
Department of Finance



Five-year Strategic Plan

2005/2006 – 2009/2010

FOREWORD

The fundamental objective our Government pursues is the creation of a democratic, non-racial, non-sexist and prosperous society.

To this end and very early in its life, it adopted the Reconstruction and Development Programme (RDP) as the policy framework within which it would work to achieve this objective.

Subsequently, Government elaborated the Growth, Employment and Redistribution Strategy as one of its principal instruments for the realization of the policy objectives contained in the RDP.

These three categories – the fundamental objective, the policy framework and the principal instruments – represent the stable policy base which will inform Government activity for a long time to come.

The Budget is one of the further principal instruments available to Government to advance the objectives contained in our policy base.

It gives practical expression to our ambitions and priorities. It indicates the limits of what we can do immediately, while further strengthening our possibilities to build a better life for all, on a sustainable basis.

Thus, while reflecting short-term year-on-year decisions, it creates the conditions for our future medium and long-term programmes.

For the 2008/09 financial year, we have committed ourselves to doing business in an unusual manner, to put all our hands on deck to accelerate service delivery. The healthy position of the public finances, as evidenced in the positive budget balance, allows us to invest more resources in modernizing key infrastructure and public services, while providing a cushion against potential shocks to the economy.

The quality of South Africa's budget documents is of a high standard. Still, your suggestions and criticisms would help to improve the quality and relevance of the documents.

I expect the Legislature to hold me accountable for the achievement of the objectives of each programme of the Provincial Treasury, and I am sure that the ever-diligent team at the Provincial Treasury will work ever so hard and give the necessary support towards ensuring that we meet our goals and targets.



.....
MRS EM COLEMAN (MPL)
MEC FOR FINANCE

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Part A: Strategic Overview

1. Vision

A dynamic department that ensures equitable allocation and optimal utilization of provincial resources for accelerated service delivery and economic growth.

2. Mission

To allocate available resources consistent with Provincial Government strategic objectives and priorities through effective monitoring of resource utilization, prudent financial management, advice and support for enhanced service delivery.

3. Values

The department is guided by the following core values:

- **Dedicated:** We commit to perform our tasks in an dedicated manner to ensure speedy delivery of services;
- **Transparency:** We commit to render our services in a transparent through consultative measures with all stakeholders;
- **Excellence:** We commit to execute our mandate in an excellent manner and with minimal and reasonable mistakes;
- **Integrity:** We commit to apply department rules and procedures and general conduct of all officials in consistent, fair and just manner;
- **Honesty:** We commit all staff and management to conduct themselves with honesty and trustworthiness;
- **Fairness:** We commit to conduct business in a fair manner;
- **Commitment:** We commit to perform in terms of our departmental services standards and guiding legislation

4. Sectoral situation analysis

4.1 Summary of service delivery environment and challenges

The Department has a responsibility to provide support to provincial departments, municipalities and public entities. However the Department is faced with the following challenges in fulfilling the latter responsibility:-

- The introduction of new policies which has got challenges peculiar to policy making;
- The provincial budget allocation to meet the national target of 85:15 still remains a challenge;
- Departments still have a challenge on spending their allocated resources according to their services delivery plans;
- There is still a challenge in receiving timeous and accurate information from departments, municipalities and public entities.

The Department of Finance will continue strengthening its monitoring mechanisms and systems in order to assist departments to use resources as planned.

4.2 Summary of organisational environmental and challenges

The current organisational structure will continuously be reviewed to be able to meet service delivery challenges. The shortage of staff in strategic focus areas remains a challenge for the department.

Corporate Image of the Department

The Department embarked on a successful process of building its corporate identity. In this regard corporate colours were approved. The colours are purple symbolizing “respect and authority” and yellow/gold symbolizing the “wealth of the province”. The Department also adopted the motto, “Always Stretching Our Arm, to Accelerate Service Delivery”, which would form part of our corporate identity. As a result, corporate stationery and branding reflecting this corporate identity was developed and maintained.

A number of media publicity campaigns were successfully carried out. This included the campaigns on the procurement reforms (supply chain management system) and the 2006 provincial budget presentation.

5. Legislative and other mandates

The Department derives its mandate from the following legislation and prescripts: -

- **The Constitution of the Republic of South Africa Act, 1996 (Act No. 108 of 1996) (the Constitution)**

The Constitution provides a framework for the improvement of the quality of life of all citizens. It does so by enshrining the rights of all people, which have to be respected, protected, promoted and fulfilled by the State. To enable the State to fulfill the rights of individuals, resources, especially financial resources must be made available for job creation and empowerment of historically disadvantaged groups.

- **State Information Technology Agency Act, 1998 (Act No. 8 of 1998) (SITA)**

This Act has established an institution that is responsible for the State’s information technology system.

- **Prevention and Combating of Corrupt Activities Act, 2004 (Act No. 12 of 2004)**

This Act provides for an overall anti-corruption strategy and makes provisions for the strengthening of measures to prevent and combat corruption and corrupt activities.

- **Mpumalanga Gambling Act, 1995 (Act No. 5 of 1995)**

This Act provides, amongst others, for the levying of licenses against casino owners. The levies are then paid to the Provincial Revenue Fund.

- **Intergovernmental Fiscal Relations Act, 1997 (Act No. 97 of 1997)**

This Act sets out the process for the sharing of revenue raised nationally among the three spheres and defines the roles of the different spheres in promoting co-operation between each other on fiscal, budgetary and financial matters.

- **Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA)**

This Act sets out the responsibilities of the Provincial Treasury with regard to local government finances and fiscal powers as delegated to it by National Treasury.

- **Public Finance Management Act, 1999 (Act 1 No. of 1999) (PFMA)**

This Act regulates financial management in the National and Provincial sphere to ensure that all revenue, expenditure, assets and liabilities of those spheres are managed efficiently and effectively; to provide for the responsibilities of persons entrusted with financial management in the Treasury and to provide for matters connected therewith.

- **Protected Disclosures Act, 2000 (Act No. 26 of 2000)**

This Act assists to deter and detect wrongdoing in the workplace by providing an early warning mechanism to prevent impropriety and corruption in the public sector. It makes provisions for the procedures in terms of which employees in the public sector who disclose information of unlawful or corrupt conduct by their employers or fellow employees are protected from occupational detriment.

