Gauteng Shared Service Centre

GAUTENG PROVINCIAL GOVERNMENT

UNITY IN DIVERSITY

2005


Gauteng
Shared
Service
Centre
"Alive
and
Well"

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Foreword by the MEC

We are expected annually to prepare a report that covers our activities for the period under review. The purpose is to measure progress and the speed within which the programmes outlined by government to give concrete expression to the aspirations of millions of people who gathered in Kliptown in 1955 are realised.

We are however faced with challenges that manifest themselves in various forms. This can largely be attributed to the leadership changes whilst the GSSC was going through transition. The ability of the current management to grapple with the complex challenges of a young organisation enabled us to respond to these challenges in a systematic manner. However, the challenge of management capacity remains.

We have responded with deliberate enthusiasm to the customer perception survey conducted last year, by developing action plans that respond directly to the strategic areas that need intervention. We are encouraged by the shift in mindset and cooperation that we get from entities. We have been guided in our partnership with entities by Service Level Agreements.

We have corrected the working conditions of employees and will continue to value our staff as a valuable asset in the GSSC. We will strive to create conditions that will make the GSSC an employer of choice. We have developed a framework for skills development processes which enable us to systematically develop our staff members. These interventions have resulted in noticeable improvements in the morale and motivation of our employees.

We are constantly improving our contact with our customers in various forms. The Contact Centre has momentarily responded to queries in a sustained manner whilst striving to improve on the challenges that confront it. We have greatly improved the licence booking process and, in turn, helped reduce corruption in this area.

We continue to record improvements in the manner in which the GSSC is procuring for entities. The confidence that is displayed by the entities that we serve enables us to address jointly some of the bottlenecks that stifle and compromise the quality of our service delivery. We have raised the bar on preferential procurement and BBBEE spend. We have introduced enabling procedures to ensure that the information relating to BBBEE spend in the entities is tracked and recorded accurately.

We will continue to respond timeously to IT instances that require our attention. We have championed the launch of the Gauteng e-Government Portal and other related projects with success. We are in a process of implementing the disaster recovery plan which will enable us to continue functioning in the event that we experience some catastrophe.

We continue to celebrate the achievements of the audit service we provide to the GPG. Our pride emanates from the fact that we have not disappointed our client departments in our quest to provide professional audit service to GPG.

Paul Mashatile
MEC-DFEA

We have responded with deliberate enthusiasm to the customer perception survey conducted last year, by developing action plans that respond directly to the strategic areas that need intervention.

Chief Executive Officer's report continued

In our last annual report, and during the Budget Vote on the Gauteng Shared Service Centre (GSSC) in this financial year, we mentioned that the GSSC is now fully geared towards permanence as an organisation that has matured from a "start-up" phase, through pilot status and now permanence.

In the last twelve months since our last Report, the GSSC has undergone far-reaching structural changes. The previous executive team has been replaced almost entirely by a new team. With the new team coming on board, a number of improvement initiatives have been undertaken to provide strategic focus and direction to the organisation on the one hand, whilst on the other hand operational aspects of the GSSC are being streamlined to ensure more efficient and effective service delivery to our immediate customers, the 11 GPG departments that we serve.

As we set out to implement some of the structural changes in the past year, our starting point was guided by a broad view of our challenges, conscious at all times that these multifaceted challenges can and do have serious consequences for the Gauteng Provincial Government's (GPG) capacity to deliver on its mandate to the citizenry. The basis of our approach is a commitment to preventing latent risks from becoming imminent and imminent risks from becoming actual, as well as an approach on when and how to embark on improvement initiatives if other measures fail to achieve our set objectives. Some of the initiatives that the new team embarked on include, but are not limited to the following:

- From a governance point of view, different levels of decision-making in the organisation were established. The Political Steering Committee (PSC) remains the policy-making body in the GSSC. In addition to this, we now have the Executive Committee (EXCO) whose main task is providing strategic direction and focus, resource mobilisation and effort coordination in the organisation. Furthermore, a Management Committee (MANCOM) was established and this body provides operational leadership on the implementation of the GSSC's strategic priorities and policies. At programme level, programme heads conduct at least one monthly meeting with their respective staff members so as to convey decisions taken at other GSSC decision-making bodies, but also to ensure that staff are afforded the space and opportunity to influence processes and inform decision-making at other levels.

- We have recently embarked on a GSSC strategy review process, the aim of which is to ensure our strategy is aligned with overall GPG strategic imperatives as defined in the Gauteng's Growth and Development Strategy (GDS); practically, the review process seeks to address the challenge of ensuring that our strategy becomes a living document that can dynamically guide our operational priorities.
- A number of internal policies have been formulated, adopted and implemented. These policies aim to give direction and certainty on a number of organisational dynamics that face us internally. Coming from a situation where we had virtually no policy in place to address specific issues, it is an achievement that we now have adopted and implemented a range of these policies. At the same time, we have succeeded in rationalising our payroll structure, thus bringing our staff onto a single payroll platform.
- Our people remain an important element of our overall focus. In order to gain a deeper understanding of organisational issues that confront our staff, but also to ensure that our responses to staff concerns are informed first and foremost by staff themselves, we undertook an employee perception survey. Management has studied the results of the survey and has to developed appropriate responses to issues of concern to our people. One of these responses entailed addressing the structural issue of a mismatch between remuneration and the roles and responsibilities carried out by staff members in the organisation.
- We could not have had a complete picture of concerns and challenges facing the GSSC without going back to our customers and ascertaining how they perceive the impact of our service delivery and interactions with them. A customer perception survey was thus undertaken, the result of which was a sober reminder of the huge

Our people remain an important element of our overall focus

but not insurmountable challenges that confront us as we continue to evolve and continuously seek to find ways that respond in concrete terms to what our customers need and rightfully expect of us as a centre of excellence.

- In a drive to be responsive and more proactive in engaging our customers, we have, amongst others, embarked on focused and structured interactions with our customers on a regular basis. These interactions have provided us with an opportunity to learn first-hand what it is that we are doing, or not doing, that leads to frustration on the part of our customers. On a more positive note, these interactions have enabled us, together with our customers, to develop a shared understanding premised on the belief that at this stage of the development of the GSSC, the various component parts of the Gauteng Provincial Government should not be allowed to pursue very different priorities or to work at cross-purposes. Our interests in the Province are deeply interconnected, and they feed off one another. Our ability, as a Province, to deal with today's challenges requires broad, deep and sustained cooperation from all of us.

The GSSC exists to enable departments to serve their clients better by providing undivided attention to what they, in the forefront of service delivery efforts, do best. Both our progress and mandates as a GPG department demand that we push forward the fight against poverty and unemployment, conscious that the one department's progress depends on and reinforces progress on the others.

Let me take this opportunity to express my gratitude to the new management team and staff at the GSSC who, individually and collectively, strive consistently to raise the bar of service delivery and excellence. Without your effort and dedication we could not have recorded the qualitative strides we have made; equally important, it is your effort and dedication that will ensure that we face current and future challenges head on and succeed in overcoming them. Now more than ever, I call on you to redouble your efforts.

In conclusion, it is worth repeating the strategic intent that informed the establishment of the GSSC: operational excellence. We defined this as the provision of routine, back-office services to our customers at the lowest cost possible, employing optimal processes and practices. In terms of realising this strategic intent, we have recorded some successes; we have a lot more ground to cover before we can assert without fear of contradiction that we have fully realised on the strategic intent that motivated the establishment of this organisation. On our part, we have put in place new mechanisms that must ensure that we translate our commitments into action. We believe our partner departments have come to a much deeper appreciation of what it takes for the GSSC to deliver; that their right to expect, and indeed demand, of the GSSC to deliver on its mandate, also carries responsibilities on their part. We are all in this together: our success, progress and capacity to deliver quality services to our people are indivisible.

AUDIT SERVICES

Internal Audit Services continues to break new ground in its fourth successful year of operation. The demand for its services has increased to such an extent that it warranted a rapid growth in the original structure as well as a strategic shift in its core focus areas.

This unit achieved the following in the 2004 /2005 financial year:

- Control Self Assessment (CSA) was introduced in 9 of the 12 GPG departments and their related entities during the year. This tool enables departments to assess their control processes and ensure good corporate governance as required by the PFMA.
- The traditional risk and compliance audit component achieved great success in 2004/ 2005. It managed to outperform the already stringent targets set, by exceeding the promised services in all except one GPG department.
- The Performance Audit component faired significantly well by achieving 110% of its target for the year as well as enabling the audited GPG programmes to initiate claims to recover R72 million in misspent funds.
- The Forensic audit section likewise exceeded the targets set for the year by achieving a success rate of 113%. Furthermore, the Unit enabled GPG to initiate claims to recover R24,5 million as a result of identified fraudulent activities in the province. In total GAS enabled departments to initiate recovery to the value of R96,5 million.
- Despite the challenges of recruiting and retaining the scarce computer audit skills, this unit still managed to achieve 100% of its targets for the year.

We will implement a new type of service to GPG in the form of transversal audits. Transversal auditing will encompass auditing one process from start to end simultaneously for all 12 GPG departments.

Chief Executive Officer's report continued

A budget of R3 million has been set aside for this purpose.

HUMAN RESOURCE SERVICES

Service delivered by this Unit has now reached a consistent standard and Service Level Agreement targets are mostly being met. HRS has also initiated programmes/intervention to address service delivery challenges and consolidate pockets of excellence. To date, the following has been undertaken:

- A complete automation of Source and Select's receipting and processing of CVs;
- The roll-out of Teleforms (automated leave administration) to remaining Departments: Health and Education; and
- A pre-submission audit function with Government Employee Pension Fund (GEPF) re: real time rejection and or clarification of pension mandates.

The above mentioned constitute the parts of the first phase for service delivery improvement, with particular focus on the Transactional functions.

PROCUREMENT

The Procurement Services business unit performs a critical function. The possibility for the GSSC to realise economies of scale for the GPG lies first and foremost within this unit.

In addition, our ability to realise BBBEE targets is dependent on the extent to which this unit drives and redirects Provincial spending patterns in line with our objective of broadening participation in the economic mainstream. The activities of this unit can and must be that bridge that connects the first and second economies in our country.

The immediate tasks facing the unit include:

- Improving and stabilising the payment process, particularly to SMMEs.
- Enhancing its role in gathering and analysing of information to enable GPG to establish departmental BBBEE and SMME spend targets, which would include information on benefits to businesses owned by women and youth.
- Improving the process of monitoring and reporting the departmental BBBEE and SMME spend results against targets.

TECHNOLOGY SUPPORT SERVICES

Technology is at the heart of creating efficient systems in the Province. Technology Support Services (TSS), is leading this very crucial process

The Disaster Recovery Plan and Business Continuity Plans will be in place by the end of January 2006. The Demilitarized Zone will be fully operational by the end of July 2005.

Information Security Policies, which are fundamental to the protection of our information systems , will be signed by the end of July 2005.

Procure to pay has been rolled out to approximately 46 sites to date. A project plan is being put together by the Procurement business unit to complete all the outstanding sites. The Technology support Services Unit will work with the Procurement Unit to ensure that this project is successful.

The e-Government programme is on target. The Contact Center went live in February 2004 providing Provincial services to GPG employees, businesses and citizens. We then went live with the License booking service which is a perfect example of how Provincial and Local Government can collaborate to improve service delivery. The Centre now provides

Technology is at the heart of creating efficient systems in the Province.

services to the Bana Pele programme which was launched on the 1st of June 2005 and has expanded to include the provision of services to SMMEs .

The Contact Centre capacity will gradually be increased to accommodate other departmental services such as the Liquor License enquiry call centre, Consumer affairs, the Health Departments' Patients complaints and Department of Public Transport, Roads and Works transport information system.

We are looking at decentralising the Contact Centre and creating jobs in those areas that have been identified as economically depressed such the Sebeng area. The aim is to consolidate all Departmental Contact Centre services into a single GPG Contact Centre in order to decrease costs and increase efficiencies.

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Systems availability has improved gradually since we started stabilising our systems and applications. Our service level agreements with client departments is 95% availability and we have been averaging around 99% for the year and hope to improve even further.

The GPG platform transformation is on track and over 65% of all GPG computers have been transformed. A complete upgrade to Windows 2003 for all departments will be complete by December 2005.

FINANCE SERVICES

There has been a marked improvement in the channels of communication between the department and all entities, although there is still room for significant improvement.

The accounting backlogs have been effectively eliminated and the clearing of the suspense accounts will continue to require our attention.

We have successfully implemented the Electronic Journal (E-Journal project) at the GSSC and the rollout will commence during the coming year.

We are in the process of streamlining processes and improving service delivery in the area of accounts payable by reviewing dependent systems, mainly BAS and processes related to procurement.

The debt collection process has been intensified and is reviewed on a monthly basis. During the past year we have collected R22,416 million in cash and reduced the overall legacy debt by R38,189 million which consists of both cash and authorised write offs.

We are still on course to collect and phase out old legacy debts within the agreed period. The controls and procedures for collection of the legacy and new ex-employee debt is in place and the debt administration system and processes are regularly reviewed for improvements.

The balance outstanding on employee related debt has been reduced from R15 million in 2004 to R9.2 million at the end of March 2005.

We are continuing to experience problems with respect to issues related to the 3 month temporary teachers' employment by the Department of Education. We have, however, in co-operation with the department minimised the extent of the problems and there was improvement over the previous financial years.

We have successfully rolled out our "Tax Help Desk" services to GPG employees whereby assistance is granted to employees for the completion of tax returns and the claiming of allowances and deductions as prescribed by the Tax Act.

The Financial Services unit has assisted significantly in the rollout of the Standard Chart of Accounts for the GPG in line with Provincial Treasury requirements. Training services on BAS and Persal use has also been stepped up during the year in addition to basic Financial Management training for purposes of effective use of the application systems.

Mike M Maile
Acting Chief Executive Officer

Report on the delivery of services

GAS aims to provide a full range of internal audit services to all GPG Departments

Programme 1: GAUTENG AUDIT SERVICES

Strategic Objectives

The main aim of GAS is to provide world-class service in corporate governance, integrated risk management processes and best practices, to maintain an efficient and effective internal control environment.

GAS aims to provide a full range of Internal Audit services, to all GPG departments. The services are:

Risk and compliance audit

- Evaluates the department's control environment and makes performance improvement recommendations thereon.
- Evaluates a department's level of compliance with legislation, regulations, policies and procedures.

Forensic audit

- Assists the Accounting Officers in discharging their responsibility of actively preventing, detecting and investigating fraud.

Special resolutions unit

- Facilitates the actioning of recommendations of the forensic reviews.
- Administers the GPG fraud hotline and creates awareness of fraudulent activities and control processes across government.
- Acts as the implementing agent for the Provincial Anti Corruption strategy.

Computer audit

- Evaluates a department's general computer environment, specific applications and new systems being developed.

Performance audit

- Assists managers to assess the effectiveness, efficiency and the economical viability of any specific system or project.

Control self assessment unit

- Implements control self assessment (a risk management tool) throughout the Province.
- Assists management of each Department in the Province in updating their risk assessment.

Transversal audits

- Encompasses auditing one process from start to end simultaneously for all 12 GPG departments.
- Perform trend analyses and analytical review on behalf of departments

Programme Overview

Even though this division has been fully operational since 2001, it still has limited resources. Right from the start, it was envisioned that a phased approach would be followed in staffing the division. Although this approach was taken, the division did not manage to achieve its set targets for acquiring the resources. Even taking this into consideration - all targets for the year were achieved – by outsourcing some of the work and achieving more work with existing resources.

Currently, GAS is fully operational within the given resource constraints. GAS has initiated the implementation of the Special Resolutions Unit (SRU) to assist Accounting Officers in following through on recommendations of the forensic reviews. The SRU being operational for a few months in the year managed to perform several awareness workshops and assist in carrying out criminal and disciplinary action against several Government officials.

During the coming year the division will perform more than 390 audits on areas identified as high risk by the various departments. Areas that have already been highlighted by the Auditor General will also be targeted. We aim to ensure that no department receives an Auditor General qualification in respect of an area that has been audited by GAS during the year.

GAS will further continue with the implementation of various personnel development programmes during the year. The aim of these programmes will be to assist departments by equipping them with adequately trained staff in the financial and internal auditing environment. A formal recruitment, training and learnership policy will be developed and implemented in this regard in the forthcoming year.

Report on the delivery of services continued

Risk and Compliance Audit

The 2004-5 year was the third year that this unit performed against the set audit plan as approved by the various Departmental audit committees.

For the year under review the unit managed to achieve 100% of its stated audit coverage for the year in respect of all GPG Departments with the exception of one Department. This was achieved even though problems in recruitment for outstanding positions, as well as bedding down the knowledge acquired by staff during the previous year was experienced. We anticipate doing the same during the 2005-6 year and conduct 224 risk and compliance audits.

Forensic Auditing and Special Resolutions Unit

The unit provides services related to the prevention, detection, reporting, investigation and resolution of incidents of fraud and corruption. The unit manages the GPG Anti-Fraud and Corruption Hotline Facility for the province. This service provides whistle-blowers with the opportunity to report improper or fraudulent activities anonymously – 24 hours per day – via phone, fax or e-mail in 6 of the official languages. The unit exceeded its target in the previous year by conducting 113% of the target projects.

Forensic Audit initiated a new Special Resolution unit (SRU) responsible for liaison between the various role players with regards to criminal, civil and disciplinary matters to ensure successful resolution of forensic audit related matters. This was done to close the loop on investigations – to assist with the process all the way to the end. The objective is to increase the possibility of a successful and expeditious resolution of these matters. This unit performed exceptionally well in the first few months of operation by enabling GPG to initiate claims to recover R24,5 million as a result of fraudulent activities identified in the Province.

The unit plans to conduct 131 audits and assist the Accounting Officers to effectively resolve fraud and corruption related matters. The Anti-Corruption and Fraud Prevention component plans on targeting 95% of GPG employees for fraud awareness.

Computer Auditing

Even though this unit is operational, it has extremely limited resources. This is due to the severe lack of specialised IT audit skills in the country, resulting in these limited human resources only being available at a high premium. As a result, GAS has embarked on a programme to train internal staff to fulfil this role, and is still not fully capacitated.

Despite the above limitation, the unit managed to complete 100% of the previous years target and plans to conduct 24 audits during the next year. This will enable departments to better understand their IT environments, and improve on their own service to internal customers.

Performance Audit

The Performance Audit unit has successfully concluded 7 Performance audits and enabled the GPG Departments to initiate the recovery of R72 million in misspent funds. This unit plans to increase this output by 100% in the following year and conduct 14 performance audits.

Control Self Assessment

In order to allow large entities, such as various hospitals, to be equipped with their own risk assessments – the unit has rolled out CSA (control self assessment). This allows officials to be fully informed with regard to their responsibilities - and to be equipped to measure their performance against peers in similar units such as hospitals, schools and pension pay-points.

This unit has rolled out the CSA tool at 9 of the 12 GPG departments in the previous year and will continue to extend the use of this tool during the coming year to the all GPG departments.

Report on the delivery of services continued

Performance against output targets

Outputs	Indicators	Targets	Actual results	Notes
Perform risk, forensic, performance and computer audits	No. of audits performed vs approved annual audit plans	100%	105%	1
Risk assessments	No. of assessments facilitated – department level	12	9	2
Control Self Assessment	No. of departments where CSA was successfully implemented	12	9	2
Auditor General reliance	No. of departments where AG relies on GAS work	12	12	
Forensic Audits resulting in criminal and disciplinary cases	No. of investigated cases accepted by SAPS and/or the relevant HOD for investigation/action	18 criminal 35 disciplinary 12 civil	36 35 14	
Fraud prevention plans and hotline	No of GPG employees made aware of fraud prevention plans and hotline	112 awareness sessions 95% GPG staff	128 87%	3
Learnership programmes	No. of staff trained on learnership programmes	15 (TOPP) 15(IIA)	15 (TOPP) 20 (IIA)	
Participation in Industry	No of committees served	4	7	
	No. of key note addresses by management	4	9	
	No of public participated workshops facilitated by management	2	4	

Notes:

1. The targets were exceeded as planned for forensic, computer and risk. Only the audit plan for 1 out of the 12 departments for risk audit was not achieved. This was due to the shortage of resources in the unit. The internal audit industry continues to demand more skill than is available and as such resource retention is still a major challenge for the unit.
2. The CSA process and risk facilitation was not rolled out to 3 departments due to lack of management buy- in to the process. The unit will implement plans to ensure that full buy-in across all GPG Departments is obtained.
3. The Special Resolutions unit is fairly new. The target of 95% awareness creation was not achieved due to the inability to meet the resource targets.

Outlook for the Year Ahead

GAS will focus on the following key initiatives:

- A new component called "Centre of Excellence" will be established to take charge of the quality control, co-ordination and development aspects for GAS. This component will also perform audits of a transversal nature and monitor the overall management of projects.
- The unit plans to perform 224 risk audits on areas identified as high risk by the GPG Departments.
- GAS will realign its focus in terms of concentrating more on performance audits on departmental programmes and as such will perform in excess of 14 performance audits in the year. The performance audit unit will be further capacitated in this regard.
- GAS will give priority to resourcing the Computer Audit component to enable the component to conduct 24 computer audits.
- Areas that have been highlighted by the Auditor General will be targeted to ensure that no Department receives an AG qualification in respect of an area that has been audited by GAS during the relevant year.
- Forensic Audit plans to conduct 131 forensic reviews which is anticipated to result in 54 disciplinary, 48 criminal and 27 civil cases.
- The Special Resolutions Unit (SRU) aims to target 95% of the GPG employees for awareness by conducting approximately 112 awareness sessions related to fraud prevention. This unit will also update 12 fraud risk profiles and conduct 12 fraud prevention plan audits for the year.
- The CSA unit intends on conducting 161 CSA workshops and facilitating the update of 12 risk assessments for the year.
- In respect of the learnerships the unit aims to implement the Forensic Learnership programme and increase the number of total learners on GAS learnerships by at least 10%.

PROGRAMME 2: HUMAN RESOURCES SERVICES

Strategic objectives

- To render a responsive and cost effective recruitment processing service to the Gauteng Province.
- To administer all Human Resource (HR) conditions of service timeously and accurately.
- To provide a personalized HR administration service to the GPG senior management.
- To provide specialised HR Consulting services, which include:
  - A Provincial Employee Assistance Programme (EAP);
  - Learning and Development;
  - Organisation Design, Development, Job Evaluation and Establishment administration;
  - Policy Development and HR Communications;
  - Labour Relations advice and support
- To establish a benchmark for HR services in the public service. This will include the effective utilisation of technology to render services, enhancing perceived value in HR services and offering best practice systems and frameworks for application across the Province.

Programme overview

The 2004/2005 year was the second year in which HR Services operated at full service capacity for the entire financial year. The year focused on enhancing services, reporting against Service Level Agreements, reviewing our Service Level Agreements and re-organising the Business unit for improved service delivery.

In the Transactional Services, the roll-out of automated leave processing has been completed at 1 hospital, at Education Head Office and 1 District, and at all other Departments. The rollout to the remaining entities will be completed once these entities have suitable fax machines.

The Recruitment sub-unit, Organisation Design and Learning and Development have been re-organised to address customer needs more effectively.

Personnel administration for GSSC and Johannesburg hospital on SAP went live on 1 April 2004. In August, payroll went live. All master data and payroll dates are dual captured on SAP and Persal for the GSSC and Johannesburg Hospital.

The application of technology to improve service delivery and efficiency will increase. Training continues to receive significant focus, with the emphasis remaining on consulting skills, customer service skills and leadership competence.

Transactional services

Notable achievements for 2004/2005 are:

- 917 762 HR administration transactions completed, compared with the anticipated 600 000;
- The automated leave capturing service has been implemented at all Departments (limited to 1 hospital in Health and 1 District and Head Office at Education). This has contributed to productivity savings;
- 16 332 termination transactions have been processed, which is a 55% increase from last year's total transactions
- 4 167 SMS HR transactions have been completed.
- 10 284 vacancies advertised, compared to the anticipated 10 000, and 532 679 CVs processed.

