

Vote 6

Provincial Treasury

R thousand	2016/17			
	Main appropriation	Adjusted appropriation	Decrease	Increase
Operational budget	673 458	649 404	(24 054)	
MEC remuneration ¹	1 822	1 902		80
Total amount to be appropriated	675 280	651 306	(23 974)	
<i>of which:</i>				
Current payments	627 760	615 925	(11 385)	
Transfers and subsidies	42 977	30 369	(12 608)	
Payments for capital assets	4 543	5 012		469
Payments for financial assets	-	-		
Responsible MEC	MEC for Finance			
Administering department	Provincial Treasury			
Accounting Officer	Accountant-General			

1. Vision and mission

Vision

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

Mission statement

The department's mission is: *To enhance the KwaZulu-Natal Provincial Government's service delivery by responding to the expectations of all stakeholders in the value chain as a key driver through:*

- Optimum and transparent allocation of financial resources while enhancing revenue generation and financial management practices in compliance with applicable legislation and corporate governance principles.
- Competent and dedicated employees who are at the centre of ensuring best value to their stakeholders.

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:

- To promote sound financial management practices and fiscal management through good governance.
- To ensure targeted financial resources allocation and utilisation that contributes to improved service delivery.
- To enhance the capacity and capability of Supply Chain Management (SCM) in departments, municipalities and public entities to eliminate irregular expenditure.

¹ At the time of going to print with the 2016/17 EPRE, the proclamation determining the 2015 salary adjustment relating to office bearers had not been signed, hence this amount remained unchanged from the 2015/16 EPRE. Similarly, at the time of going to print with this document, the proclamation determining the 2016 salary adjustment relating to office bearers has not been signed. As such, the above-mentioned adjustment now aligns the MEC's salary to the 2015 salary level.

- To focus on the enhancement of broad-based Black Economic Empowerment (B-BBEE) through effective SCM policies.
- To monitor and facilitate infrastructure delivery in the province and thereby contribute towards job creation.
- To co-ordinate and enhance revenue collection for sustainable service delivery to the citizens.
- To promote sound cash management practices and improve liquidity in the province.

3. Summary of adjusted estimates for the 2016/17 financial year

The main appropriation of Provincial Treasury was R675.280 million in 2016/17. During the year, the department's budget was reduced by R23.974 million. The main adjustments that led to the overall decrease in the budget are summarised below, and further details are given in Section 4.

- *Virements between programmes:* The following virements were undertaken across programmes:
 - Savings of R8 million resulted from VAT review orders, which were issued for uMhlabyalingana, Jozini, Ndwedwe and Pongola Municipalities, being delayed due to the service provider being in breach of the contracts as a result of failure to satisfactorily meet deliverables. These savings were moved from *Goods and services* under the Municipal Finance sub-programme (Municipal Support Programme (MSP)) in Programme 2: Fiscal Resource Management, and were distributed to the following programmes:
 - R1.500 million was moved to the Corporate Services sub-programme in Programme 1: Administration against *Goods and services* to cater for fleet services and operating leases costs that were higher than budgeted.
 - R6.500 million was moved to the Assurance Services sub-programme (R4.700 million), as well as the Forensic Services sub-programme (R1.800 million) in Programme 4: Internal Audit against *Goods and services* to cater for performance audits relating to previous years, as well as forensic audits that were higher than budgeted.
 - There were savings of R21.300 million mainly in respect of the suspension of the e-Procurement Tool programme, against computer services due to relocation of the PERSAL mainframe from Pietermaritzburg to Pretoria, KwaZulu-Natal Gaming and Betting Board (KZNGBB) funds that were held against Programme 3, etc. These funds were moved from Programme 3: Financial Management from the various sub-programmes and economic classifications, as follows:
 - R18.800 million was moved from Programme 3 (all sub-programmes except Gaming and Betting) to the Assurance Services sub-programme (R8.800 million), as well as the Forensic Services sub-programme (R10 million) in Programme 4 within *Goods and services* for performance audit costs that were higher than budgeted due to increase in the scope of work, which also covers public entities, as well as municipalities. These funds also cater for commitments from previous years, increased demand for performance audits from departments, as well as forensic investigations, which are ongoing.
 - R2.500 million was moved from the Support and Interlinked Financial Systems sub-programme to the Special Projects sub-programme in Programme 5: Growth and Development against *Goods and services* towards the feasibility study for the Legislature Complex and PPP Government Precinct, which were undertaken in 2015/16 but funds were not rolled over.

In addition, the department undertook virements within programmes and sub-programmes and economic classification categories, with further details given below. All the above adjustments are permissible in terms of the Treasury Regulations and the PFMA, except the virement to Programme 4, which exceeds 8 per cent, and therefore requires Legislature approval. Furthermore, the donation to the Coastal Horse Care Unit exceeds R100 000 and therefore also requires Legislature approval.

- *Shifts:* The following shifts were undertaken by the department, where the original purpose of the funds remains unchanged:

- o R15 million was moved from Programme 3 to Programme 1 due to the separation of IT Management and Support and Interlinked Financial Systems, with the latter remaining in Programme 3 due to it being a transversal programme. IT Management, which focuses on the department's IT requirements, moved to the Corporate Services sub-programme in Programme 1.
- o R4 million was shifted within the Gaming and Betting sub-programme in Programme 3 from *Goods and services* to *Transfers and subsidies to: Departmental agencies and accounts* due to a misclassification of the budget relating to the KZNGBB when the 2016/17 EPRE was prepared.
- **Other adjustments:** Adjustments, amounting to a decrease of R23.974 million are as follows:
 - o The MEC for Finance undertook at a Sub-committee on Major Events held on 10 August 2016, that R1.500 million would be suspended from Vote 6: Provincial Treasury to Vote 11: COGTA toward the Mandela Day Marathon event. These funds were moved from the Office of the MEC sub-programme in Programme 1 and from *Goods and services*.
 - o R22.474 million was suspended from Vote 6: Provincial Treasury and allocated to Vote 1: Office of the Premier relating to the movement of both the KZNGBB and the administration unit dealing with gaming and betting with effect from 28 September 2016, as determined by Premier's Minute No. 2 of 2016. Similarly, the gaming and betting revenue budget calculated at R270.760 million is also moved between the two Votes. It must be noted that only the budget from 28 September onward is suspended, whereas the balance will remain with Vote 6 this year, as this Vote has incurred the related expenditure in the first half of the year. The full amount will be moved in 2017/18. This budget is moved from Programme 3 against *Compensation of employees, Goods and services*, as well as *Departmental agencies and accounts*.

Tables 6.1 and 6.2 reflect a summary of the 2016/17 adjusted appropriation of the department, summarised according to programme and economic classification. Details of the economic classification are given in *Annexure – Vote 6: Provincial Treasury*.

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	134 552	-	-	1 500	15 000	(1 500)	15 000	149 552
2. Fiscal Resource Management	103 056	-	-	(8 000)	-	-	(8 000)	95 056
3. Financial Management	295 563	-	-	(21 300)	(15 000)	(22 474)	(58 774)	236 789
4. Internal Audit	121 683	-	-	25 300	-	-	25 300	146 983
5. Growth and Development	20 426	-	-	2 500	-	-	2 500	22 926
Total	675 280	-	-	-	-	(23 974)	(23 974)	651 306
Amount to be voted								(23 974)

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	627 760	-	-	(3 115)	(4 000)	(4 720)	(11 835)	615 925
Compensation of employees	279 429	-	-	(2 675)	-	(2 324)	(4 999)	274 430
Goods and services	345 057	-	-	2 234	(4 000)	(2 396)	(4 162)	340 895
Interest and rent on land	3 274	-	-	(2 674)	-	-	(2 674)	600
Transfers and subsidies to:	42 977	-	-	2 646	4 000	(19 254)	(12 608)	30 369
Provinces and municipalities	24	-	-	-	-	-	-	24
Departmental agencies and accounts	34 255	-	-	2 136	4 000	(19 254)	(13 118)	21 137
Higher education institutions	-	-	-	-	-	-	-	-
Foreign governments and international organisations	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	-	-	-	-	-
Non-profit institutions	3 370	-	-	371	-	-	371	3 741
Households	5 328	-	-	139	-	-	139	5 467
Payments for capital assets	4 543	-	-	469	-	-	469	5 012
Buildings and other fixed structures	-	-	-	-	-	-	-	-
Machinery and equipment	4 543	-	-	469	-	-	469	5 012
Heritage assets	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-
Land and subsoil assets	-	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-	-
Payments for financial assets	-	-	-	-	-	-	-	-
Total	675 280	-	-	-	-	(23 974)	(23 974)	651 306
Amount to be voted								(23 974)

4. Changes to programme purposes and service delivery measures

The department made the following changes to the purpose of its programmes:

- A decision was taken by the department after the tabling of the 2016/17 *EPRE*, to separate the forensic services function from the risk management function in Programme 4. As such, a new Forensic Services sub-programme was created and R25.911 million was moved to it from the Risk Management sub-programme. This movement did not affect any economic categories.
- Programme 3 is affected by function shift of Gaming and Betting to Office of the Premier and, as a result, some of the non-financial targets also move between the Votes. This is explained in greater detail under Programme 3 below.