- **Occupational Health and Safety Act, 1993 (Act 85 No. Of 1993)**

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

- **Control Of Access To Public Premises And Vehicles Act, 1985 (Act No. 53 Of 1985)**

This Act provides safeguarding of certain public premises and vehicles and for the protection of the people therein or thereon, and for matters connected therewith.

- **Electronic Communications Security (Pty) Ltd Act, 2002 (Act No. 68 Of 2002)**

This Act provide establishment of a company that will provide electronic communications security products and services to organs of state; and to provide for matters connected therewith.

- **National Archives Of South Africa Act, 1996 (Act No. 43 Of 1996)**

This Act provides for National Archives and Record Service; the proper management and care of the records of governmental bodies; and the preservation and use of a national archival heritage; and to provide for matters connected therewith.

- **Skills Development Act, 1998 (Act No. 97 of 1998)**

The Acts provides for an institutional framework to devise and implement national, sector and workplace strategies to develop and improve the skills of the South African work force; the integration of those strategies within the National Qualifications Framework contemplated in the South African Qualifications Authority Act, 1995; for learnerships that lead to recognised occupational qualifications; for 'financing of skills development by means of a levy-grant scheme and 'a National Skills Fund; provide for and regulate employment services; and also provide for matters connected therewith.

- **Labour Relations Act, 1995 (Act No. 66 of 1995)**

The purpose of this Act is to change the law governing labour relations and, for that purpose also to give effect to section 27 of the Constitution; to regulate the organizational rights of trade unions; to promote and facilitate collective bargaining at the workplace and at sectoral level; to regulate the right to strike and the recourse to lock-out in conformity with the Constitution; to promote employee participation in decision-making through the establishment of workplace forums; to provide simple procedures for the resolution of labour disputes through statutory conciliation, mediation and arbitration (for which purpose the Commission for Conciliation, Mediation and Arbitration is established), and through independent alternative dispute resolution services accredited for that purpose; to establish the Labour Court and Labour Appeal Court as superior courts, with exclusive jurisdiction to decide matters arising from the Act; to provide for a simplified procedure for the registration of trade unions and employers' organizations, and to provide for their regulation to ensure democratic practices and proper financial control; to give effect to the public international law obligations of the Republic relating to labour relations; to amend and repeal certain laws relating to labour relations; and to provide for incidental matters.

- **Employment Equity Act, 1998 (Act No. 55 of 1998)**

The Act makes provision for employment equity and also provide for matters incidental thereto.

- **Preferential Procurement Policy Framework Act, 2000, (Act No.5 of 2000)**

To give effect to section 217(3) of the Constitution by providing a framework for the implementation of the procurement policy contemplated in section 217(2) of the Constitution; and to provide for matters connected therewith.

- **Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003)**

The Act establishes a legislative framework for the promotion of black economic empowerment; and further empowers the Minister to issue codes of good practice and to publish transformation charters; and also establishes the Black Economic Empowerment Advisory Council; and provides for matters connected therewith.

- **Promotion of Access to Information Act, 2000 (Act No. 2 of 2000) (PAIA)**

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

- **Promotion of Administration of Justice Act, 2000 (Act No. 3 of 2000) (PAJA)**

The Act gives effect to the right to administrative action that is lawful, reasonable and procedurally fair and to the right to written reasons for administrative action as contemplated in section 33 of the Constitution; and to provide for matters incidental thereto.

- **Promotion of Equality and Prevention of Unfair Discrimination Act, 2000 (Act No. 4 of 2000)**

The Act gives effect to section 9 read with item 23(1) of Schedule 6 to the Constitution, so as to prevent and prohibit unfair discrimination and harassment; to promote equality and eliminate unfair discrimination; to prevent and prohibit hate speech; and to provide for matters connected therewith.

- **Division of Revenue Act (DORA)**

The Act is passed annually to provide for the equitable division of revenue anticipated to be raised nationally among the national, provincial and local spheres of government for that particular financial year and also provide for the reporting requirements for allocations pursuant to such division; it further permits the withholding and the delaying of payments in certain circumstances; and also provides for liability for costs incurred in litigation in violation of the principles of co-operative governance and intergovernmental relations; and provides for matters connected therewith.

- **Treasury Regulations**

- **Minimum Information Security Standards (MISS)**

This is a policy document as approved by Cabinet on 4 December 1996 Cabinet and the document is considered as the national information security policy.

6. Broad policies, priorities and strategic goals

6.1 Broad policies and priorities

- Implementation and compliance to the PFMA & MFMA and its Regulations
- Implementation of Provincial Supply Chain Management Framework and policies.
- Enhance service delivery
- Monitoring of Provincial and Municipal budgets
- Equitable allocation of provincial resources that finances the Province's key deliverables.

- Optimal utilisation of provincial resources consistent with the Province's strategic objectives and priorities.
- Implementation of accounting practices in line with Generally Recognised Accounting Practice (GRAP) and applicable norms and standards; and
- Manage and monitor utilisation of transversal systems in the province.

6.2 Strategic Goals

Programme 1: Administration

- Political and policy direction;
- Strategic leadership and management;
- Human resource management and development;
- Improved security management;
- Maintain positive image of the Department;
- Support and plan on departmental activities;
- Provide sound financial management;
- Improve risk management, control and governance; and
- Minimising legal actions against the Department.

Programme 2: Sustainable Resource Management

- Facilitate the efficient and coordinated management of the programme;
- Assist provincial departments in ensuring own revenue is optimised and expanded;
- Provide policy advice and monitor the implementation of provincial budget as well as sound budget management;
- Monitor the implementation of MFMA;
- Provide professional advice and support to provincial departments on infrastructure planning and delivery; and
- Assist delegated municipalities on own revenue optimisation and expansion.

Programme 3: Assets and Liabilities Management

- Improved management of financial assets
- Improved management of physical assets, which includes the management of movable and immovable assets as well as Public Private Partnership
- Development of adequate capacity for the implementation of supply chain management frameworks
- Development of effective and efficient management strategies of provincial and municipal liabilities

Programme 4: Financial Governance

- Improved compliance with accounting standards and legislations;
- Improved compliance with legislations;

- **Improved internal audit practices;**
- **Improved operational efficiency through Information Communication and Technology (ICT) in the Province to accelerate service delivery; and**
- **Improved capturing of data and use of information in transversal systems.**

7. Information systems to monitor progress

7.1 Basic Accounting System (BAS)

The system is used to capture financial transactions and generate financial reports for decision-making.