Consulting services

Inter alia:

- Generation of 7 105 HR Information reports – against a planned 3 600;
- Evaluation of 651 jobs;
- 9 change diagnostic exercises and 8 Organisation Development interventions conducted
- 23 584 establishment (organisational) changes on PERSAL;
- Training of 25 153 GPG employees;
- Handled 1040 Industrial Relations cases
- 70 % of GPG employees accessing the full suite of EAP services, in 10 Departments.

To report on the delivery of the HR Services unit in more detail, key measures per service unit have been extracted below from the 2004/2005 business plans, and reported against actual performance.

Report on the delivery of services continued

Performance against planned output targets:

		Actual performance against target	
Outputs	**Indicators**	**Targets**	**Results**
Establish Core Services	Transaction turn-over time	100% of service measures	– Source and Select – 100% – Reward and Retain – 95% – Terminations – 60% – SMS – 100% – Job Evaluations – 95% – Est. Administration – 100%
	Recruitment	Up to 10 days to place vacancies in the media	– 100% placements within 10 days
	HR administration	Up to 5 day turnaround time	– 95% achievement of the 5 day turnaround time
	Terminations	Cases processed on system – 2 days Paid cases to GEPF – 60 days Cases forwarded to GEPF – 14 days	– 92% within 2 days on the system – 75% within 60 days pension paid – 52% within 14 days to GEPF
	Exit interviews conducted	Completed for 100% of all exits	– 29% – not informed on time, already gone, etc.
	Generic training	22 products (programmes) offered	– 23 programmes offered
	HR Development	12 interventions	9 achieved within SLA
Implementation of the Consulting services	Organisation Development	10 Diagnostic exercises conducted 40 OD interventions	9 Diagnostic exercises (90% achievement) 8 OD interventions (20% achievement)

		Actual performance against target	
Outputs	**Indicators**	**Targets**	**Results**
Implementation of the Consulting services	Organisation Design	40% of 1 392 (levels 9-16) evaluated Re-alignment of organisation structures to Departmental strategies (30% = 4)	30% (412) of the target has been reached 100% (4 Departments have been restructured)
	Employee Relations	Access to services – 50% of GPG	70%
		EAP line management training – 1 000	1 206 line managers trained
		1200 misconduct and dispute cases	1 040
		30 days turn around times	65 days
		1 000 line managers trained on LR	764
	Policy Planning	100% policy requests	100% achievement
Efficient HR Service Delivery and integrated HR Management Systems	Automated leave processing	All entities	1 hospital, Education head office and all other Depts
	SAP functionality on desktops	Implemented at pilot sites	100%
Improved Human Resources	Skills gap – No. of transversal needs addressed	Delivery of top 40% needs identified by most Departments	– Top 5 needs identified – IT, Leadership, Customer Service, Finance, Project Management – Delivery was not measured for the period
		30 000 employees trained	– 25 153 directly offered

Report on the delivery of services continued

There will be focus on skills development within the HR Services unit.

Outlook for the year ahead

HR Services will focus on the following key initiatives:

- Continued focus on skills development within the HR Services unit – this will include customer service skills, consulting behaviours and process management skills training. Technical (or job specific competencies) will remain a priority in terms of the HR Services team's development plans.
- Building Client Relationship Management and reporting capacity in the Business Unit – forging closer and improved relationships with clients. Continuous feedback from clients for performance improvement.
- Aggressively drive process improvements through automation of services – specifically in the HR Administration service units. Also broaden the range of services, where this supports the Provincial imperatives.
- Implementation of Computerised Injury on duty system
- Implementation of an Industrial Relations system.
- Implementation of e-learning
- Full roll-out of the Provincial EAP service.
- Implementation of e-recruitment
- Fully automated processing of applications (scanners and DMCS customised software)
- Roll-out of increased SAP functionality.
- Structuring of Middle Management Services (MMS)

PROGRAMME 3: PROCUREMENT SERVICES

Procurement's Strategic Goals and Objectives linked to the BSC

GSSC Procurement	Basic Strategic Objectives
1. Strategic Sourcing	1.1 Develop commodity strategies via the Value teams investigations to set savings targets for each commodity starting with the top 20 spend items 1.2 Develop a Vendor Management process, linked to the Pre-qualification and Accreditation process 1.3 Develop a system-based catalogue of goods and services on SAP
2. Vendor Management	2.1 Prequalification and accreditation of vendors – Implement Pre-qualification and Accreditation process, focusing on the Enablement Plan targeted commodities. 2.2 BEE Policy – Prepare a GPG BEE Policy with BBBEE definitions, linked to the accreditation process. 2.3 BEE baseline and targets – Establish baseline departmental BEE spend as a starting point for departments to set their departmental BEE targets. 2.4 BEE spend – Increase BEE spend as 0%of overall spend and implement tracking mechanism to monitor BEE spend against targets, throughout GPG. 2.5 SAP system roll out, migration and user support – ensure electronic communication between entities and GSSC Procurement and project manage the migration of the balance of 44 entities, including roll out of SAP and user support of RLSs
3. Purchasing	3.1 Cycle times – Develop and maintain World Class Cycle Times in the public sector 3.2 Enablement – Establish transversal Term Agreements to ensure procurement Enablement Plan by increasing the spend though term agreements 3.3 Tracking vendor performance – Implement Vendor Management on transversal Term Agreements to monitor Prices, quality and on time deliveries
4. Procurement Support	4.1 Provide efficient secretariat services the DAC's of the GPG departments and the Provincial AC Supply Chain Forums. Minutes drafted and distributed against agreed timelines. 4.2 Provide Tender Administration services and after closure of RFP's, conduct Admin Compliance against agreed timelines and ensure Compliance.
5. Supply Chain Management	5.1 Service delivery improvements – Improve the delivery lead times from central Distribution Centre to institutions 5.2 Stock availability and holding – Improve stock availability at the Distribution Centre

Sub-program 1: Strategic Sourcing

Outputs	Performance indicators	Target	Results	Notes
1. Strategic Sourcing ***1.1 Sourcing Strategies*** Develop commodity strategies via Value Team investigations commodity, starting with top 20 spend items	Top 20 spend items to set savings targets per with end-user participation	Train participants in Total Cost of Ownership (TCO) principles 5% of top 20 spend items covered by Value Teams	17% of 20 top spend items achieved	Target achieved
1.2 Content and Catalogue Management (previously part of sub-programme 4) Develop a system-based catalogue of goods and services on SAP	Commodity items on SAP catalogue	20 000 commodity items on SAP catalogue	14 228 items catalogued on SAP	Note 1.1

Note 1.1
Target of 20,000 was not met due to a QA backlog between eCats and SAP created by a capacity constraint in the Unit.

Sub-program 2: Vendor Management and Development

Outputs	Performance indicators	Target	Results	Notes
2. Vendor Management and Development				
2.1 SAP roll out to migrated entities				
Ensure electronic communication between migrated entities and GSSC Procurement in terms of REQs and GRs	SAP system roll out and user training and support at identified RLSs	GSSC Cockpit established to act as remote RLS for non-SAP migrated entities	Target achieved	Note 2.1
		System roll out to balance of 35 identified migrated entities	33 of the 35 sites have gone live on SAP	Note 2.2
		System roll out to identified new migrated entities (43)	Refer to note	
		User training and support	Target achieved	
2.2 Migration of remaining entities to GSSC Procurement				
Project manage the migration of the balance of 43 entities to GSSC Procurement, including roll out of SAP and possible co-location of GSSC staff in support of new RLSs	Migration of entities to GSSC Procurement	Migration of balance of 43 entities to GSSC Procurement	Refer to note	Note 2.2
2.3 Pre-qualification and accreditation process (previously sub-programme 2)				
Implement pre-qualification and accreditation process, focusing on the Enablement Plan targeted commodities	Pre-qualify vendors aligned with Enablement Plan for new Term Agreements (TAs) and Value Team focus areas	5% of vendors pre-qualified by time of bidding for TAs/ Value Team investigation (COE implementation postponed – target restated)	9% pre-qualified 80% accredited	Note 2.3

Outputs	Performance indicators	Target	Results	Notes
2.4 BEE Development (previously sub-programme 5)				
2.4.1 BEE Policy				
Develop a BEE Policy for GPG, linked to the accreditation process	BEE Policy with empowerment definitions	Policy and procedure refinement	Refer to notes	Note 2.4
2.4.2 BEE baseline and targets				
Establish baseline departmental BEE spend as a starting point for departments to set their departmental BEE targets	Baseline departmental BEE spend	Departmental BEE baseline spend determined	Refer to notes	Note 2.5
	Facilitate setting of departmental BEE spend targets	Departmental BEE targets set before year-end for next financial year	23,09%	Note 2.6
2.4.3 BEE spend				
Increase BEE spend as % of overall spend	Implement tracking BEE spend against targets	5% increase in BEE spend through GSSC		

Note 2.1

Two Gauteng Department of Education District Offices have not gone live on the SAP system as both these offices were set to move to new buildings.

Note 2.2

The migration of functions to the GSSC of the remaining 43 entities was put on hold and will restart during the 2005/6 financial year.

Note 2.3

A new differentiated pre-qualification and accreditation approach, (based on value and volume spent via specific vendors), was researched during Q2. As a result of the above the output as well as the target was restated with effect from Q3.

Note 2.4

As a result of a functional shift the responsibility for BEE Policy Development was assigned to DFEA. The GSSC team has however, worked closely with the above department assuming a support responsibility.

Note 2.5

The tracking of Institutional BEE spend for the 58 migrated sites was completed and monthly BEE spend reports were prepared. A baseline for all GPG sites (2003/4), was established through a process of extrapolation utilising BAS payments data. As approximately 20 000 vendors had been paid it was decided to focus on the 80% of the spend that went to 20% of vendors. The extrapolated BEE percentage spend calculated is 45,5%.

Note 2.6

There was a 25% drop in the BEE spend which may be attributed to the fact that a major expenditure item of the GSSC for the fiscal year was on capital equipment which was purchased from OEMs, with a minimal BEE component (between 5% and 15%). The previous years' expenditure in respect of BEE was also higher in view of the fact that the Strategic Implementation Partner agreement (PWC/IBM Consortium) contained provisions which required that 30% of the contract value be delivered by BEE partner/s.

Sub-program 3: Purchasing

Outputs	Performance indicators	Target	Results	Notes
3.1 Cycle times				
Develop and maintain World Class Cycle Times in the public sector	POs placed (< R500,000 per case)	19 working days required to PO	21 days average	Note 3.1
	Formal contracts placed (> R500,000 per case)	70 working days required to formal contract	70 days and less	Note 3.2
3.2 Enablement				
Establish transversal TAs i.t.o. Enablement Plan for new Term Agreements (TAs)	% spend covered by transversal TAs (currently +/- 11%)	40% of overall spend covered by transversal term agreements	28%	Note 3.3
3.3 Tracking vendor performance				
Implement Vendor Management on transversal TAs	Monitor vendor performance on TAs in terms of ● Price	>>65% of price increases linked to commodity indices	100%	Note 3.4
	● Quality	>50% quality to spec deliveries	>80%	Note 3.5
	● On time Delivery	>65% on-time deliveries	>70%	Note 3.6

Note 3.1

This sub-program was reviewed and during the Procurement restructuring in October 2004, it was restructured to include separate Order Management, Training and GR/IR teams. This restructuring has resulted in the SLA of 19 working days been achieved.

Note 3.2

Increased training on policy and procedures has been provided to GSSC staff and BEC members from the various departments.

This sub-sub-program was reviewed and during the Procurement restructuring in October 2004, it was restructured to a separate Sub-programme, namely Contract Management in order to increase focus and value delivery.

Note 3.3

In certain areas the GSSC and the GDH have opted to participate in National Agreements.

The Term Agreements Team is currently understaffed by 75%. This Team is part of the new structure and will be staffed by end of August 2005.

Note 3.4

All price increases are linked to commodity indices.

Note 3.5

The Quality Management section performs quality checks on all items supplied by vendors prior to awarding contracts and again at time of delivery.

Note 3.6

Reports of outstanding orders are generated and expedited by buyers on a daily basis.

Sub-program 4: Procurement Support

Outputs	Performance indicators	Target	Results	Notes
4. Procurement Support				
4.1 DAC secretariat services				
Provide secretariat services to – DACs of departments – Provincial AC – Supply Chain Forum	Minutes drafted and distributed	Minutes drafted within 2 working days Minutes distributed within 5 working days	100% compliance	
4.2 Tender Administration				
After closure of RFP, conduct Admin Compliance against agreed timelines	Track Admin Compliance against agreed timelines	100% Admin Compliance completed within 2 working days	100 % compliance	

Sub-program 5: Shared Supply Chain

Outputs	Performance indicators	Target	Results	Notes
5. Shared Supply Chain				
5.1 Service delivery improvements				
Delivery lead time from central DC to institutions	Lead time	5 – 15 working days at pilot sites before intervention 1 working day at participating sites after intervention	No pilots were initiated in the 2004/2005 financial year	5.1
5.2 Stock availability and holding				
Improve stock availability at DCs	Stock availability	70% Stock availability at pilot sites before intervention 98% Stock availability at participating sites after intervention		

Note 5.1

This sub-program was reviewed and during the Procurement restructuring in October 2004, it was added to Sub-programme 1: Strategic Sourcing, as both deals with value optimisation initiatives and it was decided that these will be handled on a commodity specific basis if the need is identified for such a requirement

PROGRAMME 4: FINANCE SERVICES

Strategic objectives

The aim of the Finance Services division is to continuously improve the quality of service to the public sector and the Gauteng Provincial Government by providing enterprise-wide effective transversal financial services.

Sub Programmes	Strategic Objectives
Cashbook Services	To provide timeous bank reconciliation services, effective accounting for cash-related transaction and timeouts detection of cheque and EBT fraud.
General Accounting Service	To provide effective and sound financial accounting for GPG.
Accounts Payable (Expenditure)	To make the GPG a client of choice by making sure that the creditors are paid-in accordance with the negotiated payment terms using best practices and maintaining a high level of customer satisfaction
Debt Management	To achieve the collection requirements in terms of phasing out legacy debt (cost effectively) over a three year period and minimizing the inflow of new debt.
Salary Administration	To administer GPG Payroll using best practices for all bonafide GPG employees.
System Support (BAS & PERSAL)	Maintain all financial transversal system and support all GPG end-users.
Quality Control and Systems	To enable GPG to improve general financial management.

The clearing of the suspense accounts will continue to require our attention as part of the processes to maintain effective accounting for the Province.

Programme Overview

For the past year we have succeeded:

- In conjunction with Provincial Treasury to implement the Standardised Chart of Accounts;
- In improving channels of communication between the department and most entities
- In intensifying the debt collection process which is reviewed on a monthly basis in terms of results achieved and improvements to be made. During the past year we have collected R22.416 million in cash and reduced the overall legacy debt by R38.189 million which consists of both cash and authorised write offs.

We are still in the process of stabilising the Procure to Pay (PtP) end to end processes and we have faced significant challenges during the year of which the co-operation from departments is one of the challenges that needs to be addressed. We hope to resolve the issues in the coming year together with the completion of the migration and SAP PtP rollout process.

General accounting

The clearing of the suspense accounts will continue to require our attention as part of the processes to maintain effective accounting for the province. Closures of accounting months and financial year-end for GPG have proceeded without significant issues being encountered and the process is becoming more manageable as the department and the respective customers resolve difficulties.

During the year we developed and implemented the Electronic Journal (E-Journal project) for GSSC. We could not unfortunately roll out in full due to limitations on the application software and the inability to develop an electronic interface with BAS and the lack, in certain cases, of IT infrastructure.

During the year we also went live with the SAP Enterprise Resource Planning system for GSSC and Johannesburg General Hospital pilot and to date the process has been operating effectively.

Accounts payable

We would have liked to report significant successes in this respect but during the year and especially during the financial year end closure we have experienced significant problems with the slowness of BAS response times. This factor coupled with the end to end process issues in relation to departments and suppliers has deterred from this service unit achieving its Service Level Agreement targets for the year. The process is under review together with the Procurement business Unit and plans have been laid to address the current problems that are hampering current service delivery. We will strive to achieve success to streamline the processes and improve service delivery.

Debt collection

As already indicated above, the Debt Collection process on GPG transversal ex-employees debt has met with significant success with an overall reduction of some 38% over the previous year. This reduction consists of a combination of cash collected as well as authorised write offs. We are still on course to collect and phase out old legacy debts within the agreed period of 3 years from inception in 2003. The controls and procedures for collection of the legacy and new ex-employee debt are in place and the debt administration system and process is regularly reviewed for improvements.

Employee related debts are being effectively administered, in that the balance outstanding in 2004 of R15 million, (5 399 cases) was reduced to R9,2 million (1 945 cases) at the end of the financial year 2004/2005. This implies that the collection process is operating effectively and no significant new amounts of debt have arisen during the financial year. The process is being reviewed on a regular basis and methods are continually being evaluated to administer employee debt.

In our last report we indicated that we intended adding new portfolios of debtors. During the year we commenced a pilot project for the collection of patient debts at the Johannesburg Hospital in co-operation with the Department of Health. The results were largely

satisfactory in that we decreased the average collection days from 203 days to 132 days at the close out of the project. Over the period, the collections improved significantly over the period before the commencement of the project. The department has, however, issued a tender for patient debt collection for the larger academic hospitals while we have provisionally agreed to focus on some of the smaller hospitals in terms of piloting debt collection operations.

Payroll and salaries administration

We are still continuing to experience problems, as indicated in the prior year report, with respect to the issues on the 3 month temporary teachers' employment by the Department of Education. We have, however, in closer co-operation with the department minimised the extent of the problems and there is improvement from the previous financial years.

We have successfully rolled out our "Tax Help Desk" services to GPG employees whereby assistance is granted to employees for the completion of tax returns and the claiming of allowances and deductions as prescribed by the Tax Act. We believe that significant value has been added in this respect to GPG employees. We have also once again issued IRP5's on time for the tax year ended February 2005 within a short time after the closure of the tax year end.

We have unfortunately have had set backs in our Electronic Salary Mandate project, which aimed to reduce the paper flow between the Departments and the GSSC, in that significant developments on the interface between the application and Persal could not take place as well as lack of IT infrastructure at selected pilot sites.

User support

This unit has assisted significantly in the rollout of the Standard Chart of Accounts for the GPG in line with Provincial Treasury requirements. Training services on BAS and Persal use has also been stepped up during the year in addition to basic Financial Management training for purposes of effective use of the application systems.

Financial Management Services

During the year the unit has assisted certain business units with financial management advice in reviewing of business cases and financial modeling advice including reviewing cost / benefits on business cases. We have not been successful, despite significant preparatory work on the part of GSSC, with respect to GPG wide accrual accounting system. The process is driven by National Treasury, no specific guidelines nor time lines have been issued to date.

Performance against Output Targets

General Accounting

Measurable Objective/Output	Performance indicators	Targets 2004/2005	Results
Provide the reconciled General Ledgers for all Departments of GPG within the prescribed deadlines and clear backlog on general ledger	Age of the outstanding items in respect of all Balance Sheet accounts	100% of items are not older than 30 days	• 89%
		100% elimination of inherited accounting backlogs	• 98%
	Timeless (month-end and year-end closure)	100% compliance with National Treasury	• 98,3%
Processing of journals on behalf of GPG Departments	% compliance with the SLAs (one working day)	100% compliance with the SLA	• 98%
To maintain and improve the system of internal control within Finance operations (at the GSSC)	Auditor General's report	No audit qualification arising as a result of GSSC (eg. no proper GL reconciliation, lack of appropriate authorisation	• Audit work still incomplete at time of writing

The unit has not been successful in meeting its target of 100% of items not older than 30 days, on reconciliations of General Ledger accounts. This is due to various accounts having as yet unresolved items based on a lack of supporting documentation and misallocations on very old cases.

On average we have been mostly successful in meeting National Treasury compliance in month and year end closure and we have achieved 98% of the SLA target during this year. We have also succeeded in having Gauteng as the first Province to close the General Ledger for the 2004/2005 financial year successfully and within prescribe deadline in the whole of South Africa on the BAS system.

We have, however, performed below our target of meeting the SLA of 100% timeous processing of journals for the province due to problems experienced in remitting of journals to the service unit in the document delivery value chain.

We have managed to produce reports on the Fixed Assets for 6 GPG Departments regarding asset disclosure and financial reconciliation of their assets within their books for the 2004/2005 financial year.

Cash book services

Measurable Objective/Output	Performance indicators	Targets 2004/2005	Results
Provide bank reconciliations on a monthly basis with no long outstanding item	Number and the age of outstanding reconciling items at month ends	100% of items are not older than 30 days	• 99% of all items were less than 30 days old
Processing of revenue receipts in accordance with the Service Level Agreements (SLAs)	% of compliance with SLA's (one working day)	100% compliance with SLAs	• 98% compliance with SLA targets

During the year the unit successfully piloted SAP on the GSSC and Johannesburg Hospital bank accounts and whilst fractionally running short of achieving its targets on the bank reconciliations and the processing of revenue receipts. There is still room for improvement in achieving the above targets in the new financial year.

Accounts payable

Measurable Objective/Output	Performance indicators	Targets 2004/2005	Results
Processing of supplier payments in accordance with the SLAs	% of compliance (2 – days after receipts)	95%	• 82% compliance with target

A key output of the Accounts Payable service unit is the provision of accurate payments to GPG suppliers of goods and services as per agreed terms. The SLA target of 95% has not been achieved due to, *inter alia*, the following:

- Poor BAS response times and intermittent unavailability of BAS during the year
- Higher than normal volumes at year end, before and after the cut off time, from departments for purposes of meeting year end budget spending requirements
- Receipt of documentation delayed in the document delivery value chain that involve the entities, GSSC document management centre, Procurement business unit and the Accounts Payable unit
- An overall increase in the volumes of payments processed compared to the previous financial year with a monthly average of 11 700 in 2003/2004 and an overall turn-around time of 79% compared to 2004/2005 of a monthly average of 15 700 with an overall turn-around time of 82%.

Debt administration

Measurable Objective/Output	Performance indicators	Targets 2004/2005	Results
Collection of current sundry debts on behalf of GPG Department	Debtor's age analysis (age of debt)	No debts in arrears by more than 60 days	• Average debtors days are 147 days
Recovering of the monies from the long outstanding sundry debts	Recoveries as % of the debts outstanding	25% of the original debts	• Legacy debts were reduced by 33,3% when compared to the original debts

This service unit focuses primarily on the collection of ex-employee debt which may occur as a result of salary overpayments, breach of bursary contract provisions, abuse of state assets and defaulting on housing bonds. The unit has successfully implemented the debt administration system and various tools for debt tracking and administration which include blacklisting of debtors that failed to honour their obligations to the Provincial Government.

The legacy debt collection follows a defined stepped process for collection purposes in order to either collect the amounts due or proceed on authorised write off procedures after the debt collection process has been exhausted. The legacy book has been substantially reduced since the take on period in March 2003 with the balance reducing from R114 million to R86,5 million in 2003/04 and to R48 million in 2004/05. Overall the total cash collected during this financial year amounted to some R22,4 million on an expense base of R5,4 million which is 24% (22.2% in 2003/04) of collected cash and close to market norms of 25% expenditure on collection efforts versus the amount actually collected.

Furthermore we have also launched a successful pilot at the Johannesburg General Hospital for the collection of patient fees debts in association with the Department of Health. This process involved review of existing debt administration processes including the process from admissions to final collection. The process has yielded improvements in the collection of patient revenue for the hospital and the further investigation is under way based on the model applied to assess further roll out to other hospitals. The results for the project were as follows:

- Successful implementation and use of the ITC patient detail verification and debtor tracing system.

- The implementation of effective patient administration processes, patient details verification, accurate classification and billing within 24 hrs after discharge or visit
- Increase in the average monthly billing of 24 % year on year.
- Monthly collection on bills increased from 72% to 87% year on year.
- Monthly revenue collected increased by 69% year on year.
- Average collection period decreased by 34% from 196 days prior to project implementation to 130 days at the close of the project.
- Debtors ageing showed an overall increase of only 8% compared to the average increase in similarly sized hospitals of 31% over the same time period.
- Debt older than 120 days decreased by 6% compared to the increase of 36% in similar sized hospitals.

