	18 383	-	1 415	-	974	20 772	78 270

- *Roll-overs:* An amount of R18.383 million was rolled over to Programme 5 for the development of a light industrial park at Bhongweni (R5.321 million) and for the Shayamoya eco-complex (R13.062 million), as discussed. These are specially and exclusively appropriated funds in terms of the KZN Main Appropriation Act and, therefore may not be used for any other purpose.
- *Virement:* The department undertook the following virements in respect of *Transfers and subsidies*. All these virements are permissible in terms of the PFMA and Treasury Regulations, and Treasury approval was granted where transfers were increased. These virements, which resulted in a net increase of R1.415 million in respect of *Transfers and subsidies*, are summarised as follows:
 - o R1.215 million was identified from *Compensation of employees* within Programme 1 due to non-filling of vacant posts, as discussed. This was moved to *Provinces and municipalities* (R215 000) relating to various small donations to schools in the Msunduzi Municipality for the purchase of school uniforms and shoes for under-privileged learners, and to *Departmental agencies and accounts* (R1 million) relating to the Financial Literacy project.
 - o R200 000 was identified from *Compensation of employees* (R100 000) due to non-filling of vacant posts and *Interest and rent on land* (R100 000) as a result of savings realised from the improvement in the provincial cash position of the province within Programme 3. This was moved to *Households* in respect of higher than anticipated leave gratuities.
- *Other adjustment:* An amount of R974 000 was allocated to *Households*, being suspended from Vote 2 in respect of the exit package of the former MEC for Finance.

9. Transfers to local government

Details of transfers to local government are shown in Tables 6.19 to 6.21. It is noted that an amount of R22 000 is reflected against *Provinces and municipalities* in Table 6.18 above, relating to the payment of motor vehicle licences. As this amount will not be transferred to any municipality, this amount is excluded from Table 6.19.

The department transfers funds in respect of special infrastructure projects to the Msunduzi and Greater Kokstad municipalities. Details of the main movements, which resulted in an overall increase of R18.598 million, are provided in the paragraphs following the table.

Table 6.19: Summary of transfers to local government

R thousand	Main appropriation	Adjustments appropriation				Total adjustments appropriation	Adjusted appropriation	
		Roll-overs	Unforeseeable/ unavoidable	Virement	Shifts			Other adjustments
Total: uMgungundlovu municipalities	5 500	-	-	215	-	-	215	5 715
B KZN225 Msunduzi	5 500	-	-	215	-	-	215	5 715
Total: Harry Gwala municipalities	8 000	18 383	-	-	-	-	18 383	26 383
B KZN433 Greater Kokstad	8 000	18 383	-	-	-	-	18 383	26 383
Total	13 500	18 383	-	215	-	-	18 598	32 098
Amount to be voted								18 598

Table 6.20: Transfers to local government - Msunduzi electrical related and donations to schools

R thousand	Main appropriation	Adjustments appropriation				Total adjustments appropriation	Adjusted appropriation	
		Roll-overs	Unforeseeable/ unavoidable	Virement	Shifts			Other adjustments
Total: uMgungundlovu municipalities	5 500	-	-	215	-	-	215	5 715
B KZN225 Msunduzi	5 500	-	-	215	-	-	215	5 715
Total	5 500	-	-	215	-	-	215	5 715
Amount to be voted								215

Table 6.21: Transfers to local government- Kokstad (Shayamoya and Bhongweni)

R thousand	Main appropriation	Adjustments appropriation				Total adjustments appropriation	Adjusted appropriation	
		Roll-overs	Unforeseeable/ unavoidable	Virement	Shifts			Other adjustments
Total: Harry Gwala municipalities	8 000	18 383	-	-	-	-	18 383	26 383
B KZN433 Greater Kokstad	8 000	18 383	-	-	-	-	18 383	26 383
Total	8 000	18 383	-	-	-	-	18 383	26 383
Amount to be voted								18 383

- *Roll-overs*: A total amount of R18.383 million was rolled over from 2013/14 to Programme 5, against *Transfers and subsidies to: Provinces and municipalities* for the development of a light industrial park at Bhongweni (R5.321 million) and for the Shayamoya eco-complex (R13.062 million). This is allocated to the Greater Kokstad Municipality.
- *Virement*: An amount of R215 000 was identified in Programme 1, against *Compensation of employees* and moved to *Transfers and subsidies to: Provinces and municipalities* in respect of a number of small donations to various schools in the Msunduzi Municipality for the purchase of school uniforms and shoes, as discussed.