4.1 Programme 1: Administration

The purpose of this programme is to provide strategic support services in terms of financial management human resources, auxiliary services, information communication and technology, and legal services.

The main services under this programme are as follows:

- To support the Executive Authority in providing strategic and political direction to provincial departments, public entities, as well as municipalities.
- To provide the MEC with technical support on the appropriation of revenue, to ensure equitable distribution among provincial departments.
- To render financial and supply chain management functions to the department.
- To provide human resource management functions to the department.
- To render legal professional guidance in operational matters of the department.
- To deliver auxiliary services to the department, such as the telecom system, transport fleet management and control of registry.
- To provide IT Management support to the department.

Tables 6.3 and 6.4 reflect a summary of the 2016/17 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 R15 million, 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	28 845			(1 300)		(1 500)	(2 800)	26 045
Head of Department	9 489			(500)			(500)	8 989
Chief Financial Office	30 560						-	30 560
Corporate Services	65 658			3 300	15 000		18 300	83 958
Total	134 552	-	-	1 500	15 000	(1 500)	15 000	149 552
Amount to be voted								15 000

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	124 060	-	-	1 363	15 000	(1 500)	14 863	138 923
Compensation of employees	79 466			(772)			(772)	78 694
Goods and services	44 594			2 135	15 000	(1 500)	15 635	60 229
Interest and rent on land							-	-
Transfers and subsidies to:	7 872	-	-	73	-	-	73	7 945
Provinces and municipalities	24						-	24
Departmental agencies and accounts							-	-
Higher education institutions							-	-
Foreign governments and international organisations							-	-
Public corporations and private enterprises							-	-
Non-profit institutions	3 370			23			23	3 393
Households	4 478			50			50	4 528
Payments for capital assets	2 620	-	-	64	-	-	64	2 684
Buildings and other fixed structures							-	-
Machinery and equipment	2 620			64			64	2 684
Heritage assets							-	-
Specialised military assets							-	-
Biological assets							-	-
Land and subsoil assets							-	-
Software and other intangible assets							-	-
Payments for financial assets							-	-
Total	134 552	-	-	1 500	15 000	(1 500)	15 000	149 552
Amount to be voted								15 000

Virement – Programme 1: Administration: R1.500 million

The department undertook virements in respect of Programme 1 resulting in a net increase of R1.500 million, as follows:

- The Office of the MEC sub-programme was reduced by an amount of R1.300 million, as follows.
 - Savings of R800 000 was moved from *Compensation of employees* due to the moratorium on the filling of non-critical posts to the Corporate Services sub-programme against *Goods and services* to cater for fleet services and operating leases that were higher than budgeted for.
 - Savings of R500 000 was moved within *Goods and services* due to cost-cutting in respect of travelling and subsistence. This was moved to the Corporate Services sub-programme (Legal Services) towards legal fees for additional legal expertise required by the department, which was higher than anticipated.
 - An internal virement was undertaken where savings of R23 000 were moved from *Compensation of employees* due to the moratorium on the filling of non-critical posts. These savings were moved to *Transfers and subsidies to: Non-profit institutions* to cater for donations made to various institutions such as schools and NGOs in line with the OSS programme that were not adequately budgeted for.
- The Office of the HOD sub-programme was reduced by R500 000 from *Goods and services* as a result of cost-cutting mainly in respect of travelling and subsistence, and the savings were moved as follows:
 - R200 000 was moved to the Corporate Services sub-programme (Legal Services) against *Compensation of employees* and R300 000 within *Goods and services* to cater for the shortfall as a result of an employee that was transferred from the Office of the MEC to Legal Services, as well as towards legal fees that were higher than anticipated, respectively.
 - An amount of R64 000 was moved within this sub-programme from *Goods and services* to *Machinery and equipment* to cater for the purchase of computers that was higher than budgeted.
- The Chief Financial Office sub-programme made one internal virement, with an amount of R50 000 being moved from *Compensation of employees* to *Transfers and subsidies to: Households* in respect of staff exit costs that were higher than budgeted.
- The Corporate Services sub-programme was increased by a net amount of R3.300 million as follows:

- o R1.500 million was moved from the Municipal Finance sub-programme in Programme 2 within *Goods and services* to cater for fleet services and operating leases that were higher than budgeted for. This resulted in the net increase for Programme 1 as a whole of R1.500 million.
- o R800 000 was moved from *Compensation of employees* to the Corporate Services sub-programme against *Goods and services* to cater for fleet services and operating leases that were higher than budgeted for.
- o R500 000 was moved within *Goods and services* to the Corporate Services sub-programme (Legal Services) towards legal fees for additional legal expertise required by the department, and was higher than anticipated.
- o R500 000 was moved to the Corporate Services sub-programme (Legal Services) against *Compensation of employees* (R200 000) and within *Goods and services* to cater for the shortfall as a result of an employee that was transferred from the Office of the MEC to Legal Services, as well as towards legal fees that were higher than anticipated (R300 000).
- o R99 000 was moved within the Corporate Services sub-programme from savings in *Compensation of employees* resulting from an Assistant Director post that was filled later than anticipated. This was moved to *Goods and services* to cater for the shortfall in bursaries for employees.

All of these virements are permissible in terms of the PFMA and the Treasury Regulations. Provincial Treasury approval for the increase of R23 000 against *Transfers and subsidies to: Non-profit institutions* was obtained.

Shifts – Programme 1: Administration: R15 million

A shift totalling R15 million was undertaken between programmes, where the original purpose of the funds remains unchanged. In this regard, a decision was taken by Provincial Treasury to separate Support and Interlinked Financial Systems and IT Management with the former remaining in Programme 3 and the latter moving to Programme 1. As such, R15 million was moved to Programme 1 under the Corporate Services sub-programme against *Goods and services*.

Other adjustments – Programme 1: Administration: (R1.500 million)

The MEC for Finance undertook at a Sub-committee on Major Events held on 10 August 2016, that R1.500 million would be suspended from Vote 6: Provincial Treasury to Vote 11: COGTA toward the Mandela Day Marathon event. As such, R1.500 million was moved from the Office of the MEC sub-programme against *Goods and services*. Savings were as a result of cost-cutting, mainly in respect of travelling and subsistence.

4.2 Programme 2: Fiscal Resource Management

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

The objectives and services of this programme are as follows:

- To ensure targeted financial resource allocation and utilisation that contributes to improved service delivery.
- To ensure efficient budget and expenditure management and accurate financial reporting by provincial departments and public entities.
- To co-ordinate and enhance revenue collection for sustainable service delivery to the citizens.
- To provide a platform to enhance regional economic growth and development through quality research.
- To ensure efficient planning and management of infrastructure in the province.

- To ensure efficient budget and expenditure management and accurate financial reporting for the delegated municipalities in KZN.
- To assist and provide technical support to delegated municipalities that are in financial distress in KZN.