7.2 Personnel and Salary System (PERSAL)

The system is used to capture organisational structure, appointment of personnel, payment of salaries and generation of personnel reports.

7.3 Logistic Information System (LOGIS)

The system is used for procurement of goods and services and generation of assets and inventory reports.

These systems provide financial and non-financial information. Information on service delivery is gathered through manual templates, and this poses a challenge on the accuracy and reliability of information gathered. An Integrated Financial Management System will be introduced within the next five years to address this challenge.

7.4 E-Proquire

The system is used to identify possible suppliers from the departmental supplier database.

8. Description of strategic planning process

The strategic planning process is informed by the policy and budget speeches of the Member of Executive Council (MEC) for the Department of Finance. The policies and guidelines are mainly derived from the President's State of the Nation, the Premier's State of the Province addresses and the Provincial Growth and Development Strategy (PGDS).

All components of the Department then meet to draw their own strategic plans, which would be discussed and consolidated by Senior Management, and then approved by the Member of the Executive Council responsible for Finance.

Part B: Programme plans

9. PROGRAMME 1: ADMINISTRATION

The programme is responsible for the political, financial and administrative management of the Department.

It consists of the following sub programmes:

Sub Programmes	Purpose
Office of the MEC	To ensure effective and efficient discharge of the MEC's executive and political responsibilities
Management Services <ul style="list-style-type: none"> ➤ Office of the Head of Department (HOD) <ul style="list-style-type: none"> ❑ Chief Operations Officer (COO) <ul style="list-style-type: none"> • Economic Research and Analysis • Regional Services • Corporate Services • Gender Focal Point • Communication • Legal Services • Security Management • Policy and Planning 	To co-ordinate, manage and maintain departmental activities To provide management support to the HOD and oversee operations of sub-programmes To provide socio-economic research, policy analysis and planning To provide regional services support to the department To render human resource management and development and support services to the department To implement policies related to gender, children, youth and people with disabilities and HIV/AIDS. To render communication services to the department To render legal services to the MEC and department To provide security management for the Department To provide policy and planning services to the department
Financial Management	To provide resource management and support to the department
Internal Audit	To render an independent internal audit function to the department

9.1 Situation analysis

Office of the MEC: The Office of the MEC supports the MEC of Finance in fulfilling the legislative, political and administrative role as a member of the Provincial Executive Council. During the past year the performance of the Office of the MEC improved the financial performance of provincial departments.

Management Services: The Management services sub-programme has been restructured to provide a more efficient administrative support service to the department. The creation of the Chief Operations Officer position will afford the Accounting Officer an opportunity to focus on strategic issues rather than on day to day running of the department. The sub-programmes previously reporting directly to the Accounting Officer will now report to the Chief Operations Officer.

The demand for financial management (Chief Financial Officer (CFO)) sub-programme is to provide financial management services in the following areas supply chain management, financial accounting and management accounting. In addition the CFO unit will also support Entity Risk Management (ERM), this will be consummated in the restructured organisational structure of the department.

9.2 Policies, priorities and strategic objectives

9.2.1 Policies and priorities

Policies:-

- Translate policies and priorities into strategies for effective service delivery and to manage, monitor and control performance.
- Implement policies related to gender, children, youth and people with disabilities and HIV/AIDS.

Priorities:-

- Setting priorities and political directives in order to meet objectives of the department.
- Provide an efficient and effective administrative support to the MEC.
- Promote accountability by the **HOD** at all managerial levels and devolve responsibilities to the most appropriate levels.
- Design of analytical instruments to assess the qualitative impact of provincial service delivery on provincial socioeconomic variables.
- Provide human resource management and human resource development.
- Provide marketing and communication support function to the department.
- Implement policies related to gender, children, youth and people with disabilities and HIV/AIDS.
- Implement financial management accounting procedures to ensure compliance with the **PFMA** and other relevant financial prescripts.
- Implement effective risk management and effective internal controls.
- Implement effective security management services and procedures.

9.2.2 Strategic objectives

Strategic Goals	Strategic Objectives
OFFICE OF THE MEC Political and policy direction	To fulfil political and policy mandate
MANAGEMENT SERVICES Strategic leadership and management Provide Human resource management and development Improved security management Support and plan on departmental activities	<p>To translate strategic political and policy direction into strategies for effective management and service delivery</p> <p>To provide strategic administrative support to the HOD and Department</p> <p>Provide for the provincial economic and social research and analysis that informs fiscal policy development and the annual budget process</p> <p>Provide human resource and support services to enable the Department to achieve its objectives</p> <p>Create awareness on issues related to gender, children, youth and people with disabilities to promote a healthy and productive workforce</p> <p>Provide communication services to inform stakeholders and promote a positive image of the Department</p> <p>To proactively provide legal support services to MEC and Department</p> <p>To provide and implement wide security management</p>

Strategic Goals	Strategic Objectives
	<p>systems</p> <p>Co-ordinate, plan, support and report on departmental activities to achieve departmental objectives</p> <p>Co-ordinate, plan, support and implement programmes at Regional Level</p>
<p>FINANCIAL MANAGEMENT</p> <p>Provide sound Financial Management</p>	<p>To render Management Accounting Services to provide accurate and timeous financial reports</p> <p>To render Financial Accounting Services to promote timeous payments and accountability</p> <p>To render Supply Chain Management Services to promote service delivery</p>
<p>INTERNAL AUDIT</p> <p>Improve risk management, control and governance</p>	<p>To provide an independent efficient and effective value added internal audit function to improve service delivery.</p>

9.3 Analysis of constraints and measures planned to overcome them

Constraints	Corrective Measures
Overall staff turnover rate within the department	A retention strategy will be developed and implemented to retain skilled personnel within the department

9.4 Description of planned quality improvement measures

A Workplace Skills Plan and training programmes has been developed and implemented to assist staff with personal development to improve service delivery. The service delivery improvement plan has been developed to assist the department to deliver on its core mandate.

9.5 Resource information

The Directorate: Economic Analysis has been moved from Programme 2 to Programme 1 with its budget and is aligned with the other related functions.