Salary administration

Measurable Objective/Output	Performance indicators	Targets 2004/2005	Results
Provide accurate and timeous payments to all employees as per the relevant legislations and policies	% compliance to SLA agreements	100%	• 98%
Payment of 3rd party payroll creditors	% payment on due date	100% on due date	• 100%
Generate and distribute the IRP5s to all GPG employees	Timelines and the number of unknown reconciling items	100% distribution of IRP5's by 31 March 2005, with IRP5 recon submitted to SARS	• 100%

The service unit succeeded in providing services on par with the SLA targets although it marginally fell short on the payments processing at 98% of the SLA target. The achievement was supported by the strengthening and maintenance of the partnership with co-service providers in order to improve the overall service delivery as well as the strengthening of controls around the potential salary related mandates. The unit managed to streamline some processes and develop some processing rules in order to meet the SLA targets despite at times receiving large volumes of unexpected mandates from departments

The unit also succeeded in meeting the SLA targets on the timeous distribution of IRP5's to Provincial Employees as well as the submission of the IRP5 recon to SARS. This achievement is attributable to close co-operation with Provincial Treasury and SARS whereby procedures were closely followed in order to adhere to regulations.

System support and training

Measurable Objective/Output	Performance indicators	Targets 2004/2005	Results
To provide user-support, advice, guidance and training to all BAS and payroll users	% of compliance	95%	• 95%

The service unit improved over the results of the prior year whereby a result of only 88% was achieved versus the 95% SLA target. We are pleased to report that in this financial year the SLA target was met by the service unit.

In addition Standard Chart of Accounts changes were successfully implemented. The unit also upgraded the training material and processes for BAS and Persal with more focused job specific training. An Auto – recon Tool – for reconciliation of expenditure between BAS and Persal on Personnel expenditure was successfully implemented for reporting to GPG departments.

Quality control

The Quality Control service unit deals primarily with projects, and renders a service to the Finance Business Unit of GSSC as and when required. During the year various projects were successfully launched, inter alia, the overall risk review of the Finance Business Unit in conjunction with Gauteng Audit Services, the development of risk control sheets for the various service units and an Excel based statistical measurement tool for the reviewing of the quality of transactions processed. The successful deployment of the latter was hampered by the unavailability of reliable data in the document management process.

We are pleased to report that in this financial year the SLA target was met by the Service Unit.

The unit also assisted in the deployment of the, in-house developed electronic document tracking system, DocTrac, within the Finance Business Unit. This project is on-going but should assist in the long run in providing reliable data for quality measurement of transaction processing.

Certain long term projects, as reported on last year, did not progress as planned during the year under review. The Electronic Salaries Mandates project was derailed due to issues surrounding interfaces with legacy systems and IT infrastructure at the pilot sites. The Provincial accrual accounting process was undertaken only in so far as information for GSSC was available but could not be progressed due to lack of clear national guidelines and project timelines from National Treasury. The ABC project was successfully launched based on Excel spreadsheets and is due for replacement with an ABC Management application. The benchmarking of services has not successfully progressed due to certain prerequisites not having been met, for example an effective service costing management tool.

Outlook for the Year Ahead

A major challenge for the next financial year is to improve on the skills levels of staff within the business unit in order to improve controls as well as overall customer service. This goes hand in hand with the stabilisation of application systems, in co-operation with the various stakeholders, as these key aspects affect the overall service delivery to the Province. We will also focus on quantifying the cost of services delivered to the Province through the use of an ABC Management tool in order to identify further cost improvements and the review of the way in which services are delivered.

It is also critical that reviews be undertaken during the year, with a view to customer service improvements, of the various value chains in the service delivery process in order to improve financial management controls, streamlining processes, developing strong relationships with GPG entities and bolstering overall Customer Relationship management. This will require closer working relationships with the various stakeholders in the Finance related value chain.

Major initiatives in the Finance area for the next financial year include, *inter alia*, the following:

- Reducing the number of salary cheques issued by Department of Education in lieu of the 3 month temporary teachers employment arrangement.
- In terms of projects – attempt to implement an automated interface between BAS and Debtpack, the debt administration system. To further develop the Electronic Journal Application with a view to rollout to the GPG. Re-launch the Electronic Salary Mandates project. These projects are highly dependent on cooperation from SITA for the requisite interfaces as well as the existence of Information Technology infrastructure at Provincial Department entities.
- Establish a Fixed Asset Management Support Section in order to provide effective and efficient reporting of Fixed assets within GPG departments by providing the departments with appropriate support for their fixed asset management control.
- Work in cooperation with the Procurement Unit and TSS to proceed with the migration process and rollout of SAP PtP.
- Continuation of customer education in earnest to build key relations with suppliers.
- Stabilisation of DocTrack system in the Business Unit in association with the TSS unit to improve visibility of document tracking in the unit
- Improve the quality of monthly and other external financial and SLA performance reporting to the GPG Departments.

We are looking at decentralising the Contact Centre and creating jobs in areas that have been identified as economically depressed . . .

PROGRAMME 5: TECHNOLOGY SUPPORT SERVICES

Strategic objectives

- To develop a GPG – wide enterprise architectural framework in conjunction with the Departmental CIO's through a governance structure and processes.
- To provide flexible and adaptable IT infrastructure that meets the business needs of GPG.
- To provide a unified and consistent programme management methodology ad project office through a centrally co-ordinated Programme Management Office (PMO).
- To develop an information security strategy with all the attendant policies and procedures for GPG that also complies with existing legislation and regulations.
- To increase IT capacity in the Province by training employees on the essential technologies required within GPG and executing a learnership programme.
- To develop an application framework that allows for the co-existence of transversal systems and new ERP system for GPG.

Programme overview

During this financial year, TSS has built on the foundation established previously, addressing some of the challenges and shortcomings identified during the previous year.

The improvement of IT services in the Province required a focus on a wide range of areas. Below is a list of the major initiative achieved:

E-Governance

- The GPG Contact Centre has expanded to include an SMME component
- Launch of the Bana Pele static website took place in June 2005
- The GPG Enterprise Portal was launched in June 2005. Phase zero is 100% complete
- The overall e-Government strategy is being compiled and was completed by end June 2005

- Requirements for the next phase of the Portal are being assembled

Phase 0 of the Portal has been completed and the Portal was launched on the 8 June 2005. The Contact Centre capacity will gradually be increased to accommodate other departmental services during 2005.

We are looking at decentralising the Contact Centre and creating jobs in those areas that have been identified as economically depressed such as the Vaal. We intend to push the Contact Centre seats to 400 by the end of this financial year. Departments should consolidate all their Contact Centre services into the GPG Contact Centre in order to decrease costs and increase efficiencies by utilising the existing investment made by GPG and utilising the management team that uses world class best practice in managing the Contact Centre.

Transformation

- The migration/transformation of all Head Office ICT infrastructure onto the new GSSC Data Centre – covering about 98% of GPG desktops. This ensures that common standards become achievable in key areas like e-mail, internet access, and backup services (to secure critical information), and this will enable us to implement remote support centres for all the departments.
- The introduction of a transversal information security structure, which has so far ensured that critical government services were not destabilised by frequent virus attacks in the industry. These attacks result in major disruption within credible private sector organisations and other government institution.
- We started to stabilise the connection to SITA for connectivity to BAS, Persal and other transversal systems used by GPG. Two redundant links were deployed to provide faster access to the SITA network. This has worked well until the end of the financial year when we began to experience problems with the infrastructure. These problems have since been resolved.

- The WAN project and the configuration of WAN management tools was completed at the end of the financial year. This will now enable us to prioritise network traffic.
- The completion of Phase 2 of the ERP Pilot. The first phase went live in November 2002 as the enabling tool for procurement processes within the GSSC.

TSS is now completely staffed by permanent and long term contract employees and does not use consultants except in very exceptional circumstances. ICT skills still remain a challenge and strategies to retain these skills and attract them need to be developed.

1. Planning and Architecture

The Architecture and Planning sub programme identifies the main components of the organisation or a sub set of it (such as its information systems), and the ways in which these components work together in order to achieve defined business objectives. The components will include staff, business processes, technology, information, financial and other resources, etc. If the architecture is designed to ensure the choice of appropriate components and to specify how they will operate together smoothly and efficiently, the enterprise will benefit.

The deliverables over the next five years include:

- Business Architecture
- Application and Data Architecture
- Security Architecture
- Technology architecture with all sub domain architectures
- Infrastructure planning

Sub-programme	Measurable output	Performance indicators	Output target 2004/05	Status
Planning and architecture				
1. IT Planning based on common format GPG Wide	Master Systems Plans (MSP) % completion	Yearly updates	100%	Completed
2. Standards and policies	GPG Wide technology standards and policies on common infrastructure	Approved standards and policies	Approved standards and policies based on tenders – see note below	Nine standards and policies approved as set out in the note below
3. Architecture for accessing transversal applications	1. Direct access to SITA mainframes for BAS and Persal using Host Integration Server 2. Access to applications via a demilitarised zone (DMZ) 3. Access to SAP, LiveLink, etc using Citrix on the WAN 4. Mobile access to internal applications via Internet	1. Secure access to SITA mainframes 2. DMZ designed, built and operational 3. Access via Citrix in distribution nodes to all access sites 4. Secure access via Citrix in DMZ	100 % operational	1. 100% completed 2. 100% completed 3. 100%Completed 4. 100%Completed
4. Architecture Development	Technical domain architectures developed 1. Network Architecture 2. DMZ security architecture 3. Citrix Architecture 4. Printer architecture 5. Knowledge management 6. Electronic office architecture	Approved architectures	Development of architectures	1. Completed 2. Completed 3. Completed 4. Completed 5. Completed 6. Completed
5. Tender development and evaluation thereof	Development and evaluation of the following tenders for GPG departments 1. Enterprise Servers 2. Enterprise Storage 3. IT Body Shop (Skills) 4. Enterprise Architecture	Approved tender	Award of tenders	1. Awarded 2. Awarded 3. Under evaluation 4. Awarded

Note

Standards and policies

1. Intrusion detective system (IDS)
2. Storage Area Network (SAN) - Switching fabric
3. Visio Professional 2003
4. Microsoft Windows XP - Service Pack 2
5. Microsoft Office Professional 2003 - Service Pack 1
6. HP Servers were standardised
7. Secure Desktop Standard
8. Mobility Standard for Executives
9. MailMarshall 6.5

2. Programme Management

This sub-programme is responsible for managing the life cycle of projects, including the development of business cases and post-implementation reviews. The e-Government programme for GPG is coordinated from within this division, and all the corresponding GSSC-managed inter-Departmental projects are executed by this sub-programme.

Outputs	Indicators	Target	Results	Notes
Establish project management methodology	% complete	100%	40%	2.1
Execution of e-Government GPG wide call centre	% complete	100%	100%	2.2
Execution of e-Government pilot portal phase 1	% complete	100%	100%	2.3
Consolidation of GPG websites	% complete	100%	100%	2.4
Establishment of disaster recovery process	% complete	50%	20%	2.5

Notes

2.1 The project management methodology has been established. In the process of completing documentation and adopting this is a methodology for all GPG ICT projects.

2.2 The GPG wide call centre is fully operational and in the process of taking more services. Currently the services that are offered by the Call Centre include: driver license booking, Gauteng Economic Propeller, Portal support, Department of Health complaints, Bana Pele and support of all services offered by the GSSC.

2.3 The first phase of the Portal was successfully launched. This phase includes: Directory of Services, Online job application, Leave balance enquiry, Liquor Board system, Matric results, pass Matric papers.

2.4 All GPG websites are hosted by GSSC. The hosting services include content updates and maintenance of the website.

2.5 A Disaster Recovery site has been identified, equipment has been procured, processes and procedures are being established and the project is underway to build the Disaster Recovery site.

3. Application Management

This sub-programme is responsible for application support of all GSSC-managed departmental systems, including: BAS, Persal, Livelink, GPG Departmental websites and SAP through the ERP team. It is further responsible for enhancing these applications and building custom applications to ensure that they continually meet changing business requirements.

Outputs	Indicators	Target	Results	Notes
GPG Websites revamp, development and support	% complete	100%	100%	3.1
Applications volume and stress testing	% complete	100%	100%	3.2
Bana Pele Website	% complete	None	100%	3.3
Stabilizing the Document Management Centre	% complete	None	100%	3.4
Document tracking and visibility	% complete	None	100%	3.5
SAP Pilot for GSSC and JHB hospital	% complete	100%	98%	3.6

Notes

3.1 All GPG websites are re-developed to the same look and feel. These websites are hosted at the GSSC and supported by this sub-programme. Support includes content update and changes to the website.

3.2 All new application developments pass through a performance test. This is to determine scalability of applications before they are deployed in a live environment. This is a measure of quality for new developments. The portal was also subjected to these tests.

3.3 The first phase of Bana Pele website is up and running. This is a static website giving information about services rendered and where to get these services. This website was developed and is maintained by this sub-programme.

3.4 The Document Management Centre uses an application that was developed by this sub-programme. This application assists in the classification of documents as they are received by the Document Management Centre. It also identifies routing for these documents.

3.5 A custom built application is operational. This application was built by this sub-programme to monitor the movement of production documents within GSSC. This application gives visibility of documents within GSSC and keeps track of the time a document spent at different locations within GSSC.

3.6 All functionality is in place. Interface for the NHLS (National Health Laboratory System) and SANBS (South African National Blood Transfusion Services) were developed and signed-off by the hospital, however delays were experienced on the GSSC procurement process and could not proceed with implementation of these interfaces.

The collective responsibility of the GPG's ICT management is to ensure that suitable Information Security policies, procedures and guidelines are in place and properly implemented and monitored.

- Establishing Information Security policies
- Developing Information Security Standards and Procedures
- Monitoring Information Security activity and compliance
- Establishing Business Continuity Plans
- Responding to Information Security Incidents
- Auditing and reviews of security procedures
- Allocating information security responsibilities
- Educating and training for users

4. Information Security

GPG Information Security is a structured and managed process having been formally established in September 2004. The Information Security Manager is responsible for the smooth running of this function and the following key tasks listed below outline the type of activities to be undertaken. It is, however, the collective responsibility of the GPG's ICT management to ensure that suitable Information Security policies, procedures and guidelines are in place and properly implemented and monitored.

Sub-programme	Measurable output	Performance indicators	Output target 2004/05	Status
Information Security				
1. Information Security Policies	GPG-wide Information Security Policies developed and approved	Yearly updates % completion	40%	All the CIOs' of the GPG have signed the policies. Awaiting approval from the HOD Council before implementation. This process is about 50% completed.
2. Standards and procedures	GPG-wide standards and procedures developed and implemented.	Implemented standards and procedures	100%	60% of these processes have been completed.
3. Information Security Management team	1. Establishment of the Information Security Management team	1. Information Securing sub-programme staffed by competent professionals	60 % operational	Only a Security Manager has been appointed for this function
3. Demilitarised-Zone	7. Operating and functioning of the Demilitarized- Zone (DMZ)	Establishment of the DMZ	100%	The DMZ is fully operational
4. Intrusion Detection Systems (IDS)	5. Operational Intrusion Detection	Establishment of the IDS	100%	This process has been completed.

Policies, Standards, Procedures and Information Security Charter

1. GPG Internet Policy
2. GPG e-Mail Policy
3. Information Security Policy
4. Information Computer use Policy
5. GPG Service Desk Policies
6. GPG User-ID and Password Policy
7. GPG Remote Workstation Management Policy

Standards and Procedures

1. Minimum Information Security Standards (MISS)
2. GPG –Mail Standards
3. GSSC and GPG Standards and Procedures

Information Security Charter

1. GPG Information Security Charter

The Data Centre Services is the centre of the IT infrastructure and houses all the transversal technologies in a secure environment, consisting of the main Data Centre in the GSSC.

5. Operations Management

The operations management function is responsible for ensuring that the IT assets are operational and deliver the required performance on a daily basis. This provides an enabling environment that allows the various business functions to operate.

The Operational Services include the following:

Data Centre Services

This is the centre of the IT infrastructure and houses all the transversal technologies in a secure environment, consisting of the main Data Centre in the GSSC and five regional data centres (nodes). Email, Internet access, SAP, BAS and PERSAL access, Livelink , and all the major inter-Departmental applications will be located in the data centre and accessed via the regional data centres. The operational monitoring and management of the systems are executed from the command centre that is linked to the Data Centre. In addition, the Data Centre is responsible for all the back-up services and the monitoring of the security infrastructure (which includes the security firewalls and the anti-virus protection services).

Connectivity Services

These services include the Wide Area Network (WAN), Local Area Networks (LAN) and Telephony. Currently TS is fully responsible for the WAN in the province, connecting more than 2000 GPG buildings to ensure Departmental offices have access to both transversal systems and Departmental specific systems. Departmental LANs are currently the responsibility of each Department and the GSSC only provides standards and other ad-hoc services (including design, quality assurance and troubleshooting) on a case-by-case basis. These are provided when the Departments make a formal request for assistance to the GSSC.

Desktop Services

These include all the services associated with the installation and maintenance of computing on the desktop, and the resulting user supports requirements. These services combine to create a functional operational environment for business users. The GSSC provides this service to only a few selected Departments. In addition, this team supports the transversal applications GPG-wide for over 2000 users.

Change Management

This includes all the activities associated with the management of change that are a necessary part of all IT projects and transformations. A ‘change’ might be anything from the introduction of a PC into a work environment, the loading of a new business application (like a document management system) to provide new functionality. Any change has the potential to destabilise the current operational environment in many ways, whether it is by conflicting with other systems and thereby impacting on users, or by slowing down response times, or even by introducing unexpected security risks.

The major task of the Change Management Team is to ensure that there is a minimal disruption to an operational environment, by using the IT Laboratory to test all changes prior to putting them into the production environment. Managing the processes of deployment of all IT assets and tracking them during their operational lifetime to the point where they are retired, is another key aspect of the function.

Report on the delivery of services continued

Outputs	Indicators	Target	Results	Notes
1. Systems Availability	% availability	95%	98,77%	
2. Network and Connectivity Infrastructure	% availability	95%	98,35%	
3. Disaster Recovery Planning	% Completion	100%	10%	5.1
4. GPG Wide Area Network Renewal	% Completion	100%	98%	5.2
5. Transformation of GPG Departments	% completion	100%	85%	5.3
6. Set up IT Forum within GPG	% Completion	100%	100%	
7. Citrix for GPG applications such as SAP, BAS and Persal to cut down support	% Completion	100%	100%	
8. Executive Support Services (ETSS)	% Completion	100%	100%	5.4

Notes

5.1 Disaster Recovery Planning (DRP) – we have embarked on building a remote site from which we would be able to recover any failed services offered by the GSSC on a far more reduced scale therefore creating disaster recovery mechanisms. It is envisaged that this mechanism will become part of the operating model as a high availability.

5.2 The Wide Area Network (WAN) implementation has been completed for the Core and Distribution layers for the GPG. We have implemented management technologies and as part of our continuous improvement cycle; the GSSC is implementing Quality of Service (QoS) for all GPG to improve the efficiency of the WAN.

5.3 The transformation of departments has been a key driver for the GSSC however the progress has been hampered for a number of reasons. We have transformed all departments with the exception of the Gauteng Departments of Health.

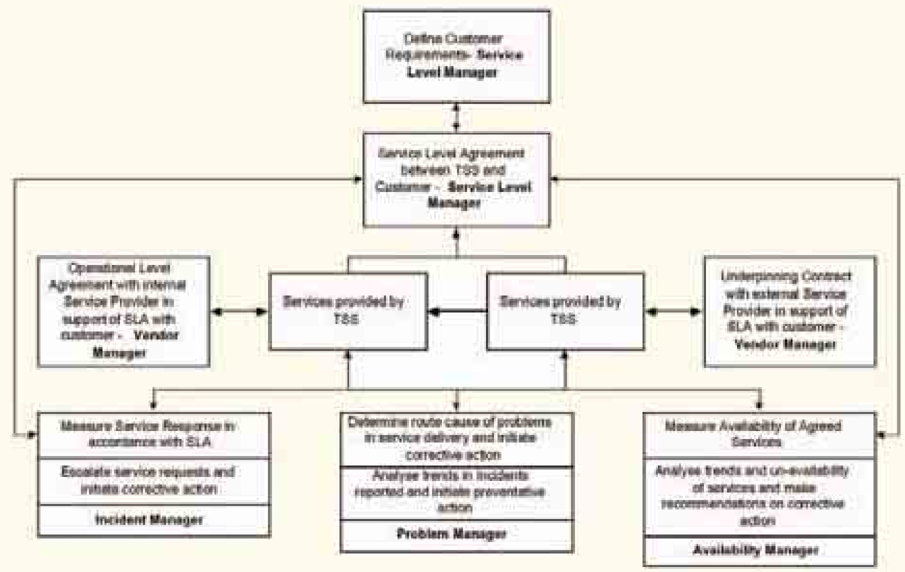
5.4 The Executive Support team has been formalised and a structure defined with staff placed in all vacant posts. The team is now operational and has increased specialist support for the Premier, MEC's, HOD's, and DDG's. The unit continues to be dedicated and trained on areas that are specific to their role in order to provide specialist services.

6. Service Management

The Service Management function in the Technology Support Services business unit of the Gauteng Shared Services Centre is tasked with managing customer relationships and measuring the quality of IT service delivery to Provincial (departmental) customers as well as internal clients e.g. business unit of Finance.

To achieve this aim a number of objectives need to be managed and met, these are carried out by different roles within the division that contribute to the overall Service Management profile.

In essence Five Sub-programmes exist. Later in this document the roles of each of these sub-programmes will be discussed, what follows here is how each of the sub-programmes contributes to the overall objective of the programme. The figure below illustrates how each of the sub-programmes contributes to ensure that customers are satisfied.



Review of the current financial year

Since mid October 2004, the focus was on entrenching the awareness of TSS – Service Management as a client interface not only with the clients concerned, but also with the TSS service support divisions. This being very important, as a cohesive working environment involving a virtual team of different service support units had not been appropriate; which cased e.g. clients to engage directly with e.g. the Operations team members. The risk thereof is that the "service" provided, has no audit trail and solving the problem is not necessarily the total solution. A single point of entry into solving issues within the client base became paramount. Communication at all levels was key, as it brought about a level of understanding of the capabilities of TSS. Expectations were thus not unrealistic

The Programme/Functions that then required urgent attention were the Service Desk environment, which included Call desk, Incident desk and Problem management. As the operational phase is being entrenched, refocus on delivering on the KPI as set out later in this document was set in motion.

A number of challenges exist though – these are summarised below:

- Single point of contact with customers and suppliers. As relationships currently exist between operational staff, customers and vendors – direct communication is frequent without the involvement of Service Management staff members; this makes managing relationship extremely difficult.
- As the primary function of the programme is to measure performance against agreed service

targets, the programme is perceived as a threat by a number of people in the organisation. Information that is crucial to the success of the programme and indeed TSS is frequently withheld from Service Management staff and co-operation in terms of service requests is far from optimal. Though insight into the issue rest on members of TSS having a clearer understanding of the role, as the division is part of a service delivery department.

- Key to the success of the programme is to ensure that policies, processes and the role of every employee that participates in the bigger structure of the organisation is agreed to, adhered to and enforced.

Sub Programme description, Priorities and Strategic Objectives

As stated above, Service Management is tasked with managing customer relationships and measuring the quality of service delivery to provincial (departmental) customers. To achieve this aim a number of objectives need to be managed and met and resultantly a number of sub-programmes were established.

Service Level Management

Service Level Managers are responsible for entering into agreements with customers (GPG Departments) to formalize the expectations of customers and set realistic performance targets against which TSS must deliver. Service Delivery is measured on a monthly basis and reported back to customers, where services targets were not met, the Service Level Manager will escalate problems to the relevant manager and ensure that corrective action is initiated.

Service Level Managers also review the agreements with customers on a quarterly basis – thus ensuring that the Service Level Agreements still meet the requirements of the customer.