10. Actual payments and revised spending projections for the rest of 2014/15

Tables 6.22 and 6.23 reflect actual payments as at the end of September 2014, projected payments for the rest of the financial year and the total revised spending in rand value and as a percentage of the adjusted appropriation per programme and economic classification. The tables also show the 2013/14 audited outcome.

The department spent 42.8 per cent of its adjusted appropriation in the first six months, which is low when compared to the 50 per cent straight-line benchmark at mid-year. Despite the substantial reduction in the budget, the department is projecting to spend 57.2 per cent of the adjusted appropriation in the second half of the year due to various invoices that will be paid as there were not submitted in the first half of the year.

Table 6.22: Actual payments and revised spending projections by programme

R thousand	2013/14 Audited outcome	Adjusted appropriation	Actual payments		Projected payments		Projected actual
			April '14 - September 2014	% of budget	October '14 - March 2015	% of budget	
1. Administration	96 932	118 312	55 686	47.1	62 626	52.9	118 312
2. Fiscal Resource Management	91 204	87 023	34 998	40.2	52 025	59.8	87 023
3. Financial Management	240 987	330 695	142 497	43.1	188 198	56.9	330 695
4. Internal Audit	107 363	125 749	52 414	41.7	73 335	58.3	125 749
5. Growth and Development	41 055	46 693	17 780	38.1	28 913	61.9	46 693
Total	577 541	708 472	303 375	42.8	405 097	57.2	708 472

Table 6.23: Actual payments and revised spending projections by economic classification

R thousand	2013/14 Audited outcome	Adjusted appropriation	Actual payments		Projected payments		Projected actual
			April '14 - September 2014	% of budget	October '14 - March 2015	% of budget	
Current payments	545 862	618 284	267 619	43.3	350 665	56.7	618 284
Compensation of employees	185 326	220 525	106 801	48.4	113 724	51.6	220 525
Goods and services	360 536	396 791	160 818	40.5	235 973	59.5	396 791
Interest and rent on land	-	968	-	-	968	100.0	968
Transfers and subsidies to:	25 289	78 270	34 515	44.1	43 755	55.9	78 270
Provinces and municipalities	21 982	32 120	12 574	39.1	19 546	60.9	32 120
Departmental agencies and accounts	1	40 276	19 639	48.8	20 637	51.2	40 276
Higher education institutions	-	-	-	-	-	-	-
Foreign governments and international organisations	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	-	-	-	-
Non-profit institutions	-	-	-	-	-	-	-
Households	3 306	5 874	2 302	39.2	3 572	60.8	5 874
Payments for capital assets	5 973	11 918	1 241	10.4	10 677	89.6	11 918
Buildings and other fixed structures	-	-	-	-	-	-	-
Machinery and equipment	5 973	11 918	1 241	10.4	10 677	89.6	11 918
Heritage assets	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-
Land and subsoil assets	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-
Payments for financial assets	417	-	-	-	-	-	-
Total	577 541	708 472	303 375	42.8	405 097	57.2	708 472

Spending in the first six months against Programme 1 was below the straight-line benchmark of 50 per cent, at 47.1 per cent, in line with projections for the first half of the year. Projections for the second half of the year are slightly high, at 52.9 per cent, due to the anticipation that posts will be filled. The department is awaiting approval of its amended organisational structure from the Department of Public Service and Administration (DPSA), and it is anticipated that DPSA approval of the structure will occur during the second half of 2014. The department reviewed its organisational structure due to expanded mandates for core business units, such as the CFO's office which was expanded in order to cater for the processing of an increased number of payments from the various units within the department, etc.