Programme 1

Sub-programme	Actual 2005/06	Actual 2006/07 (Base)	2007/08 Estimate	Average Annual change (%) ²	2008/09 Budget	2009/10 Target	2010/11 Target	Average annual change (%) ³
1. Office of the MEC	2095	3308	3814	15%	5000	6699	6960	4%
2. Management Services	13302	19414	27232	40%	35290	43842	49469	13%
3. Financial Management	18192	19651	20625	5%	25088	30181	33529	11%
4. Internal Audit	908	1912	2184	14%	2495	3572	3951	11%
Total programme	34497	44285	53873	22%	67873	84294	93909	11%

10. PROGRAMME 2: SUSTAINABLE RESOURCE MANAGEMENT

To provide professional advice and support on Provincial and Local Government's Fiscal Policy issues, Infrastructure Co-ordination, Budget and Expenditure management as well as on Municipal Finance Management issues to the Executive Council, provincial departments, Public entities as well as delegated municipalities.

It consists of the following sub programmes:

Sub Programmes	Purpose
Programme Support	Facilitation of the efficient and coordinated management of the programme
Fiscal Policy-Provincial	Assist provincial departments to optimize and expand own revenue generation and collection. Responsible for determining the overall financing envelope for the Medium Term Expenditure Framework (MTEF),
Fiscal Policy- Local Government	Assisting delegated municipalities to optimize and expand own revenue generation and collection.
Budget and Expenditure Management	Prepare consolidated annual Mpumalanga Medium-term Budget Policy Statement and drives the MTEF and annual budget process. Monitor budget implementation, monitors, trend analysis
Municipal Finance	Support and implementation of Municipal Finance Management Act reforms by municipalities as well as the enhancement of capacity in the delegated municipalities Responsible for monitoring the budget implementation expenditure outcomes of municipal budget
Infrastructure Coordination`	Supporting and monitoring provincial departments on the planning and delivery of infrastructure

10.1 Situation analysis

At a provincial level, the services provided by the programme have contributed greatly to ensuring financial stability, sound and sustainable fiscal framework.

The development of budget policy and planning framework needs improvement in order to become more transparent

The main challenges include the ability to perform meaningful and appropriate analysis of non-financial data and the linkage of such data to budget implementation and service delivery.

The other challenge is the development and acquisition of appropriate and suitably qualified personnel to effectively evaluate and analyze Local Government budget inputs and outcomes.

The in year revenue and expenditure monitoring processes managed in the programme will have to be improved. The sophistication and accuracy of these monitoring systems will enable the Provincial Treasury to alert the Member of Executive Council and Executive Council allowing sufficient time for corrective action to be taken.

10.2 Policies, priorities and strategic objectives

10.2.1 Policies and priorities

- Assessment of provincial departments' measurable information to ensure alignment of their objectives towards the desired outcomes for the Province.
The emphasis will be on moving towards an outcomes based budget allocation process.
- Concerted efforts in pursuit of other sources of revenue to further increase the Province's own revenue base
- Optimize and expand provincial financial resources (national transfers and provincially raised own revenue) to fund sustainable service delivery
- Promote sound financial management in both provincial departments and delegated municipalities, inclusive of improved expenditure and revenue monitoring and associated management practices.

10.2.2 Strategic Objectives

Strategic Goals	Strategic Objectives
PROGRAM SUPPORT Facilitate the efficient and coordinated management of the programme	Provide strategic leadership within sustainable resource management programme
FISCAL POLICY – PROVINCIAL Assist provincial departments own revenue is optimised and expanded	To assist provincial departments on own revenue optimisation and expansion.
BUDGET AND EXPENDITURE Provide policy advice and monitor the implementation of provincial budget as well as sound budget management	To promote equitable allocation of provincial resources that finances the Province's key deliverables. Perform appropriate analysis and provide advice to provincial departments. To monitor efficient budget implementation as well as enhancement of service delivery
MUNICIPAL FINANCE Monitor the implementation of Municipal Finance Management Act	Advise and support municipalities on the implementation of the MFMA
INFRASTRUCTURE CO-ORDINATION Provide professional advice and support to provincial departments on infrastructure planning and delivery	To support and monitor provincial departments on the planning and delivery of infrastructure.
FISCAL – LOCAL GOVERNMENT Assist delegated municipalities on own revenue optimisation and expansion.	To provide professional advice and support to Local government revenue collection and fiscal policy issues.

10.3 Analysis of constraints and measures planned to overcome them

The major constraints facing the Sustainable Resource Management Unit arise from a number of new functions and initiatives, which the component will be expected to take on board with, limited existing capacity and experience within the programme.

By definition, the MFMA being a new legislation, there is very little capacity within the Provincial Treasury. This capacity will have to be acquired and built within the programme in a systemic and phased manner.

The existing staff is currently undergoing extensive functional training before being fully productive. The areas of training have been agreed with the National Treasury.

Notwithstanding the challenges that face the unit, the unit is determined to meet all the challenges facing the programme by means of an integrated human resource strategy.

10.4 Description of planned quality improvement measures

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

A service Delivery Improvement Plan (SDIP) for the programme is currently being developed which will detail the specific targets in terms of improving service delivery performance in the various sub-programmes.

10.5 Program Support

10.5.1 Situation analysis

The sub-programme was able to oversee the overall performance of the programme in order to ensure that all planned objectives are achieved. The Programme was able to introduce Medium Term Expenditure Committee (MTEC) hearings in order to provide departments with an opportunity to bid for the budgets of the coming financial year.

10.5.2 Policies, priorities and strategic objectives

To render administrative and logistical support to the various components in Programme 2.

10.5.3 Analysis of constraints and measures planned to overcome them

Constraints	Planned measures to overcome
Allocating the provincial budget to meet the national target of 85% for social services and 15% for the other services.	Continued use of National Treasury guidelines in allocation of resources Introduction of a benchmark exercise in the province in order to address the allocative efficiency issues
Departments' inability to spend their allocated resources according to their service delivery plans more specially on infrastructure.	Monthly monitoring of infrastructure expenditure trends instead of quarterly as stipulated in the National Treasury guidelines Establishment of a monthly forum to assist departments to improve in infrastructure planning and budgeting.
Shortage of staff in strategic focus areas has been overcome however the building of capacity in the programme remains an area that needs urgent attention	Workshops have been earmarked in specific functional areas.
Capacity within the programme to provide a comprehensive municipal budget evaluation, monitoring, reporting and capacity building remains a challenge and an area that needs urgent attention	Workshops have been earmarked in specific functional areas.
Improving internal and external communication.	Regular meetings with all stakeholders in the provincial departments will be held in order to improve communication.