Vendor Management

Service Level Agreements with customers need to be underpinned by agreements with both internal and external service suppliers. The vendor management team is responsible for entering into these agreements and managing the relationship with the said service suppliers. Operational Level Agreements are entered into between Service Management and internal service suppliers (e.g. Operations, applications etc.) and these agreements are further underpinned by agreements with external service suppliers that either directly or indirectly support the commitments Service Level Managers have made to the customer.

Availability Management

The purpose of this sub-programme is to measure end to end service availability which is a key component of Service Level Agreements. The Availability Manager is further responsible (in conjunction with the Problem Manager) to identify areas of weakness or non-conformance and recommend to operational disciplines what corrective actions should be taken to remedy service breaches.

Incident Management

The role of the Incident Management team is to escalate service requests to the relevant service supplier (internal and external) and to follow through that corrective action is taken timeously (in accordance with the agreed targets in the SLA). Thus the sub-programme monitors all service requests and reports back to both Vendor and Service Level managers on the performance of operational and external service suppliers.

Problem Management

From time to time – reported incidents do not have an obvious cause or these incidents occur regularly. The Problem Management team is responsible to ascertain what the route cause of these service failures (incidents) and to recommend corrective action to operational staff – thus ensuring that the repetition of these incidents is minimised.

Vacancies that are in the process of being filled include: 2 (two) under Service Level Manager, 1 (one) Problem Manager, 1 Incident administrator, 1 (one) Service availability manager, 1 (one) Communications Specialist and 1 (one) Quality manager.

Actual performance against targets

Outputs	Indicators	Target	Results	Notes
Management of SLA's	% completion	100%	All SLA's individually customised and negotiated with the relevant clients concerned. New client specific services added	New services include: ● hosting services ● website development and hosting ● telephony
Underpinning contracts	% completion	100%	Contract with 3rd party vendors signed	Includes SITA for the BAS and PERSAL application.
OLA's	% completion	100%	Signed OLA's with support units in place	75% of all relevant OLA's

CIO programmes

Technology Support Services has capacity constraints around people. The scarcity of skills in the IT industry remains a major challenge. Various steps are being taken to counter private sector competition, by embarking in learnership programmes using student intake from ISETT-SETA and Umsobomvu. The students are trained and these students then create a pool of resources within GPG to recruit from. We have had about 60 students in the GSSC in the last financial year.

GPG CIO Council

The CIO council for GPG has continued to be a forum where all common issues and collaboration takes place. This allows all departmental ICT heads and CIO's take collective decisions around what is common to all the departments. This takes place monthly and all Departments are getting value out of it and the attendance has been very good.

Outlook for the Year Ahead

In line with the five year priority areas of GPG, TSS will continue to focus on the following projects.

E-Governance programme

- Delivering government services to our citizens in a easy way and ensuring that our people have a choice in how they would like to interact with government will remain a priority to us. We will implement Phase 1 which will include interactive services that will be provided by government through the portal such as allowing citizens to book for their drivers licence tests and providing Matric results through the portal or directly to their cell phone. This will bring us closer to realizing the objective of universal access of information for our citizens.

Infrastructure monitoring

- Implement monitoring and remote support that will enable TSS to report accurately on the services we provide and add value to departments by resolving approximately 70% to 80% of IT faults through the call centre's first line support.

Base infrastructure and mobility

- Rollout base infrastructure to GPG to enable single sign on for most applications in GPG, and enable mobility for all GPG employees thus improving productivity. This includes the replacement of the old servers in the data centre (technology refresh) for scalability and to accommodate future growth.

Information security

- Implement uniform Security policies throughout GPG to protect our infrastructure and our information assets.

Disaster Recovery Plan

- The GPG DRP will be implemented by the end of the financial year. The necessary equipment has been bought and the site has been found to house the DRP.

Report of the audit committee

We are pleased to present our report for the financial year ended 31 March 2005.

AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The Audit Committee met during the financial year on 5 occasions in terms of the charter. Meetings were held on the following dates 1 March 2004, 1 June 2004, 27 August 2004, 29 November 2004, and 1 March 2005.

Members and their attendance at meetings during the year were as follows:

Members	Meetings attended
Malcolm Brown (Chairperson)	5
Mamoorosi Qacha (Deputy Chairperson)	5
Zola Fihlani	5
Dr. Laetitia Rispel	4
Mike Roussos	2
Jack van der Merwe	2
Mogopodi Mokoena	3

AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee reports that it has complied with its responsibilities arising from section 38(1) (a) of the PFMA and Treasury Regulations 3.1.13. The Audit Committee also reports that is has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with its charter and has discharged all its responsibilities as contained therein.

THE EFFECTIVENESS OF INTERNAL CONTROL

We have reviewed various reports made by the internal auditors, the qualified audit report on the Annual Financial Statements including matters of emphasis contained therein, and the management letter of the Auditor-General. In terms of these reports there has been significant or material non-compliance with prescribed policies, procedures and internal controls including:

1. The Capstone 518 (Pty) Ltd matter as reported in the Auditor-General's report 3.4.1 and 5.2.
2. Lack of basic and fundamental compliances to policies of procedures in particular bank reconciliations, interdepartmental accounts, leave processing, creditors etc. not being performed.
3. Fruitless and wasteful expenditure as highlighted in the Auditor-General's report 3.3.1
4. A business Continuity Plan including a Disaster Recovery Plan that has not been finalised and implemented which constitutes huge risk for the provincial government.

A risk assessment has been performed during the financial year under review which formed the basis for a comprehensive Internal Audit plan.

The Audit Committee is satisfied with the content and quality of quarterly reports prepared and issued by the Accounting Officer and the Internal Audit Department during the year under review.

ACHIEVEMENT AND EXECUTION OF MANDATE GIVEN TO THE DEPARTMENT

The Audit Committee would like to raise concern over the ability of the department to achieve their mandate based on the following:

1. Lack of appointment of a permanent Chief Executive Office
2. Drop in performance efficiencies in areas such as:
   a. Document Management Centre
   b. Call Centre
   c. IT Division in respect of finalising Disaster Recovery Plan and Business Continuity plan
3. Lacking and inefficient IT Control Systems
4. Capacity constraints as stated in the Accounting Officers Report.

These being the main areas of focus of the department and some of which have been raised in the Auditor General's report, the committee feel the department is constrained in effectively carrying out their duties. Management have provided assurance that since the implementation of the new management team, several steps have been implement that should reduce the risks referred to above.

EVALUATION OF ANNUAL FINANCIAL STATEMENTS

- The Audit Committee that served during the year under review was replaced by normal rotation processes subsequent to the financial year end. The former members of the Audit Committee independently approved of the issue of this report based on their independent receipt and review of the Annual Financial Statements and the Audit Report thereto for inclusion in the Annual Report.
- The Audit Committee independently accepts the conclusions of the Auditor-General on the Annual Financial Statements and is of the opinion that the Annual Financial Statements be accepted and read together with the report of the Auditor-General.

Chairperson of the Audit Committee

22 August 2005

MANAGEMENT REPORT AND APPROVAL

Report by the Accounting Officer to the Executive Authority and Gauteng Provincial Legislature of the Republic of South Africa.

1. NATURE OF THE BUSINESS

The Gauteng Shared Service Centre's (GSSC) core business is the provisioning of Gauteng Provincial Government support functions, which are Internal Audit, Human Resources, Procurement, Finance and Technology Support Services. The GSSC's focus is on providing customer satisfaction using the benefits of centralisation – such as economies of scale, standardisation and the provision of a single technological base for improved service delivery.

2. GENERAL REVIEW OF FINANCIAL MATTERS

	R'000 Actual 2005	R'000 Budget 2005	R'000 Actual 2004
Current expenditure	448 438	453 254	423 457
Capital expenditure	25 995	55 927	49 033
Total expenditure	474 433	509 181	472 490

The total current expenditure increased by R25 million from that of the prior year, mainly due to the following:

- The Department is in the process of completing the personnel structure and filled most of the vacancies in this structure which resulted in increase in compensation as people are employed to fill the vacant positions.
- As more and more functions from GPG departments migrated, it resulted in operating costs increasing proportionally.

The current year expenditure was less than the budget by R5 million mainly due to:

- The delay in finalisation of projects mentioned under Capital expenditure.

Capital expenditure was under spent by R30 million mainly due to the delay in the finalisation of the Disaster recovery project and implementation of E-learning.

Internal audit services

During the year Internal Audit services implemented the roll-out of Control Self Assessment to the GPG Departments. The positive response received in terms of the process enabled departments to achieve a more efficient, effective and value added enterprise wide risk management and assessment analysis. Further, the unit successfully implemented the Special Resolutions Unit (SRU). This unit has been tasked with administering the GPG fraud hotline and creating awareness of fraudulent activities and control processes across government. The SRU is also the implementing agent for the Provincial Anti Corruption strategy.

In addition, Internal Audit services enabled 15 learners on the Training Outside Public Practice (TOPP) programme to complete their first year on the 3 year learnership. The programme directed at generating prospective chartered accountants specialising in government was piloted on behalf of GPG in February 2004.

Human resources services

One of the major projects undertaken, though not yet completed, is the establishment and roll out of e-HR services. Among others, these are E-Learning, E-recruitment, Teleforms and IR Assist.

- ***E-learning***

  The business case has been approved. A Tender has been published, responses received, DAC approval been obtained and a service provider has been appointed. The recruitment of E-Learning specialist has also commenced. Implementation is scheduled or has been moved to July 2005.

- ***E-recruitment***

  Preparations on providing e-recruitment services have been completed. Staff have been trained, the system has been tested and is working fine. The date of roll-out will be/ is linked to the official launch of the GPG Portal.

- ***Teleforms***

  The teleforms project – the automation of leave management – has been successfully piloted and ready for roll-out. An assessment report is being compiled and preparations for further roll out are underway. Though there were a number of challenges, it has been established that these can be addressed and avoided in future. Particularly the interface challenges with National Treasury. The teleforms have reduce leave administration's turn around time from 5 days to 1.8 days.

- ***IR Asisst***

  The system is in its final stages of set-up. In the first phase, the system will assist in the proper capturing and reporting of all LR cases handled by the GSSC. The second phase will be roll out of a Help Wizard (LR Advice function) to all Line Managers. This will reduce turn around times drastically but also avail help and advice to Managers on their desktops. Phased 2 roll-out is scheduled for July 2005.

Procurement services

Procurement implemented a new organizational structure which is in line with their operating model. The aim of the new structure is to align the Procurement BU to offer a more effective and efficient delivery service to all its clients.

Financial services

- The GSSC were once again successful in issuing IRP5's to the GPG within agreed Service Level Agreement (SLA) times as well as the submission of the reconciliation to SARS within agreed time frames. The Payroll Deductions and Taxation team was also able to assist employees from various departments in completing tax returns successfully and claim appropriate allowances afforded to them by the tax regulations.
- The continued onslaught on the debt collection of ex-employee debt has resulted in the SLA target of 25% being exceeded although the reduction comprised both write-offs and cash collected after applying proper debt collection and administration procedures.
- The drive to improve internal controls surrounding all financial transactions, especially in relation to mandates that originate from department entities, continued and the quality of mandates – from a control point of view – has improved. There is, however, a long way to go in this respect and this will continue to be emphasised in the next financial year.
- The rollout, toward the latter part of the year, of the in-house developed DMCi document tracking system by the Technology Support Service has added significant visibility for document tracking purposes within the Finance Business Unit. This system was successfully rolled out in the Salaries Administration section and will be rolled out in the new financial year, albeit with amendments, to the other service units within Finance.

- During this financial year various projects were concluded for the Finance unit including, *inter alia*, the successful implementation of:
- the Standard Chart of Accounts for the departments according to Treasury requirements,
- the completion of the Persal database for the SAP Johannesburg General pilot project,
- assistance with the roll out of the Vulindlela project for the majority of the province and
- the e-mailing of the payment stubbs from BAS and SAP to suppliers capable of receiving email.
- Although there were significant issues to resolve during the completion and rollout of these projects by and large it was a success.
- The Electronic Salary Mandates project was continued during the year but suffered significant set backs during the year on various fronts including desired redesign requirements by the former Chief Executive Officer, project management issues as well as lack of Information Technology infrastructure at pilot sites and hindrances to the development of interfaces into Persal. We hope to re-launch development efforts in the new financial year.

Technology support services

The GSSC being responsible for the DRP project went to SITA to procure the servers needed for the DRP and the Technology refresh of the datacenter but that process fell flat when SITA overcharged the GSSC on the hardware. The GSSC then started its own procurement. This delay then led us to under spend because of the delivery dates that were beyond the 30th of March 2005. The equipment was delivered by mid April 2005.

To prevent this type of occurrence the GSSC has put in place a 2 year server contract for the province that will allow the Department to draw off equipment as and when it is needed.

3. AUDIT COMMITTEE

The GSSC has a Joint Audit Committee whose Chairperson and members (with the exception of the GSSC's Chief Executive Officer) are non-departmental managers. The majority of the members of the Audit Committee are financially literate and no relationships exist that could interfere with the Audit Committee members' independence from Management.

The internal and external auditors (Auditor-General) have unrestricted access to the Audit Committee. The committee meets at least twice a year. The external and internal auditors and appropriate members of Executive Management involved in control and finance attend the meetings. The Audit Committee operates in accordance with the guidelines of the King II Report and provides assistance to the management with regard to:

- Activities, scope, adequacy and effectiveness of the internal audit function and audit plans, and
- Review and approval of external audit plans, findings, problems and reports.

4. CAPACITY CONSTRAINTS

Internal audit services

As a result of the demand for internal audit services growing at a faster rate than the supply of the skills in the current job market, Internal Audit services found the recruiting and retaining of these skills to be increasingly difficult especially in the area of computer audit, performance audit and control self assessment. Despite the resource constraints, Internal Audit services managed to achieve the set targets to a great extent. In order to do this, Gauteng

Audit services was forced to use consultants to render the promised services while simultaneously transferring skill to staff. Buy-in was sought from staff in achieving the targets resulting in increased productivity and overtime being worked.

A contributing factor to the high turnover of staff has been the discrepancy of pay structuring in the private and public sectors. With the advent of the middle management services being able to structure salaries, it is envisaged that this will assist to a large extent in attracting and retaining desired skills.

Human resources services

HR services has experience huge capacity constraints during and towards the end of the calendar year with many officials resigning. Though the attrition rate was not that high during the year, it rocketed to almost 40% towards the end of the calendar year and beginning of 2005. The areas most affected by the resignations are in the Consulting environment, particularly Organisation Design and Development. The processing environment also experienced resignations that were and are relatively high in those areas given their actual numbers. The Terminations and Source and Select functions were the most affected. To deal with these issues, the following has been undertaken:

- The review of the operating structures to ensure that these supports the respective service units mandates;
- The recruitment of staff in critical/priority areas like Terminations and the use of Temporary staff in Source and Select;
- In the long term, creating and filling permanent positions on the HRS structure;
- Short to medium term: motivating and pursuing the correction/appropriation of salary disparities between and among staff members performing the same functions in HR services;
- Re-evaluating jobs for purposes of regrading and having approved levels so as to determine correct salaries and properly benchmark with other departments for purposes of retention.
- A retention strategy exercise was undertaken with a view to putting in place appropriate mechanism for the attraction and retention of staff in HR Services.

Procurement services

During the 04/05 financial year, procurement was understaffed, that is most of the vacancies were filled by temporary or contract staff. The impact of the above was that service delivery to some of the entities was negatively affected.

As part of the action plan, all jobs within procurement were evaluated by the Job Evaluation Committee and are currently been filled so as to improve service delivery.

Financial services

- During the past financial year we experienced significant problems with the slowness of response on the BAS and Persal systems. This resulted in backlogs on various occasions which hampered our ability to meet our Service Level Agreement targets.
- This problem was exacerbated in the month of March 2005 at the close of the year end in that departments submitted significantly more payment mandates than the normal monthly average in order to meet the budget targets. The added volumes combined with the slowness of the processing systems resulted in, especially the vendor payments, slow processing or no processing of payments over the period. The slow BAS system together with late submissions of

payments by department resulted in the departments under spending on their budgets in certain cases.

- The lack of Information Technology (IT) infrastructure at certain entities at Departments is hampering our rollout or progress of projects that requiring IT infrastructure for effective operation, like the Electronic Journal project that is currently functioning only on a limited basis. In addition the lack of provision of electronic interfaces into BAS and Persal, which according to SITA is due to, *inter alia*, a lack of systems development funding, also hampers further development of these projects that are targeted at E-government initiatives.

Technology support services

- ***People***

Technology Support Services hereafter referred to as (TSS), has generally had capacity constraints around people. As we all know IT skills are very scarce and remain a challenge to get these skills at the kind of salaries government offers. The GSSC being a center of excellence will continue to seek specialised skills to deliver the specialised services we are expected to deliver to other department. The challenge will always remain to be how we compete with the private sector for these skills.

As the GSSC we started taking in different learnerships including IT learnerships from Isett Seta and Umsobomvu. We intend to build these students up to create an IT skills pool for TSS and other departments. We will train these students around the technologies we use to deliver services to our clients.

We have continued to advertise all the posts that are vacant, and some of the posts we have managed to fill with internal candidates and some external candidates.

- ***WAN***

The GSSC is responsible for the provision of all data lines to the departments. We have a budget of R46 Million for operational costs. Departments on the other hand have continued to grow and the demand for more bandwidth is growing. This is further worsened by the fact that the number of Enterprise applications have been deployed to increase productivity and to deliver services to our citizens. These applications require more bandwidth for them to work optimally. Departments are requesting more bandwidth for them to utilise these applications. Furthermore they have opened new offices that require connectivity to the applications for them to deliver services.

The lack of sufficient funds continues to hinder us from providing the departments with more bandwidth and connectivity to the GPG WAN. We will continue to look for innovative ways to bring down our WAN costs as other technologies become available in the market.

5. PUBLIC PRIVATE PARTNERSHIPS

The Gauteng Shared Service Centre has no Public private partnerships.

6. TRADING ENTITIES AND PUBLIC ENTITIES

The Gauteng Shared Service Centre has no Trading entities and public entities

7. DISCONTINUED OPERATIONS

There were no discontinued operations.

8. NEW PROPOSED ACTIVITIES

As a response to challenges associated with the capability of provincial government departments to roll out various infrastructure projects, the GSSC is setting up Programme Management Office (PMO) at all provincial departments to ensure the effective management of projects as well as capacity building and skills transfer. The PMO is ensuring that the process unfolds flawlessly to ensure the effective, economic and efficient roll-out of resources and delivery.

The objective of the PMO is to gather and disseminate information through effective reporting using application systems that house verified data and monitor project performance. Additionally the PMO aims at enabling the Department to obtain the necessary project and related information in support of accurate and timely reporting by programme managers. The Departmental PMO will therefore be the primary information and reporting source in terms of the projects. The ultimate outcome envisaged is that via the PMO process, the Gauteng Provincial Government will ensure the co-ordinated expenditure and delivery of infrastructure and other projects.

9. EVENTS AFTER REPORTING DATE

During June 2005 the current acting-CEO Mr E van der Merwe was redeployed and was replaced by Mr M Maile as the new acting-CEO of the Gauteng Shared Service centre.

10. RISK MANAGEMENT

Due to the fact that the migration process is still ongoing, new activities and functions impact on the GSSC risk profiles and as a result the control procedures for identifying and monitoring risks are being adjusted continuously. Key policies and procedures are in place to manage operating risks including segregation of duties, transaction authorisation, supervision, monitoring, financial and managerial reporting. A risk assessment was done in which the top 20 risks were identified.

11. IMPLEMENTATION OF THE CODE OF CONDUCT AND THE FRAUD PREVENTION PLAN

The GSSC's code of Ethics and the Fraud Prevention Plan are in place. They incorporate the GSSC's operating, financial and Human Resource policies in a set of integrated values, including the ethical standards required of employees of GSSC in their interaction with one another and with all stakeholders. The Executive committee is also the Fraud Prevention committee.

12. THE SAFETY, HEALTH AND ENVIRONMENT

The GSSC strives to conform to environmental, health and safety law in its operations and seeks to add value to the quality of life of its employees. Although the GSSC's major activities do not pose a significant threat to the environment, the GSSC is implementing processes that will ensure compliance with the key features of existing environmental, health, and safety legislation and international standards. We have began training and approximately 90% of Managers have done the training.

13. PROGRESS WITH FINANCIAL MANAGEMENT IMPROVEMENTS

- The joint audit committee has been operating for the last two years
- Use of Departmental Acquisition Committee (as per Treasury Regulations) in governing procurement for the Department. The Departmental Acquisition Committee meets every 2 weeks.

- Internal Audit section is in place.
- All senior managers have performance contracts
- The Department is run on the basis of the documented mandates, objectives, performance measurements and budgets monitoring
- There are at least two performance reviews per annum for all GSSC staff
- Delegation of authorities is clearly documented.

14. SCOPA RESOLUTIONS

Reference to previous audit report and SCOPA resolutions	Subject	Findings on progress
The MEC should take appropriate measures to investigate the payments of services not rendered in terms of Section 81(1) (a) of the PFMA and provide SCOPA with a status report by the 31 January 2005.	Prepayments	An investigation by KPMG was initiated to investigate the prepayments not rendered in terms of Section 81 (1) (a) of the PFMA and a report was issued. The weaknesses in controls were rectified.
The MEC provides the Committee with a report on the investigation and forensic audit as soon as they are available.	Prepayments	See above
The MEC should take appropriate measures, to investigate the non-compliance with Section 38(1), read with Section 81 of the PFMA and provide SCOPA with a status report by 31 January 2005.	Non-compliance with Section 38(1) of the PFMA	An investigation by Gobodo forensic was initiated to investigate the non compliance with Section 38 (1) read with Section 81 of the PFMA and the report was issued. The weakness in controls were rectified.
The amount of R29 205 299.06 in Programmes 1, 3, 4 and 5 not be authorised pending the outcome of the investigation on GSSC.	Unauthorised expenditure	Noted

Reference to previous audit report and SCOPA resolutions	Subject	Findings on progress
The MEC should take appropriate steps to ensure compliance with Treasury Regulation 3.2.7 and provide SCOPA with a progress report by 31 January 2005.	Audit Plan	The appropriated steps to ensure compliance with Treasury Regulations 3.2.7 was completed. The Audit plans were approved by the Audit committee.
The Department provides SCOPA with a report concerning the IT control environment by 31 January 2005.	IT environment	A report concerning the IT control environment was prepared, approved and implemented.

15. CAPSTONE 518 (PTY) LIMITED

During the year all trading with Capstone 518 (Pty) Limited was suspended and there after ceased. Following the termination of trade with Capstone 518 (Pty) Limited steps where taken to close the financial activities of the company.

All resources employed by Capstone 518 (Pty) Limited were assured that their positions would not be compromised in terms of this closure. All employees of the company resigned and were offered continuation of their contract periods with GSSC.

In terms of the closure of financial activities all vendors were informed of the situation and told that their contracts will be ceded back to the GSSC. At the same time all outstanding invoices in the process of being paid or submitted by or to Capstone 518 (Pty) Limited were settled.

An initial amount of R18 million was recovered from Capstone 518 (Pty) Limited. After settling all outstanding accounts with vendors to the amount of R12,6 million the balance of R5,4 million was transferred back to the GSSC and were paid into the revenue fund.

16. APPROVAL

The Annual Financial Statements set out on pages 72 to 108 have been approved by the Accounting Officer.

M Maile
Acting Chief Executive Officer

20 June 2005

AUDITOR-GENERAL

Report of the Auditor-General to the Gauteng Provincial Legislature on the Financial Statements of Vote 13 – Gauteng Shared Service Centre (GSSC) for the year ended 31 March 2005

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 72 to 108, for the year ended 31 March 2005, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

2. NATURE AND SCOPE

The audit was conducted in accordance with Statements of South African Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to my attention and are applicable to financial matters.

The audit was completed in accordance with Auditor-General Directive No. 1 of 2005.

I believe that the audit provides a reasonable basis for my opinion.