Tables 6.5 and 6.6 reflect a summary of the 2016/17 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 R8 million, are provided in the following 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	2 970			195			195	3 165
Economic Analysis	24 715			(195)			(195)	24 520
Public Finance	14 190						-	14 190
Municipal Finance	61 181			(8 000)			(8 000)	53 181
Total	103 056	-	-	(8 000)	-	-	(8 000)	95 056
Amount to be voted								(8 000)

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	102 770	-	-	(8 098)	-	-	(8 098)	94 672
Compensation of employees	59 397						-	59 397
Goods and services	43 373			(8 098)			(8 098)	35 275
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	286	-	-	98	-	-	98	384
Buildings and other fixed structures							-	-
Machinery and equipment	286			98			98	384
Heritage assets							-	-
Specialised military assets							-	-
Biological assets							-	-
Land and subsoil assets							-	-
Software and other intangible assets							-	-
Payments for financial assets	-	-	-	-	-	-	-	-
Total	103 056	-	-	(8 000)	-	-	(8 000)	95 056
Amount to be voted								(8 000)

Virement – Programme 2: Fiscal Resource Management (R8 million)

The department undertook the following virements under this programme, which resulted in a net reduction of R8 million as follows:

- The Municipal Finance sub-programme was decreased by R8 million under *Goods and services*, with savings emanating from VAT review orders, which were issued for uMhlabuyalingana, Jozini, Ndwedwe and Pongola Municipalities, being delayed due to the service provider being in breach of the contracts as a result of failure to satisfactorily meet deliverables. These savings were moved as follows:
 - R1.500 million was moved to *Goods and services* under Corporate Services (Auxiliary Services) in Programme 1 to cater for fleet services and operating leases that were higher than budgeted, as previously explained.
 - R6.500 million was moved to Programme 4, of which R4.700 million was moved to the Assurance Services sub-programme to cater for performance audits arising from previous years' commitments, and R1.800 million was moved to the Forensic Services sub-programme to provide

for performance audit costs, as well as forensic investigations that were higher than budgeted for, and including commitments from the previous financial year.

- R195 000 was moved within *Compensation of employees* from the Economic Analysis sub-programme to the Programme Support sub-programme to provide for salary costs that were higher than budgeted.
- R98 000 was moved within the Public Finance sub-programme from *Goods and services* to *Machinery and equipment* to cater for the purchase of computers, which was higher than budgeted.

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

Service delivery measures – Programme 2: Fiscal Resource Management

Table 6.7 shows the service delivery information for Programme 2 as per the APP of Provincial Treasury, as well as the actual achievements for the first six months of the year. The department did not make changes to its service delivery measures and targets, as the 2016/17 *EPRE* is fully aligned to the department's 2016/17 APP.

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

Outputs	Performance indicators	Performance targets		
		2016/17 Original target	2016/17 Mid-year actual	2016/17 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 <ul style="list-style-type: none"> Produce 4 provincial departmental economic reports Produce 1 Socio-economic Review Outlook (SERO) Produce 1 Provincial Economic Review and Outlook (PERO) Produce 9 district socio-economic reports • To provide input into Overview of Prov. Revenue and Expenditure (OPRE) <ul style="list-style-type: none"> Input to OPRE submitted on time for tabling 	-	-
1.1.2	To provide a platform to enhancing regional economic growth and development	<ul style="list-style-type: none"> • To provide quality research for regional policy analysis <ul style="list-style-type: none"> Produce 5 economic research reports 	2	
1.2 Infrastructure				
1.2.1	Efficient infrastructure management in KZN that contributes to effective economic and social infrastructure	<ul style="list-style-type: none"> • Assessment report of User-Asset Management Plans (U-AMPs) <ul style="list-style-type: none"> Compile a consolidated assessment report on U-AMPs • Reports on implementation of the IDMS in KZN <ul style="list-style-type: none"> Produce 4 reports on the implementation of IDMS in KZN 	1	2
1.2.2	To facilitate implementation and institutionalisation of the IDMS in all KZN provincial departments and municipalities	<ul style="list-style-type: none"> • Reports on the infrastructure site visits conducted <ul style="list-style-type: none"> Submit 4 reports on the site visits conducted • Progress reports on infrastructure budgets and delivery plans using IRM data <ul style="list-style-type: none"> Submit 4 reports on the infrastructure expenditure KZN 	2	2
1.2.3	To assist and provide technical support to the development of the KZN Provincial Infrastructure Master Plan	<ul style="list-style-type: none"> • Estimates of Provincial Revenue and Expenditure (EPRE) <ul style="list-style-type: none"> Inputs into OPRE on time for tabling • Reports on support to develop the Prov Infrastructure Plan (IMP) KZN <ul style="list-style-type: none"> Produce 4 reports on the support to develop prov IMP • Reports on infrastructure funding mechanisms and opportunities to support the provincial fiscal framework <ul style="list-style-type: none"> Produce 4 reports on the infrastructure mechanisms in KZN 	-	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 <ul style="list-style-type: none"> 15 inputs completed 1 working day before MTEC as per budget process timetable • EPRE on time for tabling <ul style="list-style-type: none"> EPRE on time for tabling • AEPRE on time for tabling <ul style="list-style-type: none"> AEPRE on time for tabling 	15	-

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

Outputs	Performance indicators	Performance targets		
		2016/17 Original target	2016/17 Mid-year actual	2016/17 Revised target
2.1.2	Ensure efficient budget and expenditure management and accurate financial reporting for prov. govt. (incl. public entities)	<ul style="list-style-type: none"> Section 32 report (monthly provincial IYM report) Quarterly performance reports for departments 	12 (reports p/a submitted to NT by 22nd monthly) 3 quarterly performance reports	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 dept. revenue collection Revenue input into the publication of prov. budget documents 	4 forums per year 3 revenue quarterly performance reports Revenue input into OPRE and EPRE on time for tabling	- 2 -
2.3	Special Advisory Support Services			
2.3.1	Promote effective and optimal financial resource allocation for provincial 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 	Input to be submitted by due date as set by NT Report bi-annually for all listed public entities	PT input into 2016 DORA was submitted to NT by due date 1
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 	12 Section 71(6) reports 4 Section 71(7) quarterly budget performance reports, 45 days after end of quarter	6 reports 2 report
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 	8 municipalities to be supported through MSP	24 municipalities

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. The main services undertaken by this programme are:

- To ensure the effective and efficient management of assets and implementation of PPP projects.
- To realise the effective and efficient acquisition of goods and services for provincial government and to secure sound SCM for local government.
- To optimise liquidity requirements and maximise returns within acceptable levels of risk for provincial government and to secure sound cash management for local government.
- To ensure that financial reporting provides a full and true reflection of the financial position of the province and municipalities as prescribed, inclusive of the accounting responsibilities related to the PMG and IGCC account.
- To develop and implement financial and associated governance norms and standards, in order to enhance performance orientated financial results and accountability in provincial departments and municipalities as prescribed.
- To implement and support transversal financial systems across the province.

Tables 6.8 and 6.9 below reflect a summary of the 2016/17 adjusted appropriation of Programme 3, summarised according to sub-programme and economic classification. Details of the main adjustments, which resulted in an overall decrease of R58.774 million in the Main appropriation, are provided in the paragraphs below. As mentioned, funds were suspended from Vote 6: Provincial Treasury and allocated to Vote 1: Office of the Premier relating to the movement of both the KZNGBB and the administration unit dealing with gaming and betting with effect from 28 September 2016, as determined by Premier's Minute No. 2 of 2016. This is explained in greater detail under the *Other adjustments* section below.

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	
Cash Management & Liability	22 548			(5 000)		(5 000)	17 548
Public Private Partnerships (PPP)	8 288			(3 000)		(3 000)	5 288
Supply Chain Management	47 272			(8 000)		(8 000)	39 272
Financial Reporting	38 083			(4 136)		(4 136)	33 947
Norms and Standards	5 968			(800)		(800)	5 168
Support and Interlinked Financial Systems	129 914			(2 500)	(15 000)	(17 500)	112 414
Gaming and Betting	43 490			2 136		(22 474)	23 152
Total	295 563	-	-	(21 300)	(15 000)	(58 774)	236 789
Amount to be voted							(58 774)

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	259 821	-	-	(23 496)	(19 000)	(3 220)	214 105
Compensation of employees	69 393			(1 852)		(2 324)	65 217
Goods and services	187 154			(18 970)	(19 000)	(896)	148 288
Interest and rent on land	3 274			(2 674)		(2 674)	600
Transfers and subsidies to:	35 055	-	-	2 174	4 000	(19 254)	21 975
Provinces and municipalities						-	-
Departmental agencies and accounts	34 255			2 136	4 000	(19 254)	21 137
Higher education institutions						-	-
Foreign governments and international organisations						-	-
Public corporations and private enterprises						-	-
Non-profit institutions						-	-
Households	800			38		38	838
Payments for capital assets	687	-	-	22	-	-	709
Buildings and other fixed structures						-	-
Machinery and equipment	687			22		22	709
Heritage assets						-	-
Specialised military assets						-	-
Biological assets						-	-
Land and subsoil assets						-	-
Software and other intangible assets						-	-
Payments for financial assets						-	-
Total	295 563	-	-	(21 300)	(15 000)	(22 474)	236 789
Amount to be voted							(58 774)