10.5.4 Description of planned quality improvement areas

The sub-programme will coordinate training that will assist departments to comply with performance budgeting initiatives.

10.6 Fiscal Policy - Provincial

10.6.1 Situation analysis

The existence of this component is to enable the provincial government to finance its service delivery obligations in a sustainable manner.

During 2006/07 financial year the provincial departments were assisted to collect R381 million against a target of R322 million which is 18 percent above target.

Key challenges over MTEF include concerted efforts in pursuance of new sources of revenue as well as finalization of the introduction of a Provincial Tourism Levy.

In addition, the unit will closely scrutinise the revenue that is generated from once off transactions that are not sustainable in nature and that have a potential of distorting revenue generation in a given year.

10.6.2 Policies, priorities and strategic objectives

- To determine the overall financing envelope for the Medium Term Expenditure Framework (MTEF), including administering the medium term revenue planning process,
- To assess and optimize revenue transferred from the National Revenue Fund
- To assist provincial departments to maximize revenue collection and expand provincial revenue base through continuous identification of new revenue sources.

10.6.3 Analysis of constraints and measures planned to overcome them

The table below indicates constraints as well as plans to address them

CHALLENGES	PLANS TO ADDRESS CHALLENGES
There is a need to improve the credibility of own revenue budgets	Training is ongoing to assist departments on methods of budgeting for each revenue item especially on how to arrive at assumptions that inform each revenue item 's budget
Revision of revenue tariffs during a financial year	The departments will be assisted in this area so that If such a revision occurs during a particular financial year, the affected department must revise the own revenue budgets accordingly during the budget adjustment process in November of each year
<p>Some of the revenues are not generated from genuine sources instead from recoveries from:</p> <ul style="list-style-type: none"> • overpayments of suppliers • and salary overpayments from current and ex employees <p>The incorrect payments made to suppliers are not recovered within the same financial year in which the error occurred.</p> <p>The implications are that the expenditures are overstated and as a result lesser amounts are surrendered to the Provincial Revenue Fund</p> <p>In the year that these amounts are finally recovered, they distort own revenue because they have not been budgeted for</p>	<p>The departments will be advised to:</p> <ul style="list-style-type: none"> • investigate how the systems in the departments allow for overpayments to suppliers • investigate how the systems in the departments allow for overpayments to current and ex employees • improve system of internal controls in order to reduce any overpayments <p>Departments to recover the incorrect amounts made within the year in which they have occurred</p> <p>Departments to budget for the amounts due to be recovered within 12 months</p>

10.6.4 Description of planned quality improvement areas

Training workshops and forums will be conducted to assist departments and municipalities to improve in their revenue collection.

10.7. Budget and Expenditure Management

10.7.1 Situation analysis

The sub-programme successfully coordinated the budget process and aligned the allocation of resources to provincial priorities.

The sub-programme was able to provide strategic support and monitoring of expenditure through analysis of the provincial departments’ expenditure to enhance service delivery.

Fourteen expenditure analysis reports have been issued on a monthly basis.

The main challenges include the ability to perform meaningful and appropriate analysis of non-financial data and the linkage of such data to budget implementation and service delivery.

The other key challenges are:

- a) The development of conditional grants business plans by provincial departments that are aligned to the DORA framework; and
- b) *Monitoring by provincial departments of funds transferred to public entities and Non Governmental Organisations (NGO’s)*

10.7.2 Policies, priorities and strategic objectives

To develop policies that encourages sound budgeting practises and efficient expenditure management. This will include policies on management of commitments, Budget pressures, rollovers, surrenders, budget adjustment process, over/under spending, monitoring of Public Entities and NGO’s.

10.7.3 Analysis of constraints and measures planned to overcome them

Constraints	Planned measures to overcome
There is insufficient analytical capacity within the programme	Officials will be provided with training to be able to do proper and relevant analysis of provincial departments and none financial information to assist in strengthening capacity of budget planning and implementation and will in return ensure prudent financial management.
Lack of accountability on transferred funds	Provincial Treasury needs to evaluate the internal controls and monitoring process of all departments transferring funds to Public Entities, NGO’s and other service delivery-implementing agents.
No guidelines and monitoring mechanism in respect of transfers to public entities.	Develop a framework on the management and monitoring of transfers to Public Entities and NGO’s to improve transparency and accountability.

10.7.4 Description of planned quality improvement areas

Training workshops and courses will be conducted to assist departments to improve in budget and planning, implementation and monitoring and evaluation. The training will assist provincial departments to be able to align their budgeting to planned policies and priorities. Training and workshop will focus on the following issues:

- a) Optimal utilisation of In-year Monitoring System (IYM) monitoring tool,
- b) Linkage of budget to planning and non-financial information reports
- c) Budget adjustment process

- d) Rollovers process and approval
- e) Management of commitments record and expenditure projections.

10.8 Municipal Finance Management Unit

10.8.1 Situation analysis

The sub-program is tasked with assisting the municipalities with the implementation of the Municipal Finance Management Act as well as ensuring budget process management in municipalities.

The sub-programme will continue to provide support to the municipalities to promote compliance with the MFMA.

The main challenges include the capacity to perform meaningful and appropriate analysis of IDP data and the linkage of such data to budget and service delivery.

Another major challenge is municipal financial systems, as Municipalities are using different systems such that some of these systems are unable to produce accurate financial reports in compliance with the MFMA.

Municipalities are faced with a challenge of not having appropriately skilled personnel to implement the MFMA.

10.8.2 Policies, priorities and strategic objectives

To support the implementation of MFMA reforms by municipalities and to enhance capacity in municipalities.

10.8.3 Analysis of constraints and measures planned to overcome them

Constraints	Measures planned to overcome
There is insufficient human capacity within the sub programme and this results in inability to assist the delegated municipalities	The new structure in place will best address the challenges in terms of human capacity
Inaccurate and unreliable information received from municipalities.	Regular visits on a monthly basis to verify correctness of the figures and the signing off of the monthly expenditure reports
The use of different financial systems is another challenge and inability by MFMA unit to access municipal systems	There is a task team that is currently assessing the financial systems in order to assess which system can provide the best results
Lack of adequate financial management skills and relevant competencies	National Treasury has been requested to assist with training requirements Plans are currently been developed to address the financial skills gaps to municipal officials primarily on reporting requirements.
Slow establishment of budget and treasury offices in the municipalities	Continuous monitoring of progress through the Governance Structures such as MUNIMEC and Technical committee

10.8.4 Description of planned quality improvement measures

To provide strategic support and monitoring of compliance, implementation of MFMA and financial analysis to municipalities to enhance service delivery.