3. QUALIFICATION

3.1 Inter-departmental balances

Treasury Regulation 11.2.1(a) requires the accounting officer to be responsible for the maintenance of proper accounts and records for all debtors.

Contrary to this requirement, Annexure 1 to the annual financial statements, reflected unconfirmed inter-departmental debtors of R3 766 000. Audit was unable to confirm inter-departmental debtors amounting to R2 688 000 included in the R3 766 000.

The Gauteng Motor Transport Trading Account (Government garage) indicated an inter-departmental balance of R1 253 000 between itself and the GSSC at year-end. This amount was not disclosed as part of the GSSC's inter-departmental balances.

Accordingly, the existence and recoverability of the inter-departmental debtors and creditors could not be verified. Furthermore, the inter-departmental debtors and creditors were not reconciled on a monthly basis.

3.2 Leave administration

Significant control weaknesses pertaining to leave management were identified. Leave was not captured accurately and in a timely manner. Furthermore, a breakdown occurred in the leave management system at the GSSC.

Consequently, the accuracy and the completeness of the leave provision as disclosed in Note 17 to the annual financial statements, could not be confirmed.

3.2 Other payrolls – irregular expenditure

The audit of payroll expense at the GSSC identified two payrolls in addition to the PERSAL payroll. Although employees were appointed within the GSSC structure, they were paid outside the approved pay ranges set by the Department of Public Services and Administration (DPSA) for the posts they occupied.

Audit could not be provided with evidence that the GSSC had approval for paying structured salaries that were outside the salary ranges set by the DPSA for certain staff levels. Consequently, these payments were regarded as irregular expenditure.

3.3.1 Payroll 1

This payroll was established in September 2001. The salary payments reflected on payroll 1 were made via a service provider. Total payments to date amounted to approximately R19 844 000 which included performance bonuses of approximately R2 857 000. This payroll was discontinued in March 2005 since all the employees on this payroll either resigned from the GSSC or were transferred to another payroll.

As a result of using a service provider, Valued Added Tax and administration fees totaling R2 608 000 were incurred which could be regarded as fruitless and wasteful expenditure.

3.3.2 Payroll 2

This payroll was established in July 2003 and total payments made since inception amounted to approximately R59 000 000. GSSC informed audit that this payroll would continue until March 2006.

3.4 Capstone 518 (Pty) Ltd

3.4.1 Recovery of funds

During the 2004-2005 financial year, GSSC recovered an amount of approximately R18 000 000 from Capstone 518 (Pty) Ltd (the company) that was paid to the company in the prior financial year. Contrary to Treasury Regulation 31.1.2 (c), the GSSC made these payments in advance for goods and services not received or rendered.

Furthermore, the GSSC contravened Treasury Regulation 8.8, in that the GSSC did not surrender these funds to the Provincial Revenue Fund. No approval was obtained from the Provincial Treasury to retain these funds.

As reflected in Note 2 to the annual financial statements, an unspent amount of approximately R5 400 000 was to be surrendered to the Revenue Fund. The full R18 000 000 was not disclosed in the annual financial statements as amounts to be surrendered to the Revenue Fund. Consequently, revenue to be surrendered to the Revenue Fund (Note 2) was not fairly stated.

3.4.2 Irregular expenditure

These above funds were used by the GSSC to settle outstanding vendor accounts of the company. As a consequence of the GSSC not obtaining approval to retain these funds, the amount paid could be regarded as irregular expenditure.

3.4.3 Value Added Tax

A further amount of R1 078 000 was included in other debtors (Note 9.3) pertaining to VAT paid by GSSC on behalf of the company. GSSC informed audit that this would be recovered from the company once the VAT was claimed by the company from the South African Revenue Services. Accordingly, the recoverability of this amount could not be ascertained.

4. QUALIFIED AUDIT OPINION

In my opinion, except for the effect on the financial statements of the matters referred to in paragraph 3, the financial statements fairly present, in all material respects, the financial position of the Gauteng Shared Service Centre at 31 March 2005 and the results of its operations and cash flows for the year then ended, in accordance with prescribed accounting practice and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999).

5. EMPHASIS OF MATTER

Without further qualifying the audit opinion expressed above, attention is drawn to the following matters:

5.1 Bank and cash

5.1.1. List of authorised signatories

The list of authorised signatories for the bank account and of the GSSC was not up-to-date.

5.1.2 Bank reconciliation

An unreconciled amount of R 442 169 existed on the final bank reconciliation. Although implemented subsequent to the financial year-end, the bank reconciliation was not signed by the chief financial officer as evidence of review.

5.2 Capstone 518 (Pty) Ltd

During the previous year, the GSSC entered into a Service Agreement with a company ('the company') for the provision of information technology application support services. The company was a joint venture between the Gauteng Provincial Government (through the Blue IQ programme in the Department of Finance and Economic Affairs), and the previous accounting officer of the GSSC. The joint venture relationship is regulated by a Shareholders' Agreement. Certain areas of concern relating the above company were identified and these are listed below:

5.2.1 Audited financial statements

The audited financial statements for the 2003-2004 and 2004-2005 financial years for Capstone 518 (Pty) Ltd were not presented to audit.

5.2.2 Forensic audit

The Gauteng Provincial Government performed forensic investigations into the activities of the company. The findings of the investigation were not released at the time of this report.

5.2.3 Establishment of a private company

A subsidiary of Capstone 518 (Pty) Ltd was established in the 2004-2005 financial year. The objective of this company was to manage the GSSC's call centre. Certain general managers of the GSSC were appointed as directors of this company. Audit was unable to establish the extent of payments made to or on behalf of this company by the GSSC. Audit was however informed that this company did not trade for the year under review.

Furthermore, it could not be ascertained if the appropriate procedures and processes were followed and approvals obtained in establishing this company as prescribed by the Public Finance Management Act, 1999 (Act No.1 of 1999).

5.3 Former chief executive officer

During the year under review the contract of the Chief Executive Officer (CEO) was re-determined and his employment brought to an end. A forensic investigation was performed into the activities of the former CEO. The findings of this investigation were not released at the time of this report.

5.4 Expenditure

5.4.1 Fleet management

Various significant control weaknesses and abnomalies were identified in the use of vehicles. This included incomplete logbooks, trip request and trip authorisation forms. The GSSC continued using Government Garage vehicles without renewing contracts with Government Garage for the use of those vehicles.

A forensic investigation was in progress to investigate the misuse of government vehicles.

5.4.2 BAS and SAP interface

In reconciling the expenditure recorded on the SAP system to expenditure recorded on the BAS system, a reconciling difference of R1 844 000 was identified. This resulted as the GSSC bypassed the SAP system (procure-to-pay) and made payments on the BAS system.

5.5 Tender approvals

To confirm the validity of tenders awarded, it was necessary to review the minutes of GSSC's Departmental Acquisition Committee (DAC). This was not possible as the only available minutes for audit was that of November 2004 and February 2005.

Consequently, it was not possible to determine if the correct procedures and processes were followed in the awarding of tenders.

5.6 Human resources

In addition to the matters raised in the qualification paragraphs, the following weaknesses were identified in some instances:

(a) Although reconciliations were performed on the various payrolls, no overall reconciliation was performed on the final amount recorded in BAS for personnel expenditure;

(b) Former employees were not removed from PERSAL in a timely manner;

(c) Employee's files did not contain letters confirming appointment as permanent employees;

(d) Employee's files did not contain letter's of termination and resignation of service; and

(e) There were no signed motivation letters for the appointment of employees.

5.7 Underspending

As reflected in the annual financial statements, GSSC underspent on its adjusted budget by R34 748 000. Significant under-spending occurred in Programme 2-Human resources services (R5 772 000) and Programme 5-Technology support services (R25 892 000). GSSC indicated that a roll-over of funds would be applied for.

5.8 Unauthorised expenditure

As reflected in Note 6 to the annual financial statements, the unauthorised expenditure amounting to R29 206 000 for the 2003-2004 financial year was not yet approved.

5.9 Governance matters

The accounting officer is required by section 38 (1) of the PFMA to ensure that effective systems of financial management and internal control are implemented in the department. The following areas of concern were identified during the audit:

5.9.1 Role and responsibility of internal audit

A review of the executive committee minutes of the GSSC indicated that internal audit appeared to be involved in management decision making processes of the GSSC. There is a need to review the roles and responsibility of the Gauteng Audit Services within the GSSC to entrench its independence.

5.9.2 Forensic investigations

A number of forensic investigations into human resources and procurement were undertaken by Gauteng Audit Services. This highlighted significant weaknesses in both the human resources and procurement processes at GSSC.

5.10 Weaknesses in the computer information technology (IT) environment

The Gauteng Provincial Government's IT infrastructure is supported by the activities of the GSSC. The general control environment maintained at the GSSC therefore has a broad impact on the IT and processing activities of many departments.

It is within this context that the Information System Audit performed at the GSSC focussed on determining the extent to which management adequately resolved control issues raised during our prior year reviews and further evaluating the current control environment.

Although controls have improved over the period, a number of weaknesses still existed in the IT general control environment. These findings are significant and relevant to the processing of transactions of a number of Gauteng Provincial Government departments. The most significant control weaknesses identified, were the following:

(a) A business continuity plan incorporating a disaster recovery plan did not exist.

(b) Transaction data transmitted between certain interfaces was not adequately protected during transmission.

(c) Although the change control process improved, several control weaknesses were noted in the SAP Systems Development Life Cycle. The most significant findings were:
- Changes to the SAP production environments were inadequately controlled in that several change control documents were incomplete, could not be found or did not have relevant approval signatures.
- Business requirement and functional specification documents could not be submitted for several of the changes tested. Furthermore, the business requirement specification documents reviewed lacked several key approvals.

(d) A number of weaknesses still existed in the IT network environment.

(e) A general lack of controls surrounding user account management on the BAS and PERSAL applications existed.

(f) The review of the SAP authorisations noted certain weak logical access controls. Inadequate segregation of duties issues was also noted.

(g) License fees were paid for applications that were not utilised.

Weaknesses pertaining to change control, disaster recovery planning, security surrounding interfaces, network security, user account management on the PERSAL and BAS applications and segregation of duties raised concerns regarding the integrity of the data on both GSSC and transversal applications.

5.11 Standing committee on public accounts resolutions

The Standing Committee on Public Accounts (SCOPA) passed resolutions arising from its hearing held into the matters reported by the Auditor-General for the year ended 31 March 2004. As at the date of this report, a number of resolutions passed have not been satisfactorily addressed by the GSSC.

5.12 Submission of financial statements

The financial statements of GSSC were submitted on 31 May 2005. Due to material findings the annual financial statements were rectified and a final set was resigned on 20 June 2005 and presented to audit.

5.13 Late completion of audit

Section 40 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) prescribes the accounting officer's reporting responsibilities, whilst section 40(2) requires that the Auditor-General must audit the annual financial statements and submit an audit report on these statements to the accounting officer within two months of the receipt of the statements.

The audit was only completed on 19 August 2005 due to the following:

(a) Documentation was not submitted in a timely manner for audit purposes;

(b) Financial statements were not submitted in an appropriate manner for audit and had to be adjusted for various audit findings; and

(c) Significant audit report findings.

5.14 Transversal matters

The significant matters reported below concerned GSSC as a shared service provider and reflected findings arising from our audit:

5.14.1 Provincial Acquisition Committee (PAC)

Minutes of the PAC were only maintained from 1 February 2005 for the period under review. Consequently, it was not possible to determine if the PAC functioned effectively and in terms of its policy.

5.14.2 Tender process

The review of the GSSC tender process indicated the following weaknesses:

(a) Although tenders were regarded as a legally binding document, contracts were not put in place once the tender was awarded;

(b) The tender register was not regularly updated; and

(c) Terminated/cancelled tenders were not recorded on the tender register.

5.14.3 Creditors reconciliation not performed

Creditor's reconciliations were not performed on a regular basis.

5.14.4 Leave forms not processed

A significant backlog existed of leave forms not processed for various departments within the Gauteng Provincial Government. This raised concern regarding the accuracy and completeness of leave provisions across the Gauteng Provincial Government with the corresponding impact on the management of leave and the calculation of the leave payouts.

5.14.5 Year-end accruals

Backlogs arose at year-end in the processing of expenses due to resource constraints and volumes. A number of Gauteng Provincial Government departments attributed their under spending on various programmes to this.

5.14.6 Document retention policy

Treasury Regulations 17.2.1 requires that the accounting officer of an institution must, subject to the relevant legislation, (National Archives of South Africa Act, 1996 (Act No. 43 of 1996)), retain all financial information in its original form.

The GSSC did not have an approved document retention plan policy in place for the year under review.

5.14.7 Procure-to-pay system bypassed

Departments were bypassing the SAP-based procure-to-pay system and instead made purchases via sundry payments. Although management indicated that this was a significant problem, it was not possible to establish the extent of this problem at the time of the audit. Bypassing the procure-to-pay system negatively impacted on controls, GSSC's ability to monitor black empowerment statistics, vendor performance, the speed of payments and increases the likelihood of duplicated payments.

5.14.8 Roles and responsibilities

Due to ineffective controls over processes and documentation between the various service units at GSSC and the Gauteng Provincial Government departments, it was not possible to obtain appropriate audit evidence in a timely manner.

This resulted from a lack of clearly defined roles and responsibilities between GSSC and the various departments. In addition inadequate review of the work performed at GSSC by the various departments was observed. As prescribed by the Public Finance Management Act, 1999 (Act No. 1 of 1999), the accounting officer for each department is ultimately responsible for all activities of their department.

5.14.9 Sustainability of SAP roll-out

During the 2004-2005 financial year, various developments impacted adversely on the roll-out of the SAP systems and the value derived from the development expenditure already incurred. These were:

(a) The loss of key management and technical personnel without replacement;

(b) The increase in creditor payments not processed through SAP, thus avoiding the built-in system controls and functionality; and

(c) The suspension of the detailed roll-out plans.

6. APPRECIATION

The assistance rendered by the staff of the Gauteng Shared Service Centre during the audit is sincerely appreciated.

Imran Vanker
for Auditor-General

Johannesburg

19 August 2005

The annual financial Statements have been prepared in accordance with the following policies, which have been applied consistently in all material aspects, unless otherwise indicated. However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the annual financial statements and to comply with the statutory requirements of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999), the Treasury Regulations for Departments and Constitutional Institutions issued in terms of the Act and the Division of Revenue Act, Act 5 of 2004. The following issued, but not yet effective Standards of Generally Recognised Accounting Practice have not been fully complied with in the Annual Financial Statements: GRAP 1, 2 and 3.

1. BASIS OF PREPARATION

The Annual Financial Statements have been prepared on a modified cash basis of accounting, except where stated otherwise. The modified cash basis constitutes the cash basis of accounting supplemented with additional disclosure items. Under the cash basis of accounting transactions and other events are recognised when cash is received or paid. Under the accrual basis of accounting transactions and other events are recognised when incurred and not when cash is received or paid.

2. REVENUE

Appropriated funds

Voted funds are the amounts appropriated to a department in accordance with the final budget known as the Adjusted Estimates of Provincial Expenditure. Unexpended voted funds are surrendered to the Provincial Revenue Fund, unless otherwise stated.

Departmental revenue

Interest, dividends and rent on land

Interest and dividends received are recognised upon receipt of the funds, and no provision is made for interest or dividends receivable from the last receipt date to the end of the reporting period. They are recognised as revenue in the Statement of Financial Performance of the department and then transferred to the Provincial Revenue Fund.

Revenue received from the rent of land is recognised in the statement of financial performance on receipt of the funds.

Sale of capital assets

The proceeds from the sale of capital assets is recognised as revenue in the statement of financial performance on receipt of the funds.

Financial transactions in assets and liabilities

Repayments of loans and advances previously extended to employees and public corporations for policy purposes are recognised as revenue in the statement of financial performance on receipt of the funds.

Cheques issued in previous accounting periods that expire before being banked are recognised as revenue in the statement of financial performance when the cheque becomes stale. When the cheque is reissued the payment is made from Revenue.

3. EXPENDITURE

Compensation of employees

Salaries and wages comprise payments to employees. Salaries and wages are recognised as an expense in the statement of financial performance when the final authorisation for payment is effected on the system. The expenditure is classified as capital where the employees were involved, on a full time basis, on capital projects during the financial year. All other payments are classified as current expense.

Social contributions include the entities' contribution to social insurance schemes paid on behalf of the employee. Social contributions are recognised as an expense in the Statement of Financial Performance when the final authorisation for payment is effected on the system.

Short-term employee benefits

The cost of short-term employee benefits is expensed in the statement of financial performance in the reporting period when the final authorisation for payment is effected on the system. Short-term employee benefits, that give rise to a present legal or constructive obligation are disclosed as a disclosure note to the annual financial statements and are not recognised in the statement of financial performance.

Long-term employee benefits and other post employment benefits

Termination benefits

Termination benefits are recognised and expensed only when the final authorisation for payment is effected on the system.

Medical benefits

The department provides medical benefits for its employees through defined benefit plans. Employer contributions to the fund are incurred when the final authorisation for payment is effected on the system. No provision is made for medical benefits in the Annual Financial Statements of the department.

Post employment retirement benefits

The department provides retirement benefits for certain of its employees through a defined benefit plan for government employees. These benefits are funded by both employer and employee contributions. Employer contributions to the fund are expensed when the final authorisation for payment to the fund is effected on the system. No provision is made for retirement benefits in the Annual Financial Statements of the department. Any potential liabilities are disclosed in the Annual Financial Statements of the Provincial Revenue Fund and not in the Annual Financial Statements of the employer department.

Other employee benefits

Obligations arising from leave entitlement, thirteenth cheque and performance bonus that are reflected in the disclosure notes have not been paid for at year-end.

Goods and services

Payments made for goods and/or services are recognised as an expense in the statement of financial performance when the final authorisation for payment is effected on the system. The expense is classified as capital if the goods and services was used on a capital project.

Interest and rent on land

Interest and rental payments resulting from the use of land, are recognised as an expense in the statement of financial performance when the final authorisation for payment is effected on the system. This item excludes rental on the use of buildings or other fixed structures.

Financial transactions in assets and liabilities

Financial transactions in assets and liabilities include bad debts written off. Debts are written off when identified as irrecoverable. Debts written-off are limited to the amount of savings and/or underspending available to the department. The write off occurs at year-end or when funds are available. No provision is made for irrecoverable amounts.

Unauthorised expenditure

Unauthorised expenditure, is defined as:

- The overspending of a vote or a main division within a vote, or
- Expenditure that was not made in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Such expenditure is treated as a current asset in the Statement of Financial Position until such expenditure is approved by the relevant authority, recovered or written off as irrecoverable.

Irregular expenditure

Irregular expenditure, is defined as:

expenditure, other than unauthorised expenditure, incurred in contravention or not in accordance with a requirement of any applicable legislation, including:

- the Public Finance Management Act
- the State Tender Board Act, or any regulations made in terms of this act, or
- any provincial legislation providing for procurement procedures in that provincial government.

It is treated as expenditure in the Statement of Financial Performance. If such expenditure is not condoned and it is possibly recoverable it is disclosed as receivable in the Statement of Financial Position at year-end.

Fruitless and wasteful expenditure

Fruitless and wasteful expenditure, is defined as:

expenditure that was made in vain and would have been avoided had reasonable care been exercised, therefore

- it must be recovered from a responsible official (a debtor account should be raised), or
- the vote. (If responsibility cannot be determined.)

Such expenditure is treated as a current asset in the Statement of Financial Position until such expenditure is recovered from the responsible official or written off as irrecoverable.

Expenditure for capital assets

Capital assets are assets that can be used repeatedly and continuously in production for more than one year. Payments made for capital assets are recognised as an expense in the Statement of Financial Performance when the final authorisation for payment is effected on the system.

Receivables

Receivables are not normally recognised under the modified cash basis of accounting. However, receivables included in the Statement of Financial Position arise from cash payments that are recoverable from another party, when the payments are made.

Receivables for services delivered are not recognised in the Statement of Financial Position as a current asset or as income in the Statement of Financial Performance, as the Annual Financial Statements are prepared on a modified cash basis of accounting, but are disclosed separately as part of the disclosure notes to enhance the usefulness of the Annual Financial Statements.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of cash on hand and balances with banks, short term investments in money market instruments and demand deposits. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

7. PAYABLES

Payables are not normally recognised under the modified cash basis of accounting. However, payables included in the Statement of Financial Position arise from advances received that are due to the Provincial/ National Revenue Fund or another party.

8. LEASE COMMITMENTS

Lease commitments for the period remaining from the reporting date until the end of the lease contract are disclosed as part of the disclosure notes to the Annual

Financial Statements. These commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance as the Annual Financial Statements are prepared on the cash basis of accounting.

Operating lease expenditure is expensed when the payment is made.

Finance lease expenditure is expensed when the payment is made, but results in the acquisition of the asset under the lease agreement. A finance lease is not allowed in terms of the Public Finance Management Act.

9. ACCRUALS

This amount represents goods/services that have been received, but no invoice has been received from the supplier at the reporting date, OR an invoice has been received but final authorisation for payment has not been effected on the system. These amounts are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance as the Annual Financial Statements are prepared on a modified cash basis of accounting, but are however disclosed as part of the disclosure notes.

10. CONTINGENT LIABILITIES

This is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the department; or

a present obligation that arises from past events but is not recognised because:

- it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
- the amount of the obligation cannot be measured with sufficient reliability

Contingent liabilities are not recognised in the Statement of Financial position, but the information is disclosed as part of the disclosure notes.

11. COMMITMENTS

This amount represents goods/services that have been approved and/or contracted, but no delivery has taken place at the reporting date. These amounts are not recognised in the Statement of financial position as a liability or as expenditure in the Statement of Financial Performance as the Annual Financial Statements are prepared on a modified cash basis of accounting, but are however disclosed as part of the disclosure notes.

12. RECOVERABLE REVENUE

Recoverable revenue represents payments made and recognised in the Statement of Financial Performance as an expense in previous years due to non-performance in accordance with an agreement, which have now become recoverable from a debtor. Repayments are transferred to the Revenue Fund as and when the repayment is received.

13. COMPARATIVE FIGURES

Where necessary, comparative figures have been restated to conform to the changes in the presentation in the current year. The comparative figures shown in these Annual Financial Statements are limited to the figures shown in the previous year's audited Annual Financial Statements and such other comparative figures that the department may reasonably have available for reporting. Reclassification of expenditure has occurred due to the implementation of the Standard Chart of Accounts. It is not practical to present comparative amounts in the Cash Flow Statements as this would involve reclassification of amounts dating back to the 2002/03 year-end.