Virement – Programme 3: Financial Management: (R21.300 million)

The virements undertaken under Programme 3 resulted in a decrease of R21.300 million against the programme, due to the following:

- The Financial Assets and Liability Management sub-programme was reduced by R5 million (R1.226 million from *Compensation of employees*, R1.100 million from *Goods and services* and R2.674 million from *Interest and rent on land*). This amount was moved to the Forensic Services sub-programme in Programme 4 against *Goods and services* to provide for outstanding commitments from 2015/16 in respect of forensic investigations that were higher than budgeted for.
- The PPP sub-programme was reduced by R3 million (R2.600 million from *Compensation of employees* and R400 000 from *Goods and services*). This amount was moved to the Forensic Services sub-programme in Programme 4 against *Goods and services* to provide for outstanding commitments from 2015/16 in respect of forensics investigations that were higher than budgeted for.
- R8 million was moved from the Supply Chain Management sub-programme within *Goods and services* attributed to savings that were realised due to the suspension of the e-Procurement Tool programme as a result of an ongoing audit of the system. This was moved to the Assurance Services sub-programme in Programme 4 to provide for performance audit costs that were higher than budgeted, as well as commitments from 2015/16.
 - Further to this, an internal virement of R1.400 million was undertaken. This was moved from *Goods and services* to *Compensation of employees* within the Supply Chain Management sub-programme to defray cost pressures relating to salaries of contract management employees.

- The Financial Reporting sub-programme was reduced by a net amount of R4.136 million against *Goods and services* mainly due to cost-cutting, as well as funds that were held on behalf of KZNGBB as follows:
 - R2 million was moved to the Forensic Services sub-programme in Programme 4 within *Goods and services* for forensic investigation costs that were higher than budgeted.
 - R2.136 million was moved within Programme 3 to the Gaming and Betting sub-programme against *Transfers and subsidies to: Departmental agencies and accounts*. These were funds held by the department on behalf of KZNGBB and were moved to the entity to cater for the increased board members fees, as well as the office accommodation for the entity. As mentioned, the KZNGBB and the Gaming and Betting administration unit have subsequently been moved to Vote 1 with effect from 28 September 2016, in line with the Premier's Minute No. 2 of 2016. This is discussed in more detail under the *Other adjustments* section in this programme. This increase in transfers was approved by Provincial Treasury.
 - Further to this, an internal virement of R1.312 million was undertaken. This was moved from *Goods and services* to *Compensation of employees* within the Financial Reporting sub-programme to defray cost pressures relating to Chartered Accountant students from the South African Institute of Chartered Accountants (SAICA).
 - An internal virement of R22 000 was undertaken. This was moved from *Goods and services* to *Machinery and equipment* within the Financial Reporting sub-programme to cater for the purchasing of computers, which was higher than budgeted.
- The Norms and Standards sub-programme was reduced by R800 000, of which R700 000 was from *Compensation of employees*, and R100 000 from *Goods and services*. This was moved to the Assurance Services sub-programme in Programme 4 to assist with previous years' commitments in respect of performance audits.
- The Support and Interlinked Financial Systems sub-programme was decreased by R2.500 million as a result of savings realised against computer services due to the relocation of the PERSAL mainframe from Pietermaritzburg to Pretoria, as follows:
 - R2.500 million was moved within *Goods and services* to the Special Projects sub-programme in Programme 5 to provide for the Legislature Complex and the PPP Government Precinct feasibility studies, which were undertaken in 2015/16 but funds were not rolled over.
 - Furthermore, R38 000 was moved within the sub-programme from *Compensation of employees* to *Transfers and subsidies to: Households* to cater for staff exit costs that were higher than anticipated.

These virements are permissible in terms of the PFMA and the Treasury Regulations. Provincial Treasury approval for increasing the transfer to the KZNGBB was obtained.

Shifts – Programme 3: Financial Management: (R15 million)

The shifts undertaken under Programme 3 resulted in a decrease of R15 million against the programme, due to the following:

- A shift amounting to R15 million was undertaken from this programme, where the original purpose of the funds remains unchanged. In this regard, a decision was taken by Provincial Treasury to separate Support and Interlinked Financial Systems and IT Management with the former remaining in Programme 3 and the latter moving to Programme 1. As such, R15 million was moved to Programme 1 against the Corporate Services sub-programme within *Goods and services*.
- An amount of R4 million was shifted within the Gaming and Betting sub-programme in Programme 3 from *Goods and services* to *Transfers and subsidies to: Departmental agencies and accounts* for transfer to KZNGBB due to a misclassification of budget when the 2016/17 EPRE was prepared.

Other adjustments – Programme 3: Financial Management: (R22.474 million)

An amount of R22.474 million was suspended from Vote 6: Provincial Treasury and allocated to Vote 1: Office of the Premier relating to the movement of both the KZNGBB and the administration unit dealing with gaming and betting with effect from 28 September 2016, as determined by Premier's Minute No. 2 of 2016. Similarly, the gaming and betting revenue budget calculated at R270.760 million is also moved between the two Votes. It must be noted that only the budget from 28 September onward is suspended, whereas the balance will remain with Vote 6 this year, as this Vote has incurred the related expenditure in the first half of the year. The full amount will be moved in 2017/18. This budget is moved from Programme 3 against *Compensation of employees, Goods and services*, as well as *Departmental agencies and accounts*.

Service delivery measures – Programme 3: Financial Management

Table 6.10 shows the service delivery information for Programme 3 as per the APP of Provincial Treasury, as well as the actual achievement for the first six months of the year. The department made a few minor changes to some of the targets in order to ensure alignment between the *EPRE* and the APP. These targets are shown under the "Revised target" column in the table. Note that a number of performance measures are no longer valid and these are indicated by "n/a" in the Mid-year actual and Revised target columns. It must also be noted that the targets relating to Gaming and Betting to be achieved after 28 September 2016, as determined by Premier's Minute No. 2 of 2016, were moved to OTP, in line with the movement of the KZNGBB and the administration unit, as mentioned above.

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

Outputs	Performance indicators	Performance targets		
		2016/17 Original target	2016/17 Mid-year actual	2016/17 Revised target
1. Financial Assets and Liability Management				
1.1 To assist departments in improving cash management	• Conduct tax information seminar annually	2 sessions	1 sessions	
	• Risk analysis per dept. to ensure compliance to tax legislation	56 reports	29 reports	
	• Provide quarterly assessment reports to depts. on status of bank related suspense accounts	56 assessment reports	28 compliance reports	
	• Review monthly bank reconciliations per dept.	168 reconciled bank reconciliations	84 reconciled bank reconciliation	
	• Produce quarterly reports on withdrawals on municipal bank accounts	4 reports on withdrawals from municipal bank accounts	2 reports	
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	• No. of seminars/workshops conducted for prov. depts., public entities, municipalities, and municipal entities	2		1
	• No. of reports for Provincial Treasury, management and NT PPP Unit	12		6
	• Contract management reports on closed deal	12		6
3. Supply Chain Management				
3.1 Support and monitor adherence of state institutions to SCM prescripts	• No. of SCM training sessions and information sessions conducted	Conduct 4 training, information sessions and workshops for state institutions 4 SCM forums for depts. and municipalities		10
	• No. of assessments	Conduct 60 SCM assessments in depts., municipalities and public entities and investigate complaints		52
	• No of reviews of the supplier registration form	Reviews and update supplier registration form		2
4. Financial Reporting				
4.1 To assist departments, municipalities and public entities in the attainment of a clean audit outcome for the province.	• Consolidated AFS for provincial depts. and provincial revenue fund	Audited Consolidated AFS for FY 2015/16 by 30 November 2016	n/a	n/a
	• Consolidated AFS for public entities tabled in Legislature	Audited Consolidated AFS for FY 2015/16 by 30 November 2016	n/a	n/a