Spending against Programme 2 was below the straight-line benchmark, at 40.2 per cent at mid-year due to the slow spending on the MSP project as a result of unresolved disputes with the service provider, the late receipt of invoices, as well as delays in the recruitment of Technical Advisors in the Infrastructure unit needed to assist with the Infrastructure Delivery Improvement Programme. The projections for the second half of the year seem fairly high, at 59.8 per cent due to the anticipation that posts will be filled and invoices will be received and paid.

Spending against Programme 3 was low, at 43.1 per cent at mid-year as a result of delays in the commencement of the e-Procurement Tool project resulting from an appeal by a perspective bidder, followed by the bidder taking court action against the Bid Appeals Tribunal. The bidder has since withdrawn the action. Also, there are savings relating to *Interest and rent on land* as a result of the positive cash balance in the Provincial IGCC and PMG accounts. The provincial bank accounts remain positive, thereby negating the need to pay interest. The projections in the remaining six months seems fairly high, at 56.9 per cent as the department anticipates to commence with the e-Procurement Tool project, among other projects.

Spending against Programme 4 was, at 41.7 per cent at mid-year, below the straight-line benchmark mainly due to the late receipt of invoices for forensic audits and specialised Internal Audit assignments, such as the review of the AFS of departments and public entities. The projections for the second half of the year seem fairly high, at 58.3 per cent due to various projects that will be undertaken.

Spending against Programme 5 was low, at 38.1 per cent at mid-year, in line with its operational plans. The high projections in the second half of the year relates to the approved roll-over of R18.383 million for the light industrial park at Bhongweni and for the Shayamoya eco-complex.

Compensation of employees reflects spending at 48.4 per cent, at mid-year, which is slightly below the 50 per cent benchmark, due to the slower than anticipated filling of vacant posts. The department anticipates to fill posts in the second half of the year, hence the projections, at 51.7 per cent.

Spending against *Goods and services* was low, at 40.5 per cent at mid-year when compared to the 50 per cent benchmark, largely due to the process of procuring a service provider for the e-Procurement Tool project taking longer than anticipated, the late receipt of invoices for forensic audits and specialised Internal Audit assignments such as the review of the AFS of departments and public entities, among others. The projections for the remaining six months include projects that will be undertaken and invoices that will be paid.

Spending against *Transfers and subsidies to: Provinces and municipalities* was low, at 39.1 per cent, at mid-year. This relates to the bulk of the spending anticipated in the second half of the year. The higher projections in the remaining six months included the roll-over relating to the light industrial park at Bhongweni and for the Shayamoya eco-complex. Also, the projections are in respect of the Msunduzi electricity related projects.

Spending against *Transfers and subsidies to: Departmental agencies and accounts* relates to the KZNGBB of which the full mid-year projection of R19.638 million was transferred. The balance of the funds will be transferred in the second half of the year, in line with the operational plan. Projections in the second half of the year also include transfer for the Financial Literacy project.

Spending against *Transfers and subsidies to: Households* was, at 39.2 per cent at mid-year, below the straight-line benchmark of 50 per cent. This relates to lower than anticipated transfers made to the South African Institute of Chartered Accountants (SAICA) in respect of the Thuthuka Bursary Fund, as the number of students enrolled is decided by SAICA. Currently 53 students are enrolled, with 38 being new first year students and 15 having proceeded from 2013 into their second year. The high projections in the second half also cater for the payment of leave gratuities. This category is difficult to project for due to its uncertain nature.

The spending against *Machinery and equipment* in the first half of the year is very low, at 10.4 per cent when compared to the straight-line benchmark. This can be attributed to delays in the procurement process for the MEC's vehicle which is now projected to be paid in the third quarter, as well as the reconfiguration of office space in Treasury House taking longer than anticipated, thus office furniture and equipment could not be purchased.

The department is projecting a balanced budget at the end of the year.