Appropriation statement

for the year ended 31 March 2005

	Programme							
	2004/05						2003/04	
Programme	Adjusted appropriation R'000	Virement R'000	Final allocation R'000	Actual expenditure R'000	Savings/ underspend (Excess) R'000	Expenditure as % of revised allocation	Final allocation R'000	Actual expenditure R'000
1. Internal Audit Services	**43 904**	**—**	**43 904**	**43 679**	**225**	**99,5%**	**38 631**	**38 598**
Current payment	43 327	—	43 327	42 305	1 022	97,6%	37 469	37 745
Expenditure for capital assets	577	—	577	1 374	(797)	238,1%	1 162	853
2. Human Resource Services	**87 834**	**—**	**87 834**	**82 062**	**5 772**	**93,4%**	**66 658**	**66 613**
Current payment	79 888	—	79 888	79 572	316	99,6%	64 632	64 332
Expenditure for capital assets	7 946	—	7 946	2 490	5 456	31,3%	2 026	2 281
3. Procurement Services	**65 831**	**(5 266)**	**60 565**	**59 288**	**1 277**	**97,9%**	**73 846**	**73 824**
Current payment	64 059	(5 266)	58 793	57 735	1 058	98,2%	72 355	72 711
Expenditure for capital assets	1 772	—	1 772	1 553	219	87,6%	1 491	1 113
4. Finance Services	**75 219**	**(6 000)**	**69 219**	**67 637**	**1 582**	**97,7%**	**68 088**	**68 012**
Current payment	73 195	(6 000)	67 195	66 059	1 136	98,3%	62 233	66 299
Expenditure for capital assets	2 024		2 024	1 578	446	78,0%	5 855	1 713
5. Technology Support Services	**236 393**	**11 266**	**247 659**	**221 767**	**25 892**	**89,5%**	**236 692**	**225 443**
Current payment	215 050	(11 000)	204 050	202 766	1 284	99,4%	157 862	182 370
Expenditure for capital assets	21 343	22 266	43 609	19 001	24 608	43,6%	78 830	43 073
Total	**509 181**	**—**	**509 181**	**474 433**	**34 748**	**93,2%**	**483 915**	**472 490**
Reconciliation with Statement of Financial Performance								
Prior year unauthorised expenditure approved with funding			3 370					
Departemental revenue received			7 347				517	
Local and foreign aid assistance received								
Actual amounts per Statement of Financial Performance			519 898				484 432	

	2004/05						2003/04	
Programme	**Adjusted appropriation R'000**	**Virement R'000**	**Final allocation R'000**	**Actual expenditure R'000**	**Savings/ underspend (Excess) R'000**	**Expenditure as % of revised allocation**	**Final allocation R'000**	**Actual expenditure R'000**
Investments acquired and capitalised during the current financial year, but expensed for appropriation puposes								
Other payments in Appropriation Statement, not accounted for in Statement of Financial Performance								
Local and foreign aid assistance								
Prior year unauthorised expenditure approved				3 370				
Prior year fruitless and wastful expenditure condoned								
Actual amounts per Statement of Financial Performance				**477 803**				**472 490**
Economic classifications								
Current payments	**475 520**	**(22 266)**	**453 254**	**448 438**	**4 816**	**98,9%**	**394 551**	**423 457**
Compensation of employees	210 160	(4 000)	206 160	205 951	209	99,9%	177 513	156 661
Goods and services	265 360	(18 266)	247 094	242 487	4 607	98,1%	217 038	266 796
Expenditure for capital assets	**33 661**	**22 266**	**55 927**	**25 995**	**29 932**	**46,5%**	**89 364**	**49 033**
Buildings and other fixed structures	—	—	—	49	(49)		—	—
Acquisition of capital assets	33 661	22 266	55 927	17 987	37 940	32,2%	89 364	49 033
Software and other intangible assets	—	—	—	7 959	(7 959)		—	—
Total	**509 181**	**—**	**509 181**	**474 433**	**34 748**	**93,2%**	**483 915**	**472 490**

for the year ended 31 March 2005

DETAIL PER PROGRAMME 1 – INTERNAL AUDIT SERVICE

	2004/05						2003/04	
Internal Audit Service	**Adjusted appropriation R'000**	**Virement R'000**	**Final allocation R'000**	**Actual expenditure R'000**	**Savings/ underspend (Excess) R'000**	**Expenditure as % of revised allocation**	**Final allocation R'000**	**Actual expenditure R'000**
1.1 Risk Audit	**26 750**	**—**	**26 750**	**27 332**	**(582)**	**102,2%**	**25 246**	**23 542**
Current payment	26 537	—	26 537	26 103	434	98,4%	24 374	23 211
Expenditure for capital assets	213	—	213	1 229	(1 016)	577,0%	872	331
1.2 Computer Audit	**4 148**	**—**	**4 148**	**2 519**	**1 629**	**60,7%**	**3 173**	**2 575**
Current payment	4 015	—	4 015	2 458	1 557	61,2%	3 080	2 385
Expenditure for capital assets	133	—	133	61	72	45,9%	93	190
1.3 Forensic Audit	**7 908**	**—**	**7 908**	**9 662**	**(1 754)**	**122,2%**	**8 732**	**8 639**
Current payment	7 790	—	7 790	9 607	(1 817)	123,3%	8 595	8 430
Expenditure for capital assets	118	—	118	55	63	46,6%	137	209
1.4 Performance Audit	**5 098**	**—**	**5 098**	**4 166**	**932**	**81,7%**	**1 480**	**3 842**
Current payment	4 985	—	4 985	4 137	848	83,0%	1 420	3 719
Expenditure for capital assets	113	—	113	29	84	25,7%	60	123
Total	**43 904**	**—**	**43 904**	**43 679**	**225**	**99,5%**	**38 631**	**38 598**
Economic classification								
Current payments	**43 327**	**—**	**43 327**	**42 305**	**1 022**	**97,6%**	**37 469**	**37 745**
Compensation of employees	33 424	—	33 424	29 637	3 787	88,7%	28 146	25 429
Goods and services	9 903	—	9 903	12 668	(2 765)	127,9%	9 323	12 316
Expenditure for capital assets	**577**	**—**	**577**	**1 374**	**(797)**	**238,1%**	**1 162**	**853**
Buildings and other fixed structures	—	—	—	—	—		—	—
Acquisition of capital assets	577	—	577	1 478	(901)	256,2%	1 162	853
Software and other intangible assets	—	—	—	(104)	104		—	—
Total	**43 904**	**—**	**43 904**	**43 679**	**225**	**99,5%**	**38 631**	**38 598**

DETAIL PER PROGRAMME 2 – HUMAN RESOURCES SERVICES

	2004/05						2003/04	
Human Resource Services	Adjusted appropriation R'000	Virement R'000	Final allocation R'000	Actual expenditure R'000	Savings/ underspend (Excess) R'000	Expenditure as % of revised allocation	Final allocation R'000	Actual expenditure R'000
2.1 GM Office	**229**	**—**	**229**	**412**	**(183)**	**179,9%**	**—**	**—**
Current payment	229	—	229	343	(114)	149,8%	—	—
Expenditure for capital assets	—	—	—	69	(69)		—	—
2.2 Recruitement and Selection	**15 504**	**—**	**15 504**	**14 844**	**660**	**95,7%**	**7 069**	**15 411**
Current payment	15 108	—	15 108	14 524	584	96,1%	6 787	15 110
Expenditure for capital assets	396	—	396	320	76	80,8%	282	301
2.3 Reward and Retain	**18 576**	**—**	**18 576**	**19 554**	**(978)**	**105,3%**	**10 545**	**16 183**
Current payment	18 088	—	18 088	19 050	(962)	105,3%	10 075	15 605
Expenditure for capital assets	488	—	488	504	(16)	103,3%	470	578
2.4 SMS Services	**1 589**	**—**	**1 589**	**1 522**	**67**	**95,8%**	**2 059**	**1 926**
Current payment	1 530	—	1 530	1 480	50	96,7%	1 819	1 874
Expenditure for capital assets	59	—	59	42	17	71,2%	240	52
2.5 Terminations	**3 948**	**—**	**3 948**	**5 257**	**(1 309)**	**133,2%**	**2 298**	**3 689**
Current payment	3 853	—	3 853	5 179	(1 326)	134,4%	2 163	3 573
Expenditure for capital assets	95	—	95	78	17	82,1%	135	116
2.6 HR Organisational Development	**17 636**	**—**	**17 636**	**14 497**	**3 139**	**82,2%**	**11 648**	**8 888**
Current payment	11 429	—	11 429	13 850	(2 421)	121,2%	11 444	8 715
Expenditure for capital assets	6 207	—	6 207	647	5 560	10,4%	204	173
2.7 Organisational Structuring	**10 236**	**—**	**10 236**	**8 737**	**1 499**	**85,4%**	**11 720**	**7 687**
Current payment	9 996	—	9 996	8 241	1 755	82,4%	11 523	7 386
Expenditure for capital assets	240	—	240	496	(256)	206,7%	197	301
2.8 Policy and Proced1ures	**4 818**	**—**	**4 818**	**4 631**	**187**	**96,1%**	**6 587**	**3 378**
Current payment	4 716	—	4 716	4 509	207	95,6%	6 435	3 269
Expenditure for capital assets	102	—	102	122	(20)	119,6%	152	109
2.9 Employee Relations	**15 298**	**—**	**15 298**	**12 608**	**2 690**	**82,4%**	**14 732**	**9 451**
Current payment	14 939	—	14 939	12 396	2 543	83,0%	14 386	8 800
Expenditure for capital assets	359	—	359	212	147	59,1%	346	651
Total	**87 834**	**—**	**87 834**	**82 062**	**5 772**	**93,4%**	**66 658**	**66 613**

for the year ended 31 March 2005

DETAIL PER PROGRAMME 2 – HUMAN RESOURCES SERVICES

	2004/05						2003/04	
Economic classification	**Adjusted appropriation R'000**	**Virement R'000**	**Final allocation R'000**	**Actual expenditure R'000**	**Savings/ underspend (Excess) R'000**	**Expenditure as % of revised allocation**	**Final allocation R'000**	**Actual expenditure R'000**
Current payments	**79 888**	**—**	**79 888**	**79 572**	**316**	**99,6%**	**64 632**	**64 332**
Compensation of employees	51 587	—	51 587	53 860	(2 273)	104,4%	45 588	41 603
Goods and services	28 301	—	28 301	25 712	2 589	90,9%	19 044	22 729
Expenditure for capital assets	**7 946**	**—**	**7 946**	**2 490**	**5 456**	**31,3%**	**2 026**	**2 281**
Buildings and other fixed structures	—	—	—	—	—		—	—
Acquisition of capital assets	7 946	—	7 946	2 379	5 567	29,9%	2 026	2 281
Software and other intangible assets	—	—	—	111	(111)		—	—
Total	**87 834**	**—**	**87 834**	**82 062**	**5 772**	**93,4%**	**66 658**	**66 613**

DETAIL PER PROGRAMME 3 – PROCUREMENT SERVICES

	2004/05						2003/04	
Procurement Services	Adjusted appropriation R'000	Virement R'000	Final allocation R'000	Actual expenditure R'000	Savings/ underspend (Excess) R'000	Expenditure as % of revised allocation	Final allocation R'000	Actual expenditure R'000
3.1 GM Office	**10 687**	**(5 266)**	**5 421**	**5 184**	**237**	**95,6%**	**—**	**—**
Current payment	10 687	(5 266)	5 421	5 154	267	95,1%	—	—
Expenditure for capital assets	—	—	—	30	(30)		—	—
3.3 Strategic Sourcing	**9 579**	**—**	**9 579**	**13 730**	**(4 151)**	**143,3%**	**11 406**	**11 985**
Current payment	9 272	—	9 272	13 379	(4 107)	144,3%	11 193	11 861
Expenditure for capital assets	307	—	307	351	(44)	114,3%	213	124
3.2 Vendor Management	**9 080**	**—**	**9 080**	**5 628**	**3 452**	**62,0%**	**6 646**	**3 196**
Current payment	8 703	—	8 703	5 457	3 246	62,7%	6 475	3 074
Expenditure for capital assets	377	—	377	171	206	45,4%	171	122
3.3 Procure to pay	**19 626**	**—**	**19 626**	**26 181**	**(6 555)**	**133,4%**	**15 238**	**19 792**
Current payment	19 065	—	19 065	25 437	(6 372)	133,4%	14 627	19 505
Expenditure for capital assets	561	—	561	744	(183)	132,6%	611	287
3.3 Contract Management	**6 075**	**—**	**6 075**	**3 394**	**2 681**	**55,9%**	**—**	**—**
Current payment	5 847	—	5 847	3 274	2 573	56,0%	—	—
Expenditure for capital assets	228	—	228	120	108	52,6%	—	—
3.4 Procurement support	**10 784**	**—**	**10 784**	**5 171**	**5 613**	**48,0%**	**7 744**	**7 207**
Current payment	10 485	—	10 485	5 034	5 451	48,0%	7 529	6 820
Expenditure for capital assets	299	—	299	137	162	45,8%	215	387
3.5 BEE Development	**—**	**—**	**—**	**—**	**—**		**3 833**	**2 888**
Current payment	—	—	—	—	—		3 722	2 756
Expenditure for capital assets	—	—	—	—	—		111	132
3.6 Shared Supply chain	**—**	**—**	**—**	**—**	**—**		**24 679**	**26 201**
Current payment	—	—	—	—	—		24 533	26 140
Expenditure for capital assets	—	—	—	—	—		146	61
3.7 Basic Procurement training	**—**	**—**	**—**	**—**	**—**		**4 300**	**2 555**
Current payment	—	—	—	—	—		4 276	2 555
Expenditure for capital assets	—	—	—	—	—		24	—
Total	**65 831**	**-5 266**	**60 565**	**59 288**	**1 277**	**97,9%**	**73 846**	**73 824**

for the year ended 31 March 2005

DETAIL PER PROGRAMME 3 – PROCUREMENT SERVICES

	2004/05						2003/04	
Economic classification	Adjusted appropriation R'000	Virement R'000	Final allocation R'000	Actual expenditure R'000	Savings/ underspend (Excess) R'000	Expenditure as % of revised allocation	Final allocation R'000	Actual expenditure R'000
Current payments	**64 059**	**(5 266)**	**58 793**	**57 735**	**1 058**	**98,2%**	**72 355**	**72 711**
Compensation of employees	41 645	—	41 645	42 067	(422)	101,0%	41 484	29 510
Goods and services	22 414	(5 266)	17 148	15 668	1 480	91,4%	30 871	43 201
Expenditure for capital assets	**1 772**	**—**	**1 772**	**1 553**	**219**	**87,6%**	**1 491**	**1 193**
Buildings and other fixed structures	—	—	—	—	—		—	—
Acquisition of capital assets	1 772	—	1 772	1 553	219	87,6%	1 491	1 113
Software and other intangible assets	—	—	—	—	—		—	80
Total	**65 831**	**(5 266)**	**60 565**	**59 288**	**1 277**	**97,9%**	**73 846**	**73 904**

DETAIL PER PROGRAMME 4 – FINANCIAL SERVICE

	2004/05						2003/04	
Finance	Adjusted appropriation R'000	Virement R'000	Final allocation R'000	Actual expenditure R'000	Savings/ underspend (Excess) R'000	Expenditure as % of revised allocation	Final allocation R'000	Actual expenditure R'000
4.1 GM Office	**150**	**—**	**150**	**327**	**(177)**	**218,0%**	**—**	**—**
Current payment	150	—	150	298	(148)	198,7%	—	—
Expenditure for capital assets	—	—	—	29	(29)		—	—
4.2 Cash Book Services	**7 709**	**(600)**	**7 109**	**6 891**	**218**	**96,9%**	**7 128**	**6 700**
Current payment	7 453	(600)	6 853	6 768	85	98,8%	6 925	6 542
Expenditure for capital assets	256	—	256	123	133	48,0%	203	158
4.3 General Accounting	**5 741**	**—**	**5 741**	**5 425**	**316**	**94,5%**	**4 949**	**5 159**
Current payment	5 541	—	5 541	5 312	229	95,9%	4 766	5 024
Expenditure for capital assets	200	—	200	113	87	56,5%	183	135
4.4 Accounts Payable	**17 195**	**(3 000)**	**14 195**	**14 162**	**33**	**99,8%**	**14 322**	**10 194**
Current payment	16 919	(3 000)	13 919	13 864	55	99,6%	13 840	9 754
Expenditure for capital assets	276	—	276	298	-22	108,0%	482	440
4.5 Payroll Administration	**26 950**	**(500)**	**26 450**	**26 042**	**408**	**98,5%**	**23 276**	**22 144**
Current payment	25 991	(500)	25 491	25 474	17	99,9%	22 134	21 378
Expenditure for capital assets	959	—	959	568	391	59,2%	1 142	766
4.6 Debts Management	**9 229**	**(800)**	**8 429**	**8 259**	**170**	**98,0%**	**9 015**	**7 971**
Current payment	9 034	(800)	8 234	8 143	91	98,9%	5 286	7 840
Expenditure for capital assets	195	—	195	116	79	59,5%	3 729	131
4.7 Super users	**7 477**	**(1 100)**	**6 377**	**5 914**	**463**	**92,7%**	**8 837**	**15 801**
Current payment	7 354	(1 100)	6 254	5 583	671	89,3%	8 743	15 718
Expenditure for capital assets	123	—	123	331	(208)	269,1%	94	83
4.8 ERP	**768**	**—**	**768**	**617**	**151**	**80,3%**	**561**	**43**
Current payment	753	—	753	617	136	81,9%	539	43
Expenditure for capital assets	15	—	15	—	15	0,0%	22	—
Total	**75 219**	**(6 000)**	**69 219**	**67 637**	**1 582**	**97,7%**	**68 088**	**68 012**

Appropriation statement continued

for the year ended 31 March 2005

DETAIL PER PROGRAMME 4 – FINANCIAL SERVICE

	2004/05						2003/04	
Economic classification	**Adjusted appropriation R'000**	**Virement R'000**	**Final allocation R'000**	**Actual expenditure R'000**	**Savings/ underspend (Excess) R'000**	**Expenditure as % of revised allocation**	**Final allocation R'000**	**Actual expenditure R'000**
Current payments	**73 195**	**(6 000)**	**67 195**	**66 059**	**1 136**	**98,3%**	**62 233**	**66 299**
Compensation of employees	51 301	(4 000)	47 301	46 679	622	98,7%	38 758	35 659
Goods and services	21 894	(2 000)	19 894	19 380	514	97,4%	23 475	30 640
Expenditure for capital assets	**2 024**	**—**	**2 024**	**1 578**	**446**	**78,0%**	**5 855**	**1 713**
Buildings and other fixed structures	—	—	—	—	—		—	—
Acquisition of capital assets	2 024	—	2 024	1 578	446	78,0%	5 855	1 713
Software and other intangible assets	—	—	—	—	—		—	—
Total	**75 219**	**(6 000)**	**69 219**	**67 637**	**1 582**	**97,7%**	**68 088**	**68 012**

DETAIL PER PROGRAMME 5 – TECHNOLOGY SUPPORT SERVICES

	2004/05						2003/04	
Technology Support Services	Adjusted appropriation R'000	Virement R'000	Final allocation R'000	Actual expenditure R'000	Savings/ underspend (Excess) R'000	Expenditure as % of revised allocation	Final allocation R'000	Actual expenditure R'000
5.1 GM Office	**1 070**	**—**	**1 070**	**619**	**451**	**57,9%**	**—**	**—**
Current payment	1 070	—	1 070	604	466	56,4%	—	—
Expenditure for capital assets	—	—	—	15	(15)		—	—
5.2 Service Management	**2 710**	**—**	**2 710**	**2 900**	**(190)**	**107,0%**	**—**	**—**
Current payment	2 630	—	2 630	2 900	(270)	110,3%	—	—
Expenditure for capital assets	80	—	80	—	80	0,0%	—	—
5.3 Planning and Architecture	**5 036**	**—**	**5 036**	**4 086**	**950**	**81,1%**	**2 793**	**37 957**
Current payment	4 878	—	4 878	4 025	853	82,5%	2 758	30 626
Expenditure for capital assets	158	—	158	61	97	38,6%	35	7 331
5.4 Programme Management	**45 742**	**—**	**45 742**	**49 661**	**(3 919)**	**108,6%**	**2 454**	**19 422**
Current payment	45 639	—	45 639	43 270	2 369	94,8%	2 420	5 507
Expenditure for capital assets	103	—	103	6 391	(6 288)	6204,9%	34	13 915
5.5 Application Management	**68 808**	**—**	**68 808**	**64 220**	**4 588**	**93,3%**	**8 147**	**35 508**
Current payment	68 722	—	68 722	63 951	4 771	93,1%	8 098	34 060
Expenditure for capital assets	**86**	**—**	**86**	**269**	**(183)**	**312,8%**	49	1 448
5.6 Information Security	**5 780**	**(4 000)**	**1 780**	**1 147**	**633**	**64,4%**	**1 622**	**10 134**
Current payment	5 689	(4 000)	1 689	992	697	58,7%	1 590	7 679
Expenditure for capital assets	91	—	91	155	(64)	170,3%	32	2 455
5.7 Operations Management	**107 247**	**15 266**	**122 513**	**99 134**	**23 379**	**80,9%**	**24 765**	**122 422**
Current payment	86 422	(7 000)	79 422	87 024	(7 602)	109,6%	24 638	104 498
Expenditure for capital assets	20 825	22 266	43 091	12 110	30 981	28,1%	127	17 924
5.8 GPG Wide Expenditure	**—**	**—**	**—**	**—**	**—**		**196 911**	**—**
Current payment	—	—	—	—	—		118 358	—
Expenditure for capital assets	—	—	—	—	—		78 553	—
Total	**236 393**	**11 266**	**247 659**	**221 767**	**25 892**	**89,5%**	236 692	225 443

Appropriation statement continued

for the year ended 31 March 2005

DETAIL PER PROGRAMME 5 – TECHNOLOGY SUPPORT SERVICE

	2004/05						2003/04	
Economic classification	**Adjusted appropriation R'000**	**Virement R'000**	**Final allocation R'000**	**Actual expenditure R'000**	**Savings/ underspend (Excess) R'000**	**Expenditure as % of revised allocation**	**Final allocation R'000**	**Actual expenditure R'000**
Current payments	**215 051**	**(11 000)**	**204 051**	**202 766**	**1 285**	**99,4%**	**157 862**	**182 370**
Compensation of employees	32 203	—	32 203	33 709	(1 506)	104,7%	23 537	24 460
Goods and services	182 848	(11 000)	171 848	169 057	2 791	98,4%	134 325	157 910
Expenditure for capital assets	**21 342**	**22 266**	**43 608**	**19 001**	**24 607**	**43,6%**	**78 830**	**43 073**
Buildings and other fixed structures	—	—	—	49	(49)		—	—
Acquisition of capital assets	21 342	22 266	43 608	11 000	32 608	25,2%	78 830	43 073
Software and other intangible assets	—	—	—	7 952	(7 952)		—	—
Total	**236 393**	**11 266**	**247 659**	**221 767**	**25 892**	**89,5%**	**236 692**	**225 443**

for the year ended 31 March 2005

1. EXPLANATIONS OF MATERIAL VARIANCES FROM AMOUNTS VOTED (AFTER VIREMENT)

1.1 Variance per programme

Programme 1: Internal Audit Services

Program	Voted Funds after Virement	Actual expenditure	R'000	%
Internal Audit Service	43 904	43 679	225	99,5

With-in the Programme over-spent occurred on the 'Use of Goods and Services' as a result of having to outsource some of the internal audits to private independent audit firms to the amount of R2,6 million. This was due to a shortage of qualified staff within the Internal audit services – to meet the constantly increasing demands in the province. The funds to pay for these services were originally budgeted under 'compensation of employees' (in anticipation of recruiting people to fill these positions – which was not possible to the extent planned) thus resulted in an under expenditure of R3,8 million. There was an over expenditure on capital assets of R0,8 million.

Programme 2: Human Resources Services

Program	Voted Funds after Virement	Actual expenditure	R'000	%
Human Resources Services	87 834	82 062	5 772	93,4

With-in the Programme over-spent occurred on "Compensation of employees' as a result of recruiting staff at a faster rate than anticipated. The money saved on the 'Use of goods and services' budget was used to cover for this amount. This amounted to approximately R2,2 million. The under-spend in 'Expenditure for Capital assets' arose as a result of a delay in awarding the tender for the E-Learning project. The process for the award of the tender has already started but will only be awarded in the new year. This amounted to approximately R3,3 million. An application for roll-over of this capital amount will be made for this amount.

for the year ended 31 March 2005

Programme 3: Procurement Services

Program	Voted Funds after Virement	Actual expenditure	R'000	%
Procurement Services	60 565	59 288	1 277	97,9

With-in the Programme over-spend occurred on "Compensation of employees' as a result of hiring additional staff to facilitate the expediting and goods receipting functions at entities to close off overdue open purchase orders. The under-spend in 'Use of Goods and Services' was due to the delay in the migration of other departments to the GSSC which would have had an impact on direct expenses budgeted for.

Programme 4: Finance Services

Program	Voted Funds after Virement	Actual expenditure	R'000	%
Finance Services	69 219	67 637	1 582	97,7

The 'Compensation of employees' budget was under-spent by R0,6 million – due to the use of fewer resources compared to the budget. This was achieved by implementing process changes within this unit – to do the work with less people.

The 'Use of goods and services' budget was under-spend by R0,5 million – due to a saving by not making use of consultants budgeted for under super users for specific projects. These projects were completed with resources available within the programme.