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

Outputs	Performance indicators	Performance targets		
		2016/17 Original target	2016/17 Mid-year actual	2016/17 Revised target
	• Annual Financial Statements for the Revenue Fund tabled in Legislature	Revenue Fund for AFS for FY 14/15 tabled in Legislature by 30 November 2016	n/a Summary of Audit Outcome analysis on AG's audit report for provincial departments and public entities by 30 Sept 2016	n/a
	• Provincial Audit Outcome analysis for municipalities, departments and public entities	Summary of Audit Outcome analysis on AG's audit report for provincial depts. and public entities by 31 August 2016	n/a	n/a
	• AFS support and training to provincial departments	Summary of Audit Outcome Analysis on AG's audit report for municipalities by 28 Feb 2017	n/a	n/a
		1 AFS training workshop by 31 March 2017	n/a	n/a
		Pre-audit review in 15 departments by 31 May 2016	n/a	n/a
	• Financial Management Monitoring Support to public entities	Pre-audit review in 12 public entities by 31 May 2017	1 Pre audit review completed	n/a
		1 AFS training workshop for 12 public entities by 31 March 2016	n/a	n/a
	• Financial Management Monitoring Support to Municipalities	1 AFS training workshop for 58 municipalities by 30 June 2016	1 Asset workshop on GRAP standard for AFS/Audit readiness by 30June 2016 Pre-audit assessment report in 10 municipalities by 30 August 2016 Progress reports on intensive on-site financial management support to 10 municipalities within 10 days of every quarter end	
5. Norms and Standards				
5.1 To develop, facilitate implementation and monitor compliance with financial norms and standards in depts., municipalities and public entities	• No. of policies and practice notes developed and reviewed for depts. municipalities and their respective entities	48 instruction notes and policies developed and/or reviewed based on needs analysis	10 instruction notes, 6 standard operating procedure and 34 polices reviewed and 2 standard operating procedure and 8 policies developed	
	• No. of depts. assessed and monitored	All depts. assessed and monitored	All depts. assessed and monitored	
6. Support and Interlink Financial Systems				
6.1 To provide technical and functional support to supporting and interlinked financial systems	• No. of initiatives implemented	2	n/a	n/a
	• No. of policy reviews completed	4	n/a	n/a
	• No. of compliance reports completed	12	n/a	n/a
	• No. of information sessions conducted	4	n/a	n/a
	• Mean-time to resolve (MTTR)- Treasury	8 hr MTTR	2hr00min	
	• Percentage network uptime	99%	n/a	n/a
	• MTTR (transversal systems)	8 – 24 hr MTTR	n/a	n/a
7. Gaming and Betting				
7.1 Enhance the Gaming and Betting regulatory environment in KZN	• Amended KZN Gaming and Betting Legislation	Implementation of the 2016 Act and review of Regulations	n/a	n/a
	• No. of quarterly regulatory reports on Board activities	4 quarterly reports	2	2
	• 4 reconciled tax returns	4 reconciled tax returns	2	2
	• Functionality of the KZNGBB	4 minutes of Board meetings	3	3

4.4 Programme 4: Internal Audit

This programme consists of three sub-programmes, namely Assurance Services, Risk Management, and Forensics Services. The main purpose of the programme 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. The following services are rendered by the unit:

- To conduct risk assessments on behalf of the Accounting Officers and Chief Executive Officers of provincial departments and public entities, develop comprehensive risk profiles and recommend improvements on significant risk exposures for each client.
- To review accounting and management processes and systems of internal control for efficiency and effectiveness in terms of their design and operation and provide recommendations for improvement.
- To develop, facilitate implementation and monitor integrated risk management strategies and fraud prevention strategies.
- To conduct forensic investigations and facilitate prosecution, perform misconduct enquiries and recovery in liaison with other state law enforcement agencies.
- To provide training and development programmes in areas such as risk management, strategy development and management, project management, design and improvement of systems of internal control, financial management and reporting, leadership, forensic investigations, governance, etc.
- To provide a consulting function as per requests by relevant MECs and Heads of Departments.
- To prepare special reviews on computerised systems and performance.

Tables 6.11 and 6.12 reflect a summary of the 2016/17 adjusted appropriation of Programme 4, summarised according to sub-programme and economic classification. Details of the main adjustments, which resulted in an overall increase of R25.300 million, are provided in the paragraphs below the table.

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		
1. Assurance Services	65 275			10 500			10 500	75 775
2. Risk Management	56 408			(3 000)	(25 911)		(28 911)	27 497
3. Forensic Services				17 800	25 911		43 711	43 711
Total	121 683	-	-	25 300	-	-	25 300	146 983
Amount to be voted								25 300

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	120 683	-	-	24 964	-	-	24 964	145 647
Compensation of employees	71 173			(51)			(51)	71 122
Goods and services	49 510			25 015			25 015	74 525
Interest and rent on land							-	-
Transfers and subsidies to:	50	-	-	51	-	-	51	101
Provinces and municipalities							-	-
Departmental agencies and accounts							-	-
Higher education institutions							-	-
Foreign governments and international organisations							-	-
Public corporations and private enterprises							-	-
Non-profit institutions							-	-
Households	50			51			51	101
Payments for capital assets	950	-	-	285	-	-	285	1 235
Buildings and other fixed structures							-	-
Machinery and equipment	950			285			285	1 235
Heritage assets							-	-
Specialised military assets							-	-
Biological assets							-	-
Land and subsoil assets							-	-
Software and other intangible assets							-	-
Payments for financial assets							-	-
Total	121 683	-	-	25 300	-	-	25 300	146 983
Amount to be voted								25 300

Virement – Programme 4: Internal Audit: R25.300 million

The department undertook several virements from other programmes to this programme amounting to R25.300 million, as follows:

- The Assurance Services sub-programme was increased by a net amount of R10.500 million, as follows:
 - R13.500 million was moved within *Goods and services*, and was received from various sub-programmes in Programme 3 (R8.800 million), as well as from the Municipal Finance sub-programme in Programme 2 (R4.700 million), to cater for previous year commitments in respect of performance audits, as previously explained.
 - This was off-set by a movement of R3 million within *Compensation of employees* moved from this sub-programme emanating from savings in respect of low intake of internal audit learners due to cost-cutting as a result of the cost pressures in Internal Audit to the Forensic Services sub-programme to cater for salaries that were higher than budgeted for.
- The sub-programme: Risk Management was decreased by R3 million within *Compensation of employees* emanating from savings in respect of low intake of internal audit learners due to cost-cutting as a result of the cost pressures in Internal Audit, and was moved to the Forensic Services sub-programme to cater for salaries that were higher than budgeted for.
- The Forensic Services sub-programme was increased by a net amount of R17.800 million as follows:
 - R10 million was moved from various sub-programmes under Programme 3, as explained. This was moved to *Goods and services* to cater for forensic investigations from previous years but to be paid in 2016/17.
 - R1.800 million was moved from Programme 2 within *Goods and services* to the Forensic Services sub-programme to provide for forensic investigations that were higher than budgeted for, and includes 2015/16 commitments.
 - Further to this, an amount of R6 million emanating from savings in respect of low intake of internal audit learners due to cost-cutting as a result of the cost pressures in Internal Audit, were moved within *Compensation of employees* from the Assurance Services sub-programme (R3 million) and from the Risk Management sub-programme (R3 million) to cater for salaries that were higher than budgeted for.

The department also undertook two virements within the programme, as follows

- Savings of R51 000 were realised in *Compensation of employees* due to the moratorium of the filling of non-critical posts. These funds were moved to *Transfers and subsidies to: Households* for staff exit costs, which were higher than anticipated.
- Savings of R285 000 were realised in *Goods and services* due to cost-cutting. These funds were moved to *Machinery and equipment* for the purchase of computers, which were higher than anticipated.

It must be noted that the virement to the programme exceeds the 8 per cent permissible in respect of the receiving programme in terms of the PFMA and Treasury Regulations, therefore Legislature approval is required.

Shift – Programme 4: Internal Audit

A decision was taken by the department after that tabling of the *EPRE* to separate the forensic services function from the risk management function. As such, a new Forensic Services sub-programme was created and R25.911 million was moved to it from the Risk Management sub-programme. This movement did not affect any economic categories and the original purpose of the funds remains unchanged.

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 achievement for the first six months of the year.

The department did not make changes to any of its service delivery measures and targets, as the 2016/17 EPRE is largely aligned to the department's 2016/17 APP. However, a number of performance measures are no longer valid and these are indicated by "n/a" in the Mid-year actual and Revised target columns.