To encourage municipalities to communicate with other best performing municipalities for best practices.

To establish Medium Technical Expenditure Committee (MTEC) hearings at a municipal level to enhance financial transparency and accountability.

10.9 Infrastructure Coordination

10.9.1 Situation analysis

The program provides professional advice and support to provincial departments on infrastructure planning and delivery.

The Programme procured in year intervention teams to support infrastructure delivery in the provincial departments.

The sub program is faced with the following challenges:

- a) Determination of infrastructure backlogs problematic; failure to quantify and clear backlogs
- b) Under-expenditure on infrastructure budgets
- c) Delay, withholding and subsequent re-allocation of Infrastructure Grant to other Provinces that have demonstrated capacity to spend
- d) Lack of multi-year budgeting which result in rollovers.
- e) Lack of dedicated infrastructure units and Project Management Units
- f) Lack of appropriate skills
- g) Non/Late submission of Infrastructure Plans
- h) Under-delivery against service delivery targets

10.9.2 Policies, priorities and strategic objectives

To oversee the planning and delivery of infrastructure projects in terms of quality, quantity and value for money. Introduction of Infrastructure Delivery Improvement Program as a Provincial Programme. Alignment of Budget and Delivery Cycles with the infrastructure plans.

Monitoring of implementation of the Expanded Public Works Program in infrastructure delivery.

Monitoring of adherence to requirements of the Division of Revenue Act. 2007(Act No.1 of 2007)
Management of risks associated with infrastructure delivery.

10.9.3 Analysis of constraints and measures planned to overcome them

The sub-program is faced with the following constraints

Constraints	Measures planned to overcome
Consultant-driven Government	Departments to establish infrastructure units so that capacitation can take place instead of placing too much reliance on consultants

Quarterly reports are not always submitted on time and not always accurate	The unit will monitor the performance of the departments on a monthly basis although the submissions to National Treasury are on quarterly basis
	<ul style="list-style-type: none"> • The unit will establish a monthly infrastructure forum with all seven infrastructure departments in order to assist departments to improve the manner in which the Infrastructure Reporting Model is populated, as well as reporting on monthly budget outcomes • The appointment of Deputy Directors in this component has been finalized. The monthly forum will commence with effect from 01 September 2007
Establishment of Infrastructure Governance structures in line with the Infrastructure Delivery Improvement Principles	The Provincial Infrastructure Committee which is a committee of Heads of Departments will be established and will report to the Provincial Programme Steering Committee on a monthly basis
Late or non submission of infrastructure plans by provincial departments	<ul style="list-style-type: none"> • The infrastructure plans for 2008/09 are due at National Treasury on 31 August 2007: • Infrastructure plans will be submitted a month in advance in line with the provincial budget process to allow for analysis, review and revisions prior to approval by the various Heads of Departments. • The submission to National Treasury as per DORA framework will only be done once these processes have taken place.
Failure by departments to budget for maintenance budgets	Budget for maintenance of infrastructure is continuously being emphasized during budget workshops that are scheduled in line with preparation for the 2008/09 budget submissions
	Workshops will be conducted on DORA and IDIP principles to emphasize the MTEF budgeting guidelines

10.10 Resource information

The Staff complement is made up of 32 officials and allocated as follows

(1) Program Support:

- 1 x Chief Director
- 1 x Secretary

(2) Directorate: Budget and Expenditure –

- 1 x Director,
- 1 x Secretary,
- 11 x Deputy Directors,
- 2 x Assistant Directors

(3) Directorate Municipal Finance:

1 x Director,
1 x Secretary,
1 x Deputy Director
2 x Deputy Directors -vacant
5 x Assistant directors
1 x Assistant Director -vacant.

(4) Fiscal Policy Directorate- Provincial

1 x Director (Acting),
1 x Secretary,
1 x Deputy Director
1 x Assistant Director
1 X Assistant Director vacant

(5) Infrastructure Coordination Directorate

1 x Director (vacant)
1 x Secretary (vacant)
2 x Deputy Directors
1 x Assistant Director

(6) Fiscal Policy – Municipal:

The sub-program has been recently established.
The unit will be staffed progressively during the current financial year.

Financial Resources

The total allocated budget for the 2007/08 financial year amounts to R21 201 million.

Programme2: Sustainable Resource Management

Sub-programme	Actual 2005/06	Actual 2006/07 (Base)	2007/08 Estimate	Average Annual change (%) ²	2008/09 Budget	2009/10 Target	2010/11 Target	Average annual change (%) ³
1. Programme Support	9350	11320	5097	(55%)	5500	6060	6391	5%
2. Municipal Fiscal Discipline	0	0	0	0	1726	3088	3500	13%
3. Provincial Administration Fiscal Discipline	2042	2098	2402	14%	3247	3858	4390	14%
4. Budget & Expenditure Management	2466	3206	4000	25%	8056	8756	9333	6%
5. Municipal Finance	4190	7870	6012	(24%)	5093	5913	6476	10%
6. Infrastructure Co-Ordination	0	0	0	0	3796	4579	4901	7%
Total programme	18048	24494	17511	(29%)	27418	32254	34991	8%

11. PROGRAMME 3: ASSETS AND LIABILITIES MANAGEMENT

The programme is responsible for providing policy direction, facilitating the effective and efficient management of physical and financial assets, Public Private Partnerships (PPP), Public Sector Liabilities and Supply Chain management to all provincial departments and municipalities.

The programme consists of the following sub-programs:

Sub Programmes	Purpose
Programme support	To ensure overall management and coordination of the Chief Directorate
Financial Asset Management	To monitor, control and provide support on management of provincial revenue fund
Physical Asset Management	To facilitate formulation of provincial asset management policy and monitor compliance thereof.
	To provide an alternative procurement choice on infrastructure and service delivery projects through PPPs
Provincial Supply Chain Management	To facilitate formulation of provincial policies and the provision of guidance and support in the implementation of SCM
Public Sector Liabilities Management	To provide policy directive in relation to the management and coordination of provincial and municipal liabilities

11.1 Situation analysis

The programme provides management support and advisory services on the management of provincial liabilities in order to ensure that Departments adhere and comply with policies and regulations.