Programme 5: Technology Support Services

Program	Voted Funds after Virement	Actual expenditure	R'000	%
Technology Support Services	247 659	221 767	25 892	89, 5

The programme over-spend by R1,5 million on 'Compensation of Employees' as a result of staff that was transferred from Capstone 518 (Pty) Limited back into the GSSC. The funds to pay for these services were originally budgeted under 'Use of goods and services'. This partly resulted in the under-spend of 'Use of goods and services'. The under-spend in 'Expenditure of capital assets' was as a result of a delay in supplying equipment for the Disaster recovery site. An amount of R9 million was spent during the year for equipment and a further amount of R21 million needs to be spent to finalise the project. All equipment was ordered by year-end but was not delivered. An application for a roll-over for this amount will be made.

1.2 Variance per Economic classification

Economic classification	Voted Funds after Virement	Actual expenditure	R'000 Savings/(Excess)	%
Current payments	**453 254**	**448 438**	**4 816**	**98,9**
Compensation of employees	206 160	205 951	209	—
Goods and services	247 094	242 487	4 607	—
Payments for capital items	**55 927**	**25 995**	**29 932**	**46,5**
Buildings and other fixed structures	—	49	49	—
Machinery and equipment	55 927	17 987	37 940	—
Software and other intangible assets	—	7 959	7 959	—

The under-spend of 'Goods and services' was explained under the separate programmes. The amounts spend on buildings and other fixed structures and software and other intangible assets' were originally budgeted under machinery and equipment.

Statement of financial performance

for the year ended 31 March 2005

	Notes	**2004/5 R'000**	2003/4 R'000
REVENUE			
Annual appropriation	1	**509 181**	483 915
Appropriation for unauthorised expenditure approval	6	**3 370**	—
Departmental revenue	2	**7 347**	517
Total revenue		**519 898**	484 432
EXPENDITURE			
Current expenditure			
Compensation of employees	3	**205 951**	156 661
Goods and services	4	**242 487**	266 796
Unauthorised expenditure approval	6	**3 370**	—
Total current expenditure	A	**451 808**	423 457
Expenditure for capital assets			
Building and structures	5	**49**	—
Machinery and equipment	5	**17 987**	49 033
Software and other intangible assets	5	**7 959**	—
Total expenditure for capital	B	**25 995**	49 033
Total expenditure	A + B	**477 803**	472 490
Net surplus		**42 095**	11 942
Add back unauthorised expenditure disallowed	6	**—**	29 206
Net surplus for the year		**42 095**	41 148
Reconciliation of net surplus for the year			
Voted funds to be surrendered to the revenue fund	9	**34 748**	40 631
Other revenue to be surrendered to the revenue fund	10	**7 347**	517
Net surplus for the year		**42 095**	41 148

Statement of financial position

at 31 March 2005

	Notes	**2004/5 R'000**	2003/4 R'000
ASSETS			
Current assets		**40 207**	40 745
Unauthorised expenditure	6	**29 206**	32 576
Other revenue funds to be recovered from the revenue rund	10	**—**	172
Cash and cash equivalents	7	**4 050**	3 901
Receivables	8	**6 951**	4 096
Total assets	A	**40 207**	40 745
LIABILITIES			
Current liabilities		**40 207**	40 745
Voted funds to be surrendered to the revenue fund	9	**34 748**	40 631
Other revenue funds to be surrendered to the revenue fund	10	**4 669**	—
Payables	11	**790**	114
Total liabilities	B	**40 207**	40 745
Net assets/liabilities	A – B	**—**	—

Statement of changes in net assets

for the year ended 31 March 2005

	Note	**2004/5 R'000**	2003/4 R'000
Capitalisation reserve			
Opening balance		**—**	—
Transfers		**—**	—
Closing balance		**—**	—
Recoverable revenue			
Opening balance		**(157)**	15
Transfer (from)/to revenue fund		**157**	(172)
Closing balance		**—**	(157)
Total		**—**	(157)

Cash Flow statement

for the year ended 31 March 2005

	Notes	2004/5 R'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		
Annual appropriated funds received		517 018
Statutory appropriated funds received		509 181
Approriation for unauthorised expenditure received		3 370
Departmental revenue received		7 322
Net (increase) in working capital		(2 855)
Surrendered to revenue fund		(43 137)
Current payments		(447 762)
Net cash flow available from operating activities	12	26 119
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for capital assets		(25 995)
Proceeds from sale of capital assets	2	25
Net cash flows from investing activities		(25 970)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in cash and cash equivalents		149
Cash and cash equivalents at beginning of period		3 901
Cash and cash equivalents at end of period	7	4 050

1. ANNUAL APPROPRIATION

1.1 Included are funds appropriated in terms of the Appropriation Act for National Departments (voted funds) and Provincial Departments (equitable share):

Programmes	Total appropriation 2004/05	Actual	Variance (under)	Total appropriation 2004/05 R'000	Total appropriation 2003/04 R'000
Internal audit services	**43 904**	43 679	(225)	**43 904**	38 631
Human resource services	**87 834**	82 062	(5 772)	**87 834**	66 658
Procurement services	**60 565**	59 288	(1 277)	**60 565**	73 846
Finance services	**69 219**	67 637	(1 582)	**69 219**	68 088
Technology support services	**247 659**	221 767	(25 892)	**247 659**	236,692
TOTAL	**509 181**	474 433	(34 748)	**509 181**	483 915

Refer to Notes to the Appropriation Statement for explanation of material variances

	Notes	2004/5 R'000	2003/4 R'000
2. DEPARTMENTAL REVENUE TO BE SURRENDERED TO THE REVENUE FUND			
Description			
Sales of goods and services other than capital assets		**425**	503
Interest, dividends and rent on land		**10**	13
Sales of capital assets		**25**	—
Financial transactions in assets and liabilities	2.1	**6 887**	1
Departmental revenue collected		**7 347**	517

2.1 Financial transactions in assets and liabilities

Nature of loss recovered	2004/5 R'000	2003/4 R'000
Cheques written back	**786**	1
Other	**6 101**	—
	6 887	1

An amout of R5,4 million relates to amounts received from Capstone 518 (Pty) Ltd (See note 15 in Management report). The balance relates to expenses recovered from prior year eg. Salary and supplier over payments.

	2004/5 R'000	2003/4 R'000
3. COMPENSATION OF EMPLOYEES		
3.1 Salaries and wages		
Basic salary costs	**140 005**	103 702
Performance award	**8 596**	8 206
Service based	**6**	—
Compensative/circumstantial	**2 506**	3 310
Periodic payment	**25 434**	12 202
Other non-pensionable allowances	**9 052**	12 206
	185 599	139 626
3.2 Social contributions		
Pension	**12 472**	11 196
Medical	**7 432**	5 756
UIF	**134**	—
Bargain council	**54**	63
Official unions and associations	**259**	20
Insurance	**1**	—
	20 352	17 035
Total compensation of employees	**205 951**	156 661
Average number of employees	**1 094**	955

for the year ended 31 March 2005

	Note	2004/5 R'000	2003/4 R'000
4. GOODS AND SERVICES			
Advertising		**1 939**	2 277
Attendance fees (including registration fees)		**2 098**	—
Bank charges and card fees		**81**	124
Bursaries (employees)		**424**	1 257
Communication		**51 818**	34 614
Computer services		**83 769**	76 509
Consultants, contractors and special services		**49 858**	84 499
Courier and delivery services		**386**	1 071
Tracing agents and debt collections		**589**	358
Entertainment		**963**	1 640
External audit fees	4.1	**1 165**	719
Equipment less than R5 000		**572**	305
Freight service		**48**	—
Honoraria (Voluntary workers)		**2**	—
Inventory	4.2	**2 164**	294
Legal fees		**795**	431
Maintenance, repair and running costs		**14 814**	15 439
Medical services		**19**	—
Operating leases		**3 490**	3 847
Personnel agency fees		**3 272**	15 423
Plant flowers and other decorations		**232**	—
Printing and publications		**5 062**	3 528
Professional bodies and membership fees		**97**	287
Resettlement costs		**17**	34
Subscriptions		**755**	2
Owned and leasehold property expenditure		**7 257**	11 943
Transport provided as part of the departmental activities		**677**	57
Travel and subsistence	4.3	**5 452**	2 313
Venues and facilities		**118**	9
Protective, special clothing and uniforms		**8**	10
Training & staff development		**4 546**	9 806
		242 487	266 796

	Note	2004/5 R'000	2003/4 R'000
4. GOODS AND SERVICES *(continued)*			
4.1 External audit fees			
Regulatory audits		**1 165**	719
Total external audit fees		**1 165**	719
4.2 Inventory			
Domestic consumables		**1 600**	294
Food and food supplies		**352**	—
Fuel, oil and gas		**25**	—
Other consumables		**2**	—
Medical supplies		**185**	—
Total inventory		**2 164**	294
4.3 Travel and subsistence			
Local		**5 264**	1 223
Foreign		**188**	1 090
Total travel and subsistence		**5 452**	2 313
5. EXPENDITURE FOR CAPITAL ASSETS			
Building and structures	Ann 4	**49**	—
Machinery and equipment	Ann 4	**17 987**	49 033
Software and other intangible assets	Ann 5	**7 959**	—
Total capital expenditure		**25 995**	49 033
6. RECONCILIATION OF UNAUTHORISED EXPENDITURE BALANCE			
Opening balance		**32 576**	3 370
Unauthorised expenditure current year		**—**	29 206
Unauthorised expenditure approved by Legislature		**(3 370)**	
Closing balance		**29 206**	32 576

Refer to notes to the appropriation statement for incidents of unauthorised expenditure.

for the year ended 31 March 2005

	2004/5 R'000	2003/4 R'000
7. CASH AND CASH EQUIVALENTS		
Paymaster General Account	**4 040**	3 891
Cash on hand	**10**	10
	4 050	3 901

8. RECEIVABLES – CURRENT

		Less than one year	One to three years	Older than three years	Total	Total
Amounts owing by other entities	Ann 1	3 385	381		**3 766**	2 362
Staff debtors	8.1	174			**174**	143
Clearing accounts	8.2	355			**355**	—
Other debtors	8.3	1 078	1 578		**2 656**	1 591
		4 992	1 959	—	**6 951**	4 096

Amounts of R1,445 million (2004: R1,496 million) included above may not be recoverable, but has not been written off in the Statement of financial performance

	2004/5 R'000	2003/4 R'000
8. RECEIVABLES – CURRENT *(continued)*		
8.1 Staff debtors		
Loans to various staff members	**174**	91
Salary corrections	**—**	52
	174	143
8.2 Clearing accounts		
Salary related accounts	**355**	—
	355	—
8.3 Other debtors		
Capstone 518 (Pty) Ltd	**1 078**	—
Damages and losses to be recovered	**1 478**	1 445
Other items	**100**	146
	2 656	1 591
9. VOTED FUNDS TO BE SURRENDERED TO THE REVENUE FUND		
Opening balance	**40 631**	574
Transfer from income statement	**34 748**	40 631
Paid during the year	**(40 631)**	(574)
Closing balance	**34 748**	40 631

for the year ended 31 March 2005

	2004/5 R'000	2003/4 R'000
10. OTHER REVENUE FUNDS TO BE SURRENDERED TO THE REVENUE FUND		
Opening balance	**(172)**	15
Transfer from income statement for revenue to be surrendered	**7 347**	517
Refunded during the year	**172**	—
Paid during the year	**(2 678)**	(704)
Closing balance	**4 669**	(172)

11. PAYABLES – CURRENT

Description

		30 Days	30+ Days	Total	Total
Amounts owing to other departments	Ann2	710		**710**	111
Clearing accounts	11.1	20		**20**	—
Other payables	11.2	60		**60**	3
		790	—	**790**	114

11.1 Clearing accounts

Description		
Salary related	**20**	
	20	—

11.2 Other payables

Description		
Other	**60**	3
	60	3

	2004/5 R'000
12. RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES TO SURPLUS/(DEFICIT)	
Net surplus/(deficit) as per Statement of Financial Performance	**42 095**
(Increase)/decrease in receivables – current	**(2 855)**
(Increase)/decrease in other current assets	**3 370**
Increase/(decrease) in payables – current	**676**
Proceeds from sale of equipment	**(25)**
Surrenders	**(43 309)**
Refund received from revenue fund	**172**
Capital expenditure	**25 995**
Net cash flow generated by operating activities	**26 119**

for the year ended 31 March 2005

These amounts are not recognised in the financial statements, and are disclosed to enhance the usefulness of the financial statements and to comply with the statutory requirements of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999), the Treasury Regulations for Departments and Constitutional Institutions issued in terms of the Act and the Division of Revenue Act, Act 7 of 2003.

13. CONTINGENT LIABILITIES

Liable to	**Nature**		**2004/05 R'000**	2003/04 R'000
Housing loan guarantees	Employees	Annexure 3	**1 923**	3 070
			1 923	3 070

14. COMMITMENTS

	2004/05 R'000	2003/04 R'000
Current expenditure		
Approved and contracted/ordered	**365**	3 049
	365	3 049
Capital expenditure		
Approved and contracted/ordered	**21 300**	11 249
	21 300	11 249
Total Commitments	**21 665**	14 298

15. ACCRUALS

	2004/05 R'000	2003/04 R'000
Listed by standard item		
Use of goods and services	**3 892**	2 834
Consumption of fixed capital	**256**	439
	4 148	3 273
Listed by programme level		
Internal Audit Services	**265**	767
Human Resource Services	**825**	367
Procurement Services	**536**	344
Finance Services	**115**	998
Technology Support Services	**2 407**	797
	4 148	3 273

		2004/5 R'000	2003/4 R'000
16. EMPLOYEE BENEFITS			
Leave entitlement		**14 038**	14 753
Thirteenth cheque		**2 823**	5 528
Performance awards		**8 911**	—
		25 772	20 281
17. LEASES			
17.1 Operating leases	**Equipment**	**Total**	**Total**
Not later than 1 year	492	**492**	553
Later than 1 year and not later than 3 years	424	**424**	470
Later than 3 years	—	**—**	21
	916	**916**	1,044
18. IRREGULAR EXPENDITURE			
18.1 Reconciliation of irregular expediture			
Opening balance		**27 244**	6 708
Irregular expenditure – current year		**51 251**	20 536
Authorised losses – (condoned)		**—**	—
Irregular expenditure awaiting condonement		**78 495**	27 244

18.2 Irregular expenditure

Incident

Approval not obtained for administarion of two additional payrolls (IBM and Logical benefits).

Although employees were appointed to posts within the GSSC structure, the salary ranges of some of these employees were outside approved DPSA salary structures.

for the year ended 31 March 2005

	2004/5 R'000	2003/4 R'000
19. RELATED PARTY TRANSACTIONS		
Department of Finance and Economic Affairs*	**—**	23
Capstone 518 (Pty) Limited t/a Infotek Solution Services**	**(6 407)**	52 719
	(6 407)	52 742

**Expenditure incurred by GSSC on behalf of the above department(DFEA)*

**(1) *The company provided IT application support services, including planning, implementation, and change management and support/maintenance services.*

(2) *The company provided IT services exclusively to the GSSC.*

(3) *The company is in the process of winding up its operation.*

	2004/5 R'000	2003/4 R'000
20. KEY MANAGEMENT PERSONNEL		
20.1 Deputy Director Generals	**4 474**	7 700
Salary	**2 743**	
Motor car allowance	**772**	
Non pensionable cash allowance (SMS)	**738**	
Other	**221**	
Total	**4 474**	

for the year ended 31 March 2005

ANNEXURE 1

Inter-departmental receivables – current

Department	Confirmed balance outstanding		Unconfirmed balance outstanding	
	31/03/2005 R'000	31/03/2004 R'000	**31/03/2005 R'000**	31/03/2004 R'000
Agriculture		340	**100**	
Education		276		
DFEA		1	**450**	22
Health			**2 346**	715
Housing			**233**	
Office of the Premier		57	**188**	
Safety and Security			**37**	
Sport			**223**	
Social services		26	**140**	
Transport		748	**4**	177
Total	**—**	1 448	**3 721**	914
Other Government entities				
Salaries to be recovered			**45**	
	—	—	**45**	—
Total	**—**	1 448	**3 766**	914

ANNEXURE 2

Inter-departmental payables – current

Housing		15		
Development planning and Local Government		82		
Health		14		
Transport	**314**			
Other – Bursaries and Nursing	**396**			
Total	**710**	111	**—**	—

for the year ended 31 March 2005

ANNEXURE 3

Statement of Financial Guarantees Issued as at 31 March 2005

Domestic/Foreign (provide separate returns for domestic and foreign)

Guaranteed institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 01/04/2004	Guarantees issued during the year	Guarantees released during the year	Guaranteed interest outstanding as at 31/03/2005	Closing balance 31/03/2005	Realised losses i.r.o. claims paid out
		R'000	R'000	R'000	R'000	R'000	R'000	R'000
	Housing							
ABSA	Housing loan	2 330	844		285		559	
African Bank	Housing loan	89	18		18		—	
BOE Bank	Housing loan	408	58				58	
Firstrand	Housing loan	1 031	725		327		398	
Nedcor	Housing loan	78	320		33		287	
Old Mutual Bank	Housing loan	916	603		374		229	
Standard Bank	Housing loan	1 121	502		128		374	
Unique Finance	Housing loan			18			18	
		5 973	3 070	18	1 165	—	1 923	—

ANNEXURE 4

Physical Asset Movement Schedule

	Opening balance R'000	Additions R'000	Disposals R'000	Transfers in R'000	Transfers out R'000	Closing balance R'000
Physical assets acquired during financial year 2004/05						
LAND AND BUILDINGS	**39 626**	**49**	**—**	**—**	**—**	**39 675**
Building and structures	39 626	49				39 675
MACHINERY AND EQUIPMENT	**126 651**	**17 987**	**13**	**—**	**—**	**144 625**
Computer equipment	106 010	14 134	13			120 131
Furniture, office equipment and other	20 641	3 853				24 494
	166 277	18 036	13	—	—	184 300
Physical assets acquired during financial year 2003/04						
LAND AND BUILDINGS	**39 626**	**—**	**—**	**—**	**—**	**39 626**
Building and structures	39 626					39 626
MACHINERY AND EQUIPMENT	**78 703**	**49 033**	**1 085**	**—**	**—**	**126 651**
Computer equipment	65 821	41 274	1 085			106 010
Furniture, office equipment and other	12 882	7 759				20 641
	118 329	49 033	1 085	—	—	166 277

ANNEXURE 5

Software and other intangible asset movement schedule at 31 March 2005

	Opening balance R'000	Additions R'000	Disposals R'000	Transfers in R'000	Transfers out R'000	Closing balance R'000
Computer software	**—**	**7 959**	**—**	**—**	**—**	**7 959**
Computer software	—	7 959				7 959

Software and other intangible asset movement schedule at 31 Msarch 2004

	Opening balance R'000	Additions R'000	Disposals R'000	Transfers in R'000	Transfers out R'000	Closing balance R'000
Computer software	—	—	—	—	—	—
Computer software	—					—

1. SERVICE DELIVERY

All departments are required to develop a service delivery improvement (sdi) plan. The following tables reflect the components of the SDI plan as well as progress made in the implementation of the plans.

TABLE 1.1 – Main Service for Service Delivery Improvement and Standards

Main Services	Actual Customers	Potential Customers	Standard of Service	Actual Achievement against Standards
Human Resources Services	GPG Departments and their entities (+/-100)	Local Government i.e. Metros: Tshwane, Johannesburg and Ekurhuleni	In terms of negotiated Service Level Agreements	GSSC overall performance = 73% in terms of 2004/2005 Customer Satisfaction Survey
Finance	GPG Departments and their entities (+/-100)	Local Government i.e. Metros: Tshwane, Johannesburg and Ekurhuleni	In terms of negotiated Service Level Agreements	GSSC overall performance = 73% in terms of 2004/2005 Customer Satisfaction Survey
Procurement	GPG Departments and their entities (+/-100)	Local Government i.e. Metros: Tshwane, Johannesburg and Ekurhuleni	In terms of negotiated Service Level Agreements	GSSC overall performance = 73% in terms of 2004/2005 Customer Satisfaction Survey
Gauteng Audit services	GPG Departments and their entities (+/-100)	Local Government i.e. Metros: Tshwane, Johannesburg and Ekurhuleni	In terms of negotiated Service Level Agreements	GSSC overall performance = 73% in terms of 2004/2005 Customer Satisfaction Survey
Technology Support Services	GPG Departments and their entities (+/-100)	Local Government i.e. Metros: Tshwane, Johannesburg and Ekurhuleni	In terms of negotiated Service Level Agreements	GSSC overall performance = 73% in terms of 2004/2005 Customer Satisfaction Survey

oversight report continued

for the year ended 31 March 2005

TABLE 1.2 – Consultation Arrangements for Customers

Type of Arrangement	Actual Customer	Potential Customer	Actual Achievements
Meeting	GSSC: MEC	Ekurhuleni Metro	1 June 2005 Mayor and Councillors to visit GSSC
Meeting	Head of Department	JHB Metro	In planning
Meeting	GM/Senior Management	Tshwane Metro	In planning
Meeting	Senior Management		
Meeting	Business unit managers		

TABLE 1.3 – Service Delivery Access Strategy

Access Strategy	Actual Achievements	
Daily, monthly and 3 monthly	scheduled visits	Achieved 95%

TABLE 1.4 – Service Information Tool

Type of Information Tool	Actual Achievements
Monthly, quarterly and annual service delivery reports per entry	Achieved 95%

TABLE 1.5 – Complaint Mechanism

Complaint Mechanism	Actual Achievements
Customer Contact Centre	on average 80% resolution
CRM Site visits	95% resolution
Business Units Site visits	95% resolution
Direct telephone contact with Business Unit Management	90 % resolution

2. EXPENDITURE

Departments budget in terms of clearly defined programmes. The following tables summarise final audited expenditure by programme (Table 2.1) and by salary bands (Table 2.2). In particular, it provides an indication of the amount spent on personnel costs in terms of each of the programmes or salary bands within the department.

TABLE 2.1 – Personnel costs by programme, 2004/2005

Programme	Total expenditure (R'000)	Personnel expenditure (R'000)	Training expenditure (R'000)	Professional and special services (R'000)	Personnel cost as a percentage of total expenditure	Average personnel cost per employee (R'000)
Internal Audit	43 679	29 637	380	4 309	68%	185
Procurement	59 288	42 067	876	3 840	71%	201
Human Resources	82 062	53 860	2,582	8 609	66%	180
Technology Support Services	221 767	33 709	2,357	29 886	15%	263
Finance	67 637	46 679	873	3 214	69%	157
Total	**474 433**	**205 952**	**7,068**	**49 858**	**43%**	**188**

TABLE 2.2 – Personnel costs by salary bands, 2004/2005

Salary bands	Personnel expenditure (R'000)	% of total personnel cost	Average personnelf cost per employee (R'000)
Lower skilled (Levels 1-2)	2 835	1%	63
Skilled (Levels 3-5)	31 174	15%	109
Highly skilled production (Levels 6-8)	82 170	40%	165
Highly skilled supervision (Levels 9-12)	64 883	31%	299
Senior management (Levels 13-16)	25 286	12%	538
Total	**206 348**	**100%**	**189**

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The following tables provide a summary per programme (Table 2.3) and salary bands (table 2.4), of expenditure incurred as a result of salaries, overtime, home owners allowance and medical assistance. In each case, the table provides an indication of the personnel budget that was used for these items.