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

Outputs	Performance indicators	Performance targets		
		2016/17 Original target	2016/17 Mid- year actual	2016/17 Revised target
1. Assurance Services				
1.1. To provide an efficient, effective and economical assurance service	No. of Internal Audit operational plans and a rolling three-year strategic plan developed and approved	22	16	
	Annual Audit and Risk Committee report on clients' areas of risk management, governance and internal control submitted to MEC: Finance	1	-	
	No. of risk based audit reports including follow up audit reports and reports on financial, IT, performance and governance audits	176	63	
	No. of audit reports on predetermined objectives	22	n/a	n/a
1.2. To build and maintain client relationships	No. of meetings held between clients and the Cluster Audit and Risk Committee (CARC)	60	30	
1.3. To enhance capacity within and outside the unit	No. of training and development programmes attended	12	5	
	No. of internal and/independent external quality assurance reviews (QAR) conducted	1	n/a	n/a
2. Risk Management				
2.1. Promote good governance through effective risk management	Risk registers updated, biannually, for provincial departments, municipalities and public entities	100	36	
	Review risk management maturity of departments, public entities and municipalities, and assist with development of risk policies and procedures	50	-	
	Review and/or assist with development of Occupational Health and Safety programmes for departments, public entities and municipalities	40	15	
	Review and/or assist with development of governance Frameworks for departments and public entities	10	2	
	Review and/or assist with development of DPSA compliant IT Governance Framework, including BCP for departments, public entities and municipalities	40	4	
	Assist with provision of complex internal audit services/reviews provided to municipalities and municipal entities	15	1	
	Review of internal audit and audit committee practices of municipalities, and assist with closing of gaps	40	-	
	Risk and governance-related conferences/forums held for provincial departments, municipalities, and public entities	5	2	
	Best risk management/governance guidelines/transversal risk policies produced by the unit	1	-	
	Risk Management Information System developed and rolled-out to provincial departments, municipalities, and public entities	5	5	
	Review and/or assist with development of fraud prevention plans for provincial departments, municipalities, and public entities	70	15	
	Risk/governance-related training/awareness provided to risk officials of departments, municipalities, and public entities	40	31	
3. Forensic Services				
3.1. To promote a culture of zero tolerance for fraud and corruption	No. of forensic audits performed and investigations as per clients' requests and referrals from the Assurance team	40	22	
	Updated register of forensic investigations – MEC report	4	2	
	No. of follow-ups on completed investigations per institution	120	60	
	Development and roll-out of fraud case management system	1	n/a	n/a
	Update the fraud case management system with forensic investigations per provincial dept.	15	26	

4.5 Programme 5: Growth and Development

Programme 5 consists of two sub-programmes, namely Budget Communication and Special Projects. It makes provision for the MEC outreach programmes, PPP Government Precinct and Legislature Complex feasibility studies, and special projects approved by Cabinet.

Tables 6.14 and 6.15 below summarise the 2016/17 adjusted appropriation of Programme 5, summarised according to sub-programme and economic classification. Details of the main adjustments, which resulted in an overall increase of R2.500 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		
1. Budget Communication	3 526			(270)			(270)	3 256
2. Special Project	16 900			2 770			2 770	19 670
Total	20 426	-	-	2 500	-	-	2 500	22 926
Amount to be voted								2 500

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	20 426	-	-	2 152	-	-	2 152	22 578
Compensation of employees							-	-
Goods and services	20 426			2 152			2 152	22 578
Interest and rent on land							-	-
Transfers and subsidies to:	-	-	-	348	-	-	348	348
Provinces and municipalities							-	-
Departmental agencies and accounts							-	-
Higher education institutions							-	-
Foreign governments and international organisations							-	-
Public corporations and private enterprises							-	-
Non-profit institutions				348			348	348
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	20 426	-	-	2 500	-	-	2 500	22 926
Amount to be voted								2 500

Virement – Programme 5: Growth and Development: R2.500 million

The following virements were undertaken between programmes resulting in a net increase of R2.500 million as follows:

- Savings of R2.500 million were realised from the Support and Interlinked Financial Systems sub-programme in Programme 3 as a result of savings realised against computer services due to the relocation of the PERSAL mainframe from Pietermaritzburg to Pretoria. These funds were moved within *Goods and services* to the Special Projects sub-programme for the Legislature Complex as well as the PPP Government Precinct feasibility studies, which were undertaken in 2015/16 but funds were not rolled over.
- Savings of R270 000 were realised from *Goods and services* in the Budget Communication sub-programme, as a result of transport for public events being less than anticipated. These were moved to the Special Projects sub-programme against *Transfers and subsidies to: Non-profit institutions* to cater for a donation made to the Coastal Horse Care Unit to assist in constructing a training facility as this unit deals with horse rescue, education and rehabilitation relating to horses. It must be noted that this donation is more than R100 000 and therefore requires Legislature approval. The increase in transfers was approved by Provincial Treasury.
- An amount of R78 000 was moved within the Budget Communication sub-programme from *Goods and services* to *Transfers and subsidies to: Non-profit institutions* to cater for donations to schools and NGOs in line with OSS programmes that were not budgeted for.

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 contained in the EPRE is fully aligned with the APP.

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

Outputs	Performance indicators	Performance targets		
		2016/17 Original target	2016/17 Mid-year actual	2016/17 Revised target
5.1 To provide for 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	5	

5. Specifically and exclusively appropriated allocations

Table 6.17 below shows the amounts that are specifically and exclusively appropriated for specific purposes in terms of the KZN Adjustments Appropriation Act. Note that public entities (which are also specifically and exclusively appropriated funds) are not included, as they are discussed in Section 10.

The department did not undertake any adjustments against specifically and exclusively appropriated funds.

Table 6.17 : Summary of specifically and exclusively appropriated funding

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/ unavoidable	Virement	Shifts	Other adjustments		
1. Prog. 2: Improving infrastructure support	9 185	-	-	-	-	-	-	9 185
2. Prog. 3: Replacing Biometric Scanners	12 000	-	-	-	-	-	-	12 000
3. Prog. 5: IALCH floor repairs	3 000	-	-	-	-	-	-	3 000
Total	24 185	-	-	-	-	-	-	24 185
Amount to be voted								-

6. Gifts, donations and sponsorships

The department donated an amount of R270 000 to the Coastal Horse Care Unit. These funds will be used to assist in constructing a training facility as this unit deals with horse rescue, education and rehabilitation relating to horses. Provincial Treasury approval was obtained for the increase in transfers, but the donation requires Legislature approval as it exceeds R100 000.

7. Infrastructure

The department does not have any infrastructure projects in 2016/17.

8. Conditional grants

The department does not receive any conditional grant allocation.

9. Transfers and subsidies

Table 6.18 shows the summary of transfers and subsidies per programme.

The adjustments in *Transfers and subsidies* resulted in an overall decrease of R12.608 million, which is explained in detail in the paragraphs after the table.

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	7 872	-	-	73	-	-	73	7 945
Provinces and municipalities	24	-	-	-	-	-	-	24
Non-profit institutions	3 370	-	-	23	-	-	23	3 393
Financial Literacy Association	3 150	-	-	-	-	-	-	3 150
Donations (OSS)	220	-	-	23	-	-	23	243
Households	4 478	-	-	50	-	-	50	4 528
Other transfers to households	2 418	-	-	50	-	-	50	2 468
Thuthuka Bursary Fund	2 060	-	-	-	-	-	-	2 060
2. Fiscal Resource Management	-	-	-	-	-	-	-	-
3. Financial Management	35 055	-	-	2 174	4 000	(19 254)	(13 080)	21 975
Departmental agencies and accounts	34 255	-	-	2 136	4 000	(19 254)	(13 118)	21 137
KZN Gaming and Betting	34 255	-	-	2 136	4 000	(19 254)	(13 118)	21 137
Households	800	-	-	38	-	-	38	838
Staff exit costs	800	-	-	38	-	-	38	838
4. Internal Audit	50	-	-	51	-	-	51	101
Households	50	-	-	51	-	-	51	101
Staff exit costs	50	-	-	51	-	-	51	101
5. Growth and Development	-	-	-	348	-	-	348	348
Non-profit institutions	-	-	-	348	-	-	348	348
Donations (OSS)	-	-	-	78	-	-	78	78
Coastal Horse Care Unit	-	-	-	270	-	-	270	270
Total	42 977	-	-	2 646	4 000	(19 254)	(12 608)	30 369
Amount to be voted								(12 608)