Furthermore, the programme is responsible for the management of financial assets in particular the movement of cash from the commercial banks and the departments. This is a transversal service provided to departments in order to ensure they have sufficient finances as and when needed in order to expedite service delivery.

The introduction of financial management reforms in government, entrust provincial treasuries with the responsibility of ensuring that governments physical and financial assets as well as its liabilities are well managed at all levels of government.

The delegation of 20 low and medium capacity municipalities to the MEC for Finance is posing a big challenge in terms of human and other resources to ensure full implementation and compliance with the Municipal Finance Management Act. This programme is largely responsible for overseeing the implementation of the Supply Chain Management Framework and the monitoring and evaluation of overall asset management.

The services that this programme provides are transversal in nature, our main stakeholders being all the provincial departments, public entities, municipalities, the private sector as well as National treasury.

The Physical and Financial Assets Management unit have been established within programme 3 with the responsibility for the effective management, coordination and control over all provincial physical assets. This will include movable and immovable assets in order for the province to ensure optimal utilization of its assets.

Furthermore, in order to provide support in the management of provincial liabilities the Public Sector Liabilities Management Directorate has been established. Key vacant positions in the directorate will be filled in the current financial year.

11.2 Policies, priorities and strategic objectives

11.2.1 Policies and priorities

- Facilitate the implementation of proper financial management and practices to ensure compliance with the Public Finance Management Act (PFMA) and other related financial policies,
- Provide strategic support to the departments, public entities and municipalities on Public Private Partnership (PPP),
- Provide strategic support to provincial departments and municipalities to facilitate compliance to the Public Finance Management Act (PFMA) and Municipal Finance Management Act (MFMA) on asset and supply chain management respectively,
- Provide effective and efficient strategies for the management of provincial physical assets,
- Provide effective and efficient strategies and mechanisms for the management of provincial financial assets,
- Implement an effective and efficient cash management strategy for the province,
- Facilitate the implementation and compliance to supply chain management prescripts within departments, public entities and municipalities,
- Facilitate the management of provincial liabilities

11.2.2 Strategic objectives

Strategic Goals	Strategic Objectives
Improved management of financial assets	To contribute to efficient provincial financial assets management
Improved management of physical assets	To contribute to efficient accountability on provincial and municipal physical assets. To provide an alternative procurement choice on infrastructure and service delivery projects through PPPs
Adequate capacity for the implementation of SCM frameworks enhanced	To ensure compliance with the SCM frameworks
Effective management of public sector liabilities	To coordinate, plan, support and implement an effective public sector liabilities management strategy

11.3 Progress Analysis of constraints and measures planned to overcome them

The programme has managed to provide management support, training and advisory services to the departments and municipalities on procurement related matters, asset verification and management as well as improving business practices through enabling decision making. The R 30 000 – R 200 000 reporting on quotations by provincial departments, Supply Chain Management (SCM) road shows, were among other improvements noted during the period. The audit outcome poses a major challenge on asset management amongst all departments and public entities as such the Chief Directorate will focus on capacity building and training, development of provincial asset management framework, and continued management and advisory support to all departments and public entities. Furthermore, the programme has managed to provide support on asset management, cash flow management and public private partnership, particularly on guidance for feasibility studies and provincial policy development. Though the PPP policy was approved by the Executive Council, however, the sub-programme has not managed to launch the policy. It is therefore, our intentions that the policy will be launched in the new financial year.

11.4 Analysis of constraints and measures planned to overcome them

Constraints	Measures to Overcome
Non-compliance to prescripts by departments, public entities and municipalities	Provide continuous training and support for the departments, public entities and municipalities.
Late submission of reports by departments, public entities and municipalities	Provide continuous training, monitoring and support for the departments, public entities and municipalities.
Inadequate support by departments and municipalities on PPPs	To create continuous awareness and training on PPPs
Unrealistic cash flow projections by the departments	Continuous monitoring of departmental bank accounts and expenditure trends
Lack of feedback from relevant stakeholder	Distribution of information from different forums (meetings or internet)
Non-attendance by targeted officials	Report officials to Head of Departments and recoup costs for training from them
Insufficient resources to roll out the programme	Re-prioritise resources deployment
Lack of commitment from officials to comply with the SCM framework	Render on site technical and management support
Harmonization of BBBEEA and the PPPFA Policy framework by the DTI and National Treasury incomplete	Finalisation of the process by National Treasury and the DTI
Lack of financial resources to roll the programme to other tender offices	Mobilise resources to roll out the programme

11.4 Description of planned quality improvement measures

The Chief Directorate will conduct frequent awareness campaigns including road shows, training and workshops on SCM as well as asset, public sector liabilities management and PPPs. More work will be done to improve the performance of departments and municipalities on the implementation of SCM, PPPs and the management of physical and financial assets

9.3 Resource information

Programme3: Assets and Liabilities Management

Sub-programme	Actual 2005/06	Actual 2006/07 (Base)	2007/08 Estimate	Average Annual change (%) ²	2008/09 Budget	2009/10 Target	2010/11 Target	Average annual change (%) ³
1. Programme Support	559	926	1178	27%	1947	2202	2563	16%
2. Provincial Supply Chain Management	5254	10287	9351	(9%)	12453	13636	14852	9%
3. Financial Assets	0	0	0	0	2307	2852	3952	38%
4. Public Sector Liabilities	0	0	570	100%	4230	4815	5198	13%
5. Physical Assets	0	0	0	0	5077	5565	6074	9%
Total programme	5813	11213	11099	(1%)	26014	29070	32639	12%

12. PROGRAMME 4: FINANCIAL GOVERNANCE

This Programme serves to facilitate, monitor, support and provide professional advice to ensure financial and non-financial compliance and to enable enhanced service delivery in the Province. It furthermore promotes accountability through substantive reflection of financial and non-financial activities.