TABLE 2.3 – Salaries, Overtime, Home Owners Allowance and Medical Aid by programme, 2004/2005

Programme	Salaries		Overtime		Home Owners allowance		Medical Assistance	
	Amount (R'000)	Salaries as a % of personnel cost	Amount (R'000)	Overtime as a % of personnel cost	Amount (R'000)	HOA as a % of personnel cost	Amount (R'000)	Medical assistance as % of personnel cost
Internal Audit	20 912	71%	52	0,2%	196	0,7%	850	2,9%
Procurement	26 751	64%	150	0,4%	389	0,9%	1,517	3,6%
Human Resources	37 655	70%	357	0,7%	679	1,3%	2,268	4,2%
Technology Support Services	28 281	84%	20	0,1%	63	0,2%	774	2,3%
Finance	26 406	57%	425	0,9%	394	0,8%	2,023	4,3%
Total	140 005	68%	1 004	0,5%	1 721	0,8%	7 432	3,6%

TABLE 2.4 – Salaries, Overtime, Home Owners Allowance and Medical Aid by salary bands, 2004/2005

Salary bands	Salaries		Overtime		Home Owners allowance		Medical Assistance	
	Amount (R'000)	Salaries as a % of personnel cost	Amount (R'000)	Overtime as a % of personnel cost	Amount (R'000)	HOA as a % of personnel cost	Amount (R'000)	Medical assistance as % of personnel cost
Lower skilled (Levels 1-2)	1 871	1%	129	0,1%	17	—	71	—
Skilled (Levels 3-5)	21 198	10%	334	0,2%	388	0,2%	1 776	0,9%
Highly skilled production (Levels 6-8)	51 647	25%	524	0,3%	921	0,4%	3 601	1,7%
Highly skilled supervision (Levels 9-12)	43 796	21%	17	—	395	0,2%	1 984	1,0%
Senior management (Levels 13-16)	21 493	10%	—	—	—	—	—	—
Total	140 005	68%	1 004	0,5%	1 721	0,8%	7 432	3,6%

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3. EMPLOYMENT AND VACANCIES

The following tables summarise the number of posts of the establishment, the number of employees, the vacancy rate, and whether there are any staff that are additional to the establishment. This information is presented in terms of three key variables: - programme (Table 3.1), salary band (Table 3.2) and critical occupations (Table 3.3). Departments have identified critical occupations that need to be monitored. Table 3.3 provides establishment and vacancy information the key critical occupations of the department.

The vacancy rate reflects the percentage of posts that are not filled.

TABLE 3.1 – Employment and vacancies by programme, 31 March 2005

	Number of posts	Number of posts filled	Vacancy rate	Number of posts filled additional to the establishment
Programme				
Corporate Services	222	119	46%	—
Internal Audit	164	152	7%	—
Procurement	313	186	41%	—
Human Resources	393	256	35%	—
Technology Support Services	159	126	21%	—
Finance	451	254	44%	—
Total	**1 702**	**1 093**		**—**

TABLE 3.2 – Employment and vacancies by salary bands, 31 March 2005

Salary band				
Lower skilled (Levels 1-2)	19	6	68,4	—
Skilled (Levels 3-5)	479	325	32,2	—
Highly skilled production (Levels 6-8)	809	498	38,4	—
Highly skilled supervision (Levels 9-12)	316	217	31,3	—
Senior management (Levels 13-16)	79	47	40,5	—
Total	**1 702**	**1 093**	**35,8**	**—**

4. JOB EVALUATION

The following table (Table 4.1) summarises the number of jobs that were evaluated during the year under review. The table also provides statistics on the number of posts that were upgraded or downgraded.

TABLE 4.1 – Job Evaluation

Salary Band	Number of posts	Number of jobs evaluated	% of posts evaluated by salary bands	Posts upgraded		Posts downgraded	
				Number	% of posts evaluated	Number	% of posts evaluated
Lower skilled (Levels 1-2)	19	2	11%	—	—	—	—
Skilled (Levels 3-5)	479	16	3%	—	—	—	—
Highly skilled production (Levels 6-8)	809	36	4%	—	—	—	—-
Highly skilled supervision (Levels 9-12)	316	72	23%	—	—	—	—
Senior Management Service Band A to D	79	3	4%	—	—	—	—
Total	**1 702**	**129**					

*__NB:__ *The organisational structure for the Gauteng Shared Services Centre was not formally approved by the MEC. In the financial year 2004/2005 a project was undertaken to evaluate posts in the GSSC and obtain approval from the MEC.*

The following table provides a summary of the number of employees whose salary positions were upgraded due to their posts being upgraded. The number of employees might differ from the number of posts upgraded since not all employees are automatically absorbed into the new posts and some of the posts upgraded could also be vacant.

TABLE 4.2 – Profile of employees whose positions were upgraded due to their posts being upgraded

Beneficiaries	African	Asian	Coloured	White	Total
Profile of employees whose positions were upgraded due to their posts being upgraded					None

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The following table summarises the number of cases where remuneration levels exceeded the grade determined by job evaluation. Reasons for the deviation are provided in each case.

TABLE 4.3 – Employees whose salary level exceed the grade determined by Job Evaluation [i.t.o PSR 1.V.C.3]

Occupation	Number of Employees	Job evaluation level	Remuneration level	Reason for Deviation
Total Number of Employees whose salaries exceeded the grades determined by job evaluation in 2004/2005				None

Table 4.4 summarises the beneficiaries of the above in terms of race, gender and disability.

TABLE 4.4 – Profile of employees whose salary level exceeded the grade determined by job evaluation [i.t.o. PSR 1.V.C.3]

Beneficiaries	African	Indian	Coloured	White	Total
Profile of employees whose salary level exceeded the grade determined by job evaluation in 2004/2005					None

5. EMPLOYMENT CHANGES

This section provides information on changes in employment over the financial year.

TABLE 5.1 – Annual Turnover Rates by Salary Band

Salary Band	Number of employees per band as on 1 April 2004	Appointments and transfers into the department	Terminations and transfers out of the department	Turnover rate
Lower skilled (Levels 1-2)	41	36	27	65,9
Skilled (Levels 3-5)	313	69	38	12,1
Highly skilled production (Levels 6-8)	493	56	74	15
Highly skilled supervision (Levels 9-12)	193	43	34	17,6
Senior Management Service Band A	24	4	3	12,5
Senior Management Service Band B	4	1	2	50
Senior Management Service Band C	6	2	3	50
Senior Management Service Band D	5	0	1	20
Total	1 079	211	182	16,9

TABLE 5.2 – Reasons why staff are leaving the department

Termination Type	Number	Percentage of total resignations
Death	6	3%
Resignation	72	40%
Expiry of contract	40	22%
Dismissal – operational changes	3	2%
Retirement	2	1%
Other	59	32%
Total	182	100%
Total number of employees who left as a % of the total employment	11,9	17%

TABLE 5.3 – Promotions by Salary Band

Salary Band	Employees 1 April 2004	Promotions to another salary level	Salary bands promotions as a % of employees by salary level	Progressions to another notch within salary level	Notch progressions as a % of employees by salary band
Lower skilled (Levels 1-2)	41	2	4,9	4	9,8
Skilled (Levels 3-5)	313	9	2,9	202	64,5
Highly skilled production (Levels 6-8)	493	46	9,3	282	57,2
Highly skilled supervision (Levels 9-12)	193	30	15,5	75	38,9
Senior management (Levels 13-16)	39	6	15,4	2	5,1
Total	1 079	93	8,6	565	52,4

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6. EMPLOYMENT EQUITY

The tables in this section are based on the formats prescribed by the Employment Equity Act, 55 of 1998.

TABLE 6.1 – Total number of employees (including employees with disabilities) in each of the following occupational categories as on 31 March 2005

	Male				Female				
Occupational Bands	**African**	**Coloured**	**Indian**	**White**	**African**	**Coloured**	**Indian**	**White**	**Total**
Legislators, senior officials and managers	19	3	4	10	6	1	4	1	48
Professionals	127	23	18	50	84	15	7	47	371
Clerks	163	17	6	14	231	43	10	62	546
Service and sales workers	32	8	11	9	24	5	3	12	104
Craft and related trades workers	1	—	—	1	1	—	—	—	3
Elementary occupations	6	3	3	1	5	1	1	1	21
Total	348	54	42	85	351	65	25	123	1 093
Employees with disabilities	5	—	—	3	—	—	—	2	10

TABLE 6.2 – Total number of employees (including employees with disabilities) in each of the following occupational bands as on 31 March 2005

	Male				Female				
Occupational Bands	**African**	**Coloured**	**Indian**	**White**	**African**	**Coloured**	**Indian**	**White**	**Total**
Top Management	6	—	1	3	2	—	1	—	13
Senior Management	10	4	5	9	4	1	1	2	36
Professionally qualified and experienced specialists and mid-management	72	10	15	35	44	7	7	26	216
Skilled technical and academically qualified workers, junior management, supervisors, foremen	149	24	16	32	155	28	8	77	489
Semi-skilled and discretionary decision making	82	13	5	6	137	26	7	18	294
Unskilled and defined decision making	29	3	—	—	9	3	1	—	45
Total	348	54	42	85	351	65	25	123	1 093

TABLE 6.3 – Recruitment for the period 1 April 2004 to 31 March 2005

	Male				Female				
Occupational Bands	**African**	**Coloured**	**Indian**	**White**	**African**	**Coloured**	**Indian**	**White**	**Total**
Top Management	1	—	—	—	1	—	—	—	2
Senior Management	2	—	1	—	1	—	1	—	5
Professionally qualified and experienced specialists and mid-management	16	—	2	3	9	2	2	4	38
Skilled technical and academically qualified workers, junior management, supervisors, foremen	20	1	3	1	13	5	2	3	48
Semi-skilled and discretionary decision making	17	5	3	2	20	3	5	8	63
Unskilled and defined decision making	16	1	0	0	13	5	1	0	36
Total	72	7	9	6	57	15	11	15	192

TABLE 6.4 – Promotions for the period 1 April 2004 to 31 March 2005

	Male				Female				
Occupational Bands	**African**	**Coloured**	**Indian**	**White**	**African**	**Coloured**	**Indian**	**White**	**Total**
Top Management	3	—	—	1	—	—	—	—	4
Senior Management	1	—	—	—	1	2	—	—	4
Professionally qualified and experienced specialists and mid-management	33	2	7	16	25	3	5	14	105
Skilled technical and academically qualified workers, junior management, supervisors, foremen	83	11	5	18	126	21	4	60	328
Semi-skilled and discretionary decision making	59	6	2	4	108	21	3	8	211
Unskilled and defined decision making	5	—	—	—	1	—	—	—	6
Total	184	19	14	39	261	47	12	82	658
Employees with disabilities	4	—	—	2	—	—	—	2	8

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TABLE 6.5 – Terminations for the period 1 April 2004 to 31 March 2005

	Male				Female				
Occupational Bands	**African**	**Coloured**	**Indian**	**White**	**African**	**Coloured**	**Indian**	**White**	**Total**
Top Management,	—	—	—	2	1	—	—	1	4
Senior Management	2	—	1	1	—	—	—	—	4
Professionally qualified and experienced specialists and mid-management,	9	—	0	1	8	—	2	—	20
Skilled technical and academically qualified workers, junior management, supervisors, foremen,	12	2	1	7	13	4	3	5	47
Semi-skilled and discretionary decision making	8	—	1	1	11	2	3	—	26
Unskilled and defined decision making	7	1	—	—	14	3	1	—	26
Total	38	3	3	12	47	9	9	6	127

TABLE 6.6 - Disciplinary action for the period 1 April 2004 to 31 March 2005

	Male				Female				
Occupational Bands	**African**	**Coloured**	**Indian**	**White**	**African**	**Coloured**	**Indian**	**White**	**Total**
Total	13	1	1	4	11	1	1	2	34

TABLE 6.7 - Skills Development for the period 1 April 2004 to 31 March 2005

	Male				Female				
Occupational Bands	**African**	**Coloured**	**Indian**	**White**	**African**	**Coloured**	**Indian**	**White**	**Total**
Legislators, Senior Officials and Managers	12	—	1	1	—	—	—	—	14
Professionals	1	—	—	4	4	—	1	—	10
Technicians and Associate Professionals	42	13	8	16	64	20	7	26	196
Clerks	62	8	6	6	130	7	2	25	246
Service and Sales Workers	—	—	—	—	—	—	—	—	—
Craft and related Trades Workers	—	—	—	—	—	—	—	—	—
Elementary occupations	25	—	—	—	4	—	—	—	29
Total	142	21	15	27	202	27	10	51	495
Employees with disabilities	—	—	—	—	—	—	—	—	—

7. PERFORMANCE REWARDS

To encourage good performance, the department has granted the following performance rewards during the year under review. The information is presented in terms of race, gender, and disability (Table 6.1), salary bands, (Table 6.2) and critical occupations (Table 6.3).

TABLE 7.1 – Performance Rewards by race, gender, and disability, 1 April 2004 to 31 March 2005

	Beneficiary profile			Cost	
	Number of beneficiaries	Total number of employment in group	Total % within group	Cost R'000	Average cost per employee R
African					
– Male	159	340	32%	641	4 033
– Female	121	345	32%	771	6 373
Indian					
– Male	13	38	4%	110	8 458
– Female	9	25	2%	55	6 133
Coloured					
– Male	15	52	5%	70	4 650
– Female	33	62	6%	161	4 863
White					
–Male	28	81	8%	211	7 542
– Female	62	120	11%	367	5 921
Employees with a disability	3			16	5 371
Total	**443**	**1 063**	**100%**	**2 402**	

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TABLE 7.2 – Performance Rewards by Salary Band for personnel below Senior Management Service, 1 April 2004 to 31 March 2005

	Beneficiary profile			Cost	
Salary band	**Number of beneficiaries**	**Total employment**	**Percentage of total employment**	**Cost (R'000)**	**Average cost per employee**
Lower skilled (Levels 1-2)	17	45	38%	42	2 476
Skilled (Levels 3-5)	143	291	49%	505	3 528
Highly skilled production (Levels 6-8)	205	472	43%	1 166	5 689
Highly skilled supervision (Levels 9-12)	66	214	31%	485	7 355
Total	**431**	**1 022**		**2 198**	

TABLE 7.3 – Performance related rewards (Cash Bonus) by salary band, for Senior Management Service

	Beneficiary profile				
Salary band	**Number of beneficiaries**	**Number of employees**	**% of total within band**	**Total cost R'000**	**Average cost per beneficiary (R)**
Band A	11	31	35%	167	15 159
Band B	1	9	11%	37	37 214
Band C	—	—	—	—	—
Band D	—	—	—	—	—
Total	**12**	**40**		**204**	

8. FOREIGN WORKERS

TABLE 8.1 – Foreign Workers, 1 April 2004 to 31 March 2005, by salary band

	01 April 2004		31 March 2005		Change	
Salary Band	**Number**	**% of total**	**Number**	**% of total**	**Number**	**% change**
Skilled (Levels 3-5)	—	—	1	50	1	50
Highly skilled supervision (Levels 9-12)	—	—	1	50	1	50
Total	**—**	**—**	**2**	**100**	**2**	**100**

TABLE 8.2 – Foreign Workers, 1 April 2004 to 31 March 2005 by major occupation

	01 April 2004		31 March 2005		Change	
Major occupation	**Number**	**% of total**	**Number**	**% of total**	**Number**	**% change**
Professionals and managers	—	—	2	100	2	100
Total	**—**	**—**	**2**	**100**	**2**	**100**

9. LEAVE UTILISATION FOR THE PERIOD 1 JANUARY 2004 TO 31 DECEMBER 2004

TABLE 9.1 – Sick Leave for 1 January 2004 to 1 December 2004

Salary Band	Total days	% Days with medical certification	Number of employees using sick leave	% of total employees using sick leave	Average days per employee	Estimated cost (R'000)
Lower skilled (Levels 1-2)	185	71	46	6	4	25
Skilled (Levels 3-5)	1 941	70	313	39	6	415
Highly skilled production (Levels 6-8)	1 775	67	328	41	5	646
Highly skilled supervision (Levels 9-12)	496	70	93	12	5	351
Senior management (Levels 13-16)	54	69	16	—	3	94
Total	**4 451**	**—**	**796**	**—**	**6**	**1 531**

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TABLE 9.2 – Disability Leave (temporary and permanent) for 1 January 2004 to 31 December 2004

Salary Band	Total days	% Days with medical certification	Number of employees using disability leave	% of total employees using disability leave	Average days per employee	Estimated cost (R'000)
None						

TABLE 9.3 – Annual Leave for 1 January 2004 to 1 December 2004

Salary Bands	Total days taken	Average per employee
Lower skilled (Levels 1-2)	814	10
Skilled (Levels 3-5)	6 182	15
Highly skilled production (Levels 6-8)	7 433	15
Highly skilled supervision (Levels 9-12)	2 130	13
Senior management (Levels 13-16)	410	12
Total	**16 969**	**14**

TABLE 9.4 – Capped leave, 1 January 2004 to 31 December 2004

Salary Bands	Total days of capped leave taken	Average number of days taken per employee	Average capped leave per employee as at 31 December 2004
Lower skilled (Levels 1-2)	2	2	41
Skilled (Levels 3-5)	114	6	22
Highly skilled production (Levels 6-8)	169	5	38
Highly skilled supervision (Levels 9-12)	62	5	57
Total	**347**	**5**	**37**

TABLE 9.5 – Leave payouts for the period 1 April 2004 to 31 March 2005

The following table summarises payments to employees as a result of leave that was not taken.

Reason	Total amount (R'000)	Number of employees	Average payment per employee
Leave payout for 2004/05 due to non-utilisation of leave for the previous cycle	16	1	6 000
Capped leave payouts on termination of service for 2004/05	316	69	4 580
Current leave payout on termination of service for 2004/05	210	49	4 286
Total	**542**	**119**	**4 555**

10. HIV AND AIDS AND HEALTH PROMOTION PROGRAMMES

TABLE 10.1 – Steps taken to reduce the risk of occupational exposure

Units/categories of employees identified to be at high risk of contracting HIV and related diseases (if any)	Key steps taken to reduce the risk
None	*GSSC hosted a World HIV/AIDS Day on 1 December 2004 *A wellness week was held in June 2004 & December 2004 *Three day Peer Education Training workshop attended by 10 GSSC employees *Candle Light Memorial Day held in May 2004 *Condom dispensers in all ablution facilities at the GSSC

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TABLE 10.2 – Details of Health Promotion and HIV/AIDS Programmes [tick the applicable boxes and provide required information]

Question	Yes	No	Details, if yes
1. Has the department designated a member of the SMS to implement the provisions contained in Part VI E of Chapter 1 of the Public Service Regulations, 2001? If so, provide her/his name and position.	✔		Senior manager – Internal HR
2. Does the department have a dedicated unit or have you designated specific staff members to promote health and well being of your employees? If so, indicate the number of employees who are involved in this task and the annual budget that is available for this purpose.	✔		Internal HR Manager; working together with EAP HR consulting services
3. Has the department introduced an Employee Assistance or Health Promotion Programme for your employees? If so, indicate the key elements/services of the programme.	✔		Poor performance counselling; stress and trauma; HIV/AIDS counselling; financial skills counselling; bereavement counselling
4. Has the department established (a) committee(s) as contemplated in Part VI E.5 (e) of Chapter 1 of the Public Service Regulations, 2001? If so, please provide the names of the members of the committee and the stakeholder(s) that they represent.	✔		V Nxumalo; S Dhlamini; M Mothlabane; T Biyela; D Biyela; Mutau; S Senoami; T Nhlapo and V Khumalo
5. Has the department reviewed the employment policies and practices of your department to ensure that these do not unfairly discriminate against employees on the basis of their HIV status? If so, list the employment policies/practices so reviewed.	✔		Policies on Recruitment and Selection; HIV/AIDS and EAP
6. Has the department introduced measures to protect HIV-positive employees or those perceived to be HIV-positive from discrimination? If so, list the key elements of these measures.	✔		Policy on HIV/AIDS
7. Does the department encourage its employees to undergo Voluntary Counselling and Testing? If so, list the results that you have achieved.	✔		All employees and mangement encouraged to use ICAS services which is contracted to provide VCT.
8. Has the department developed measures/indicators to monitor and evaluate the impact of your health promotion programme? If so, list these measures/indicators.	✔		A survey was conducted on HIV and related issues.

11. LABOUR RELATIONS

The following collective agreements were entered into with trade unions within the department.

TABLE 11.1 – Collective Agreements, 1 April 2004 to 31 March 2005

Subject Matter	Date
Reward and Recognition	October 04

The following table summarises the outcome of disciplinary hearings conducted within the department for the year under review.

TABLE 11.2 – Misconduct and discipline hearings finalised, 1 April 2004 to 31 March 2005

Outcomes of disciplinary hearings	Number	Percentage of total
Correctional counselling	10	29%
Verbal warning	3	9%
Written warning	5	15%
Final written warning	4	12%
Dismissal	10	29%
Case withdrawn	2	6%
Total	**34**	**100%**

TABLE 11.3 – Types of misconduct addressed and disciplinary hearings

Type of misconduct	Number	% of total
Gross negligence	8	25%
Unauthorised expenditure, poor performance, unauthorised absence, insubordination, assault, insubordination and non-disclosure	16	50%
Fraud	8	25%
Total	**32**	**100%**

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	Number	% of total
TABLE 11.4 – Grievances lodged for the period 1 April 2004 to 31 March 2005		
Number of grievances resolved	5	42%
Number of grievances not resolved	7	58%
Total number of grievances lodged	12	100%

TABLE 11.5 – Disputes lodged with Councils for the period 1 April 2004 to 31 March 2005		
Number of disputes upheld	2	50%
Number of disputes dismissed	2	50%
Total number of disputes lodged	4	100%

TABLE 11.6 – Strike actions for the period 1 April 2004 to 31 March 2005	
Strike actions for the period 1 April 2004 to 31 March 2005	None

TABLE 11.7 – Precautionary Suspensions for the period 1 April 2004 to 31 March 2005	
Number of people suspended	12
Number of people whose suspension exceeded 30 days	7
Average number of days suspended	60
Cost (R'000) of suspensions	—

12. SKILLS DEVELOPMENT

This section highlights the efforts of the department with regard to skills developments

TABLE 12.1 – Training needs identified 1 April 2004 to 31 March 2005

			Training needs identified at start of reporting period			
Occupational categories	**Gender**	**Employment as at 1 April 2004**	**Learnerships**	**Skills programmes and other short courses**	**Other forms of training**	**Total**
Legislators, senior officials and managers	Female	5	—	4	—	4
	Male	21	—	15	—	15
Professionals	Female	108	—	75	—	75
	Male	146	—	102	—	102
Technicians and associate professionals	Female	49	29	26	—	55
	Male	57	29	26	—	55
Clerks	Female	391	—	290	—	290
	Male	243	—	168	—	168
Service and sales workers	Female	7	—	5	—	5
	Male	10	—	3	—	3
Craft and related trades workers	Female	2	—	1	—	1
	Male	13	—	3	—	3
Elementary occupations	Female	14	—	9	—	9
	Male	13	—	9	—	9
Sub Total	Female	576	29	410	—	439
	Male	503	29	326	—	355
Total		**1 079**	**58**	**736**	**—**	**794**

oversight report continued

for the year ended 31 March 2005

13. INJURY ON DUTY

The following table provides basic information on injury on duty.

TABLE 13.1 – Injury on Duty

Nature of injury onduty	Number	% of total
Required basic medical attention only	2	33%
Temporary Total Disablement	4	67%
Permanent Disablement	0	0%
Fatal	0	0%
Total	**6**	**100%**

TABLE 14.1 – Report on consultant appointments using appropriated funds

Project Title	Total number of consultants that worked on the project	Duration: Work days	Contract value in Rand
None			

Total number of projects	Total individual consultants	Total duration: Work days	Total contract value in Rand
None			

TABLE 14.2 – Analysis of consultant appointments using appropriated funds, i.t.o. HDIs

Project title	Percentage ownership by HDI groups	Percentage management by HDI groups	Number of consultants from HDI groups that work on the project
None			

TABLE 14.3 – Report on consultant appointments using Donor funds

Project title	Total number of consultants that worked on the project	Duration: Work days	Donor and contract value in Rand
None			

Total number of projects	Total individual consultants	Total duration: Work days	Total contract value in Rand
None			

TABLE 14.4 – Analysis of consultant appointments using Donor funds, i.t.o. HDIs

Project title	Percentage ownership by HDI groups	Percentage management by HDI groups	Number of consultants from HDI groups that work on the project
None			

notes