- *Virement*: The overall increase of R2.646 million was moved from both *Compensation of employees* and *Goods and services*. These were moved to the following:
 - R139 000 was moved to Programmes 1, 3 and 4 against *Households* to cater staff exit costs that were not adequately budgeted for.
 - R371 000 was moved to *Non-profit institutions*, of which R270 000 was against Programme 5 for a donation made to the Coastal Horse Care Unit for the establishment of a horse training centre. As mentioned, this donation is more than R100 000 and therefore requires Legislature approval. The balance of R101 000 was moved to Programme 1 (R23 000) and Programme 5 (R78 000) for other donations to schools and NGOs made by the MEC in line with the OSS programme.
 - R2.136 million, which were KZNGBB funds that were held by the department in the Financial Reporting sub-programme in Programme 3, moved back to the entity against *Departmental agencies and accounts*. These funds will cater for the increased board member fees, as well as office accommodation for the entity.
- *Shift*: R4 million was shifted within the Gaming and Betting sub-programme in Programme 3 from *Goods and services* to *Departmental agencies and accounts* due to a misclassification of budget in respect of the KZNGBB when the 2016/17 EPRE was prepared. The purpose of the funds remains unchanged.
- *Other adjustments*: R19.254 million, being a portion of the transfer to the KZNGBB, was moved from Vote 6: Provincial Treasury and allocated to Vote 1: Office of the Premier relating to the movement of the KZNGBB with effect from 28 September 2016, as determined by Premier's Minute No. 2 of 2016. It must be noted that only the budget from 28 September onward is suspended, the balance will remain with Vote 6 this year. The full amount will be moved in 2017/18. This budget is moved from Programme 3 against *Departmental agencies and accounts*.

10. Transfers to public entities

Table 6.19 below reflects transfers made by the department to the public entity, KZNGBB.

It must be noted that the table excludes the allocation to the Gaming and Betting administration unit, and this resulted in a net decrease of R13.118 million.

Table 6.19 : Summary of transfers to public entities

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Unforeseeable/			Other			
		Roll-overs	unavoidable	Virement	Shifts	adjustments		
KZN Gaming and Betting Board	34 255			2 136	4 000	(19 254)	(13 118)	21 137
Total	34 255	-	-	2 136	4 000	(19 254)	(13 118)	21 137
Amount to be voted								(13 118)

- *Virement*: R2.136 million, which were KZNGBB funds that were held by the department in the Financial Reporting sub-programme in Programme 3, were transferred back to the entity to cater for increased board member fees, as well as office accommodation for the entity.
- *Shift*: R4 million was shifted within the Gaming and Betting sub-programme in Programme 3 from *Goods and services* to *Transfers and subsidies to: Departmental agencies and accounts* due to a misclassification of budget when the 2016/17 EPRE was prepared.
- *Other adjustments*: R19.254 million, being a portion of the KZNGBB, was moved from Vote 6: Provincial Treasury and allocated to Vote 1: Office of the Premier relating to the movement of the KZNGBB with effect from 28 September 2016, as determined by Premier's Minute No. 2 of 2016, as mentioned above. This was moved from *Departmental agencies and accounts* in Programme 3.

11. Transfers to local government

The amounts against *Provinces and municipalities* in Table 6.18 above cater for motor vehicle licences. These funds will not be transferred to any municipality, and therefore the table for transfers to local government has not been included.

12. Actual payments and revised spending projections for the rest of 2016/17

Tables 6.20 and 6.21 reflect actual payments as at the end of September 2016, projected payments for the rest of the year and the total revised spending in rand value and as percentage of Adjusted Appropriation per programme and economic classification. The tables also show the 2015/16 Audited outcome.

Mid-year expenditure for the vote as a whole compared to the 50 per cent straight-line benchmark was below target at 45.7 per cent, with three out of five programmes showing relatively low expenditure, as explained in detail below:

- After adjustments, Programme 1: Administration was, at 41.8 per cent of the annual budget, slightly lower than the 50 per cent straight-line benchmark, despite the expenditure relating to computer services as a result of the relocation of IT Management from Programme 3 to this programme, as previously explained. The budget and expenditure relating to this function are now reflected against this programme.
- Spending is still low despite the adjustments of budget in Programme 2: Fiscal Resource Management, which was at 43.6 per cent of the annual budget, slightly lower than the 50 per cent straight-line benchmark. There was low spending in respect of the Infrastructure Crack Team as a result of the streamlining of the deployments of the Infrastructure Support Team in order to achieve operational efficiencies. Moreover, spending on the MSP was far lower than projected, as a result of VAT review orders which were issued for uMhlabuyalingana, Jozini, Ndwedwe and Pongola Municipalities being delayed as the service provider was in breach of the contracts as a result of failure to satisfactorily meet deliverables, and this is currently being addressed.

Table 6.20 : Actual payments and revised spending projections by programme

R thousand	2015/16 Audited outcome	Adjusted appropriation	Actual payments		Projected payments		Projected actual
			April '16 - September 2016		October '16 - March 2017		
			% of budget		% of budget		
1. Administration	112 194	149 552	62 557	41.8	86 995	58.2	149 552
2. Fiscal Resource Management	84 294	95 056	41 451	43.6	53 605	56.4	95 056
3. Financial Management	276 560	236 789	122 783	51.9	114 006	48.1	236 789
4. Internal Audit	134 604	146 983	59 367	40.4	87 616	59.6	146 983
5. Growth and Development	33 395	22 926	11 793	51.4	11 133	48.6	22 926
Total	641 047	651 306	297 951	45.7	353 355	54.3	651 306

Table 6.21 : Actual payments and revised spending projections by economic classification

R thousand	2015/16 Audited outcome	Adjusted appropriation	Actual payments		Projected payments		Projected actual
			April '16 - September 2016		October '16 - March 2017		
			% of budget		% of budget		
Current payments	573 093	615 925	273 220	44.4	342 705	55.6	615 925
Compensation of employees	231 285	274 430	126 327	46.0	148 103	54.0	274 430
Goods and services	341 808	340 895	146 893	43.1	194 002	56.9	340 895
Interest and rent on land		600		-	600	100.0	600
Transfers and subsidies to:	53 573	30 369	22 623	74.5	7 746	25.5	30 369
Provinces and municipalities	10 501	24	8	33.3	16	66.7	24
Departmental agencies and accounts	32 534	21 137	20 112	95.2	1 025	4.8	21 137
Higher education institutions		-		-	-	-	-
Foreign governments and international organisations		-		-	-	-	-
Public corporations and private enterprises	4	-		-	-	-	-
Non-profit institutions	4 140	3 741	1 971	52.7	1 770	47.3	3 741
Households	6 394	5 467	532	9.7	4 935	90.3	5 467
Payments for capital assets	14 037	5 012	2 108	42.1	2 904	57.9	5 012
Buildings and other fixed structures	14 037	-		-	-	-	-
Machinery and equipment		5 012	2 108	42.1	2 904	57.9	5 012
Heritage assets		-		-	-	-	-
Specialised military assets		-		-	-	-	-
Biological assets		-		-	-	-	-
Land and subsoil assets		-		-	-	-	-
Software and other intangible assets		-		-	-	-	-
Payments for financial assets	344	-		-	-	-	-
Total	641 047	651 306	297 951	45.7	353 355	54.3	651 306

- After the relocation of the IT Management function, budget and expenditure to Programme 1, Programme 3: Financial Management was above the straight-line benchmark, with 51.9 per cent of the annual budget spent. Also attributing to this, was the filling of senior management posts such as Directors for Support and Interlinked Financial Systems, as well as Chief Director: Financial Reporting.
- After the adjustments of R25.300 million, necessitated by increased demand from client departments and public entities, mainly in respect of forensic services, auditing, etc. Programme 4: Internal Audit was, at 40.4 per cent, below the straight-line benchmark of 50 per cent.
- Programme 5: Growth and Development was, at 51.4 per cent, higher than the straight-line benchmark of 50 per cent, mainly due to a donation of R270 000 to the Coastal Horse Care Unit, as previously explained. Also contributing to the high spending were higher than anticipated invoices from the Department of Health (DOH) for the floor repairs at the IALCH, as well as the PPP exit strategy. Funding for the floor repairs is housed under Provincial Treasury in order to ensure adequate quality control verification, and proper financial control.