It consists of the following sub programmes:

Sub Programmes	Purpose
Programme Support	Overall management and co-ordination of the chief directorate
Accounting services	Consolidate financial statements, support and monitor departments, public entities and municipalities on accounting matters
Norms and Standards	Monitor compliance of departments, public entities and municipalities with legislation and prescripts
Risk Management	Promote effective optimal resource utilisation and monitor departments, public entities and municipalities on risk management matters
Provincial Internal Audit	Promote effective internal audit practices and monitor departments, public entities and municipalities on internal audit matters.
Interlinked Financial Systems	Provide Information Technology (IT) infrastructure services and transversal systems support (BAS, Logis, Persal and Vulindlela) in the province.

12.1 Situation analysis

The programme provides financial and non-financial support to thirteen (13) votes in the Province, six (6) public entities and twenty one (21) municipalities. The programme monitors the implementation of and compliance with Accounting Standards, the Public Finance Management Act, Municipal Finance Management Act, Treasury Regulations and other legislation.

The Programme strives to pursue substantive compliance with the Public Finance Management Act and the Municipal Finance Management Act, which entail the setting of benchmarks for compliance management and standards. This is in line with the strategic focus of the unit to provide support rather than investigating non-compliance only. It monitors compliance with financial and non-financial norms and standards to ensure proper financial management in the provincial departments, public entities, and municipalities. All provincial departments and 19 out of the 20-delegated municipalities submitted their annual financial statements for the 2006/07 financial year to the Auditor-General in compliance with the dates as prescribed by the Public Finance Management Act and the Municipal Finance Management Act.

The programme also concentrates on implementing strategy to address issues raised by the Auditor-General in the audit reports. The purpose of the strategy is to ensure that departments and public entities are specifically addressing the internal control weaknesses and focus also on any issue that could affect their performance. An action plan framework was developed for all provincial departments and public entities to implement remedial steps in terms of audit findings for the 2006/07 financial year and the Provincial Treasury strategy to monitor and support departments and entities was implemented. The programme will review the action plan framework for the 2007/08 financial year to be in line with the COSO framework and implement measurement tools to evaluate the effectiveness of the strategy.

The Risk management unit has been established to support provincial departments and delegated municipalities with regard to risk management issues. The unit has engaged in advocacy of risk management at different forums with the aim to raise awareness about risk management. It has further assisted departments and municipalities with their risk assessment exercises. The need for good corporate governance has been emphasised by government as the critical indicator for the sustainable service delivery and accountability, hence the establishment of the risk management unit

to provide support on risk management as one of the corporate governance aspects. There has been a slow implementation of risk management within the province as the concept is relatively new. The Provincial Management Committee undertook to implement risk management at all provincial departments. Not all municipalities have established dedicated Risk Management Units and there is a need to continue to raise awareness on the importance of risk management as required by legislative framework. The status of the implementation of risk management at public entities still have to be determined to be able to identify action plans to support them. A Risk Management Forum has been established and quarterly meetings were held to find solutions and address challenges experienced by departments.

The Provincial Internal Audit Unit has been established during November 2006 to provide support to Provincial Departments, Municipalities and Public Entities with Internal Audit issues whereby it will support and monitor the capacity and effectiveness of Internal Audit units and Audit Committees. A major challenge this Unit is facing is that stakeholders are uncertain about the roles, functions and responsibilities of the different Internal Audit Units, i.e. the Provincial Internal Audit Unit as a Provincial Treasury function and the Internal Audit Units as a departmental function. This uncertainty needs to be addressed through presentations and workshops and the roles and responsibilities of specific Committees that are established to provide oversight, such as the Audit Committee and the Audit Steering Committee also need to be addressed.

The Interlinked Financial Systems sub-programme consists of Information Technology and Financial Systems. The IT Unit Managed to establish connectivity to 121 government owned/leased buildings to enable provincial departments to access IT services such as Internet, electronic mail, Transversal Systems, Management Information Systems as well as departmental specific systems. The Unit managed furthermore to maintain uptime of 98% at 90% of these sites. However, Telkom/SITA infrastructure failures impact on the availability of networks and the Unit needs to focus on the implementation of the Next Generation Network by SITA and the upgrading of data lines and research the possibility of obtaining wireless connection.

The IT Unit provides the following services:

- Network Services.
- Support Services (hardware and software support).
- Help desk services.
- IT Training
- IT systems and websites development.
- Provide advice on IT governance (policies, procedures, standards and best practices).

The programme also provides transversal systems user support to ensure accessibility to functional and management information by all relevant stakeholders. Continuous training is offered to departmental officials to enhance knowledge of the transversal functions. It also renders an on-site printing facility for the PERSAL salary runs that include the printing of cheques, pay slips, IRP5's and reports. During the 2006/07 financial year, Bushbuckridge was incorporated in Mpumalanga as a result of cross boundary demarcations. This has resulted in a high demand of training on BAS; Logis & Vulindlela, since the officials from the above-mentioned region were not using these transversal systems. A major achievement is that all departments' books have been closed on time (monthly and annually) within the prescribed framework by National Treasury.

12.2.1 Policies and priorities

- Implementation of effective planning mechanisms to ensure achievement of objectives
- Strengthen internal capacity and capability by fast-tracking appointments and ensure value-added training is provided
- Implementation of accounting practices in line with GRAP and GAMAP and applicable norms and standards.
- Support municipalities to convert to GRAP/GAMAP reporting.
- Monitoring of compliance in terms of prescripts and legislation to strengthen internal control environments in departments, entities and municipalities
- Provision of Information Technology support and capacity to provincial departments and improving accessibility to information
- Provision of financial systems support and capacity to provincial departments
- Manage and monitor utilisation of transversal systems in the province.
- Provision of support and capacity to promote effective and efficient risk management processes in provincial departments and municipalities.
- Provision of support and capacity to promote effective internal audit processes in provincial departments and municipalities.

12.2.2 Strategic objectives

Strategic Goals	Strategic Objectives
Improved planning in the programme	To implement effective planning mechanisms to ensure achievement of objectives
Accelerated capacity building in the programme	To strengthen internal capacity and capability by fast-tracking appointments and ensure value-added training is provided
Improved compliance with accounting standards and legislation	To monitor the implementation of and provide training on GRAP and GAMAP and other legislations
	To promote accountability through substantive reflection of financial activities
Improved internal controls and compliance with legislation	To analyse financial and non-financial norms and standards in line with the Public Finance Management Act and the Municipal Finance Management Act
	To monitor, support and evaluate compliance.
	To develop and implement a strategy to address Auditor General