With regard to economic classification:

- Spending against *Compensation of employees* shows low spending at 46 per cent of the annual budget due to delays in the filling of various vacant posts, including the Directors: SCM (Asset Management and Loss Control), Accounting and Strategic Management, Support and Interlinked Financial Systems, PPP, as well as Chief Director: Financial Reporting. The post of Director: Support and Interlinked Financial Systems has since been filled, as has the Chief Director: Financial Reporting.
- There was low spending against *Goods and services* at mid-year at 43 per cent of the annual budget, mainly attributed to:
 - Savings on bank charges/interest due to the positive bank balance on the PMG account.
 - Lower than projected spending on subsistence and travel costs due to cost-cutting.
 - Lower than projected audit costs.
 - Lower than projected printing and publishing costs due to cost-cutting.
 - Slow spending on the Infrastructure Crack Team, as well as the MSP projects, as previously explained under Programme 2.

This low expenditure was offset to some extent by over-expenditure in respect of consultants employed with respect to auditing and forensic services due to increased demand.

- *Transfers and subsidies* was higher than the 50 per cent straight-line benchmark at 77.1 per cent:
 - *Provinces and municipalities* relates mainly to motor vehicle licence fees. Compared to the Adjusted appropriation of R24 000, an amount of R8 000 was spent, at 33.3 per cent of the annual budget. This was due to delays in the procurement of new motor vehicles and, as a result, licensing fees were lower than anticipated.
 - An amount of R20.112 million was transferred to the KZNGBB against *Departmental agencies and accounts*. As mentioned, the Gaming and Betting function moved to Vote 1: OTP as determined by Premier's Minute No. 2 of 2016, with effect from 28 September 2016.
 - The projections and expenditure reflected against *Non-profit institutions* largely relate to donations in respect of the OSS programme as well as the KwaZulu-Natal Financial Literacy Association (KZNFLA). This category was higher than the 50 per cent straight-line benchmark at 52.7 per cent, mainly because of the donation made to the Coastal Horse Care Unit.
 - Expenditure against *Households* (which mainly caters for staff exits/injury on duty and the Thuthuka Bursary Fund) was significantly low at 9 per cent of annual budget, due to lower than projected bursary payments towards the Thuthuka Bursary Fund. Expenditure on this item is normally high in the fourth quarter, when the new academic year begins.
- After adjustments necessitated by higher than projected expenditure on the replacement of computers and laptops, spending against *Machinery and equipment* was relatively low at 42.1 per cent of the annual budget.

The department is projecting a balanced budget at year-end after the adjustments have been undertaken.

Table 6.A : Summary by economic classification : Provincial Treasury

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
Current payments	627 760	-	-	(3 115)	(4 000)	(4 720)	(11 835)	615 925
Compensation of employees	279 429	-	-	(2 675)	-	(2 324)	(4 999)	274 430
Salaries and wages	248 161	-	-	(2 783)	-	(1 965)	(4 748)	243 413
Social contributions	31 268	-	-	108	-	(359)	(251)	31 017
Goods and services	345 057	-	-	2 234	(4 000)	(2 396)	(4 162)	340 895
Administrative fees	11 116	-	-	(1 117)	-	(21)	(1 138)	9 978
Advertising	2 415	-	-	569	-	(104)	465	2 880
Assets less than capitalisation threshold	869	-	-	6 829	-	(16)	6 813	7 682
Audit cost: External	6 991	-	-	-	-	-	-	6 991
Bursaries: Employees	250	-	-	319	-	-	319	569
Catering: Departmental activities	1 292	-	-	500	-	(351)	149	1 441
Communication (G&S)	3 362	-	-	155	-	(30)	125	3 487
Computer services	129 935	-	-	(8 668)	(4 000)	(5)	(12 673)	117 262
Cons & prof serv: Business and advisory services	117 273	-	-	4 408	-	(140)	4 268	121 541
Cons & prof serv: Infras and planning	-	-	-	-	-	-	-	-
Cons & prof serv: Laboratory services	-	-	-	-	-	-	-	-
Cons & prof serv: Scientific and tech services	-	-	-	-	-	-	-	-
Cons & prof serv: Legal costs	1 183	-	-	1 228	-	(52)	1 176	2 359
Contractors	18 170	-	-	(2 270)	-	(141)	(2 411)	15 759
Agency and support / outsourced services	360	-	-	-	-	(80)	(80)	280
Entertainment	23	-	-	-	-	-	-	23
Fleet services (incl. govt motor transport)	1 161	-	-	321	-	-	321	1 482
Housing	-	-	-	-	-	-	-	-
Inventory: Clothing material and accessories	-	-	-	-	-	-	-	-
Inventory: Farming supplies	-	-	-	-	-	-	-	-
Inventory: Food and food supplies	-	-	-	-	-	-	-	-
Inventory: Fuel, oil and gas	-	-	-	-	-	-	-	-
Inventory: Learner and teacher support material	-	-	-	-	-	-	-	-
Inventory: Materials and supplies	-	-	-	-	-	-	-	-
Inventory: Medical supplies	-	-	-	-	-	-	-	-
Inventory: Medicine	-	-	-	-	-	-	-	-
Medsas inventory interface	-	-	-	-	-	-	-	-
Inventory: Other supplies	-	-	-	-	-	-	-	-
Consumable supplies	684	-	-	-	-	(107)	(107)	577
Consumable: Stationery, printing and office supplies	2 544	-	-	145	-	(279)	(134)	2 410
Operating leases	16 057	-	-	(128)	-	(217)	(345)	15 712
Property payments	6 496	-	-	1 034	-	21	1 055	7 551
Transport provided: Departmental activity	1 102	-	-	5	-	(80)	(75)	1 027
Travel and subsistence	16 722	-	-	(1 241)	-	(476)	(1 717)	15 005
Training and development	2 571	-	-	183	-	(61)	122	2 693
Operating payments	2 695	-	-	214	-	(257)	(43)	2 652
Venues and facilities	1 786	-	-	(252)	-	-	(252)	1 534
Rental and hiring	-	-	-	-	-	-	-	-
Interest and rent on land	3 274	-	-	(2 674)	-	-	(2 674)	600
Interest	3 274	-	-	(2 674)	-	-	(2 674)	600
Rent on land	-	-	-	-	-	-	-	-
Transfers and subsidies to	42 977	-	-	2 646	4 000	(19 254)	(12 608)	30 369
Provinces and municipalities	24	-	-	-	-	-	-	24
Provinces	24	-	-	-	-	-	-	24
Provincial Revenue Funds	-	-	-	-	-	-	-	-
Provincial agencies and funds	24	-	-	-	-	-	-	24
Municipalities	-	-	-	-	-	-	-	-
Municipalities	-	-	-	-	-	-	-	-
Municipal agencies and funds	-	-	-	-	-	-	-	-
Departmental agencies and accounts	34 255	-	-	2 136	4 000	(19 254)	(13 118)	21 137
Social security funds	-	-	-	-	-	-	-	-
Entities receiving funds	34 255	-	-	2 136	4 000	(19 254)	(13 118)	21 137
Higher education institutions	-	-	-	-	-	-	-	-
Foreign governments and international organisations	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	-	-	-	-	-
Public corporations	-	-	-	-	-	-	-	-
Subsidies on production	-	-	-	-	-	-	-	-
Other transfers	-	-	-	-	-	-	-	-
Private enterprises	-	-	-	-	-	-	-	-
Subsidies on production	-	-	-	-	-	-	-	-
Other transfers	-	-	-	-	-	-	-	-
Non-profit institutions	3 370	-	-	371	-	-	371	3 741
Households	5 328	-	-	139	-	-	139	5 467
Social benefits	850	-	-	308	-	-	308	1 158
Other transfers to households	4 478	-	-	(169)	-	-	(169)	4 309
Payments for capital assets	4 543	-	-	469	-	-	469	5 012
Buildings and other fixed structures	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-
Other fixed structures	-	-	-	-	-	-	-	-
Machinery and equipment	4 543	-	-	469	-	-	469	5 012
Transport equipment	1 675	-	-	-	-	-	-	1 675
Other machinery and equipment	2 868	-	-	469	-	-	469	3 337
Heritage assets	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-
Land and sub-soil assets	-	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-	-
Payments for financial assets	-	-	-	-	-	-	-	-
Total	675 280	-	-	-	-	(23 974)	(23 974)	651 306
Amount to be voted								(23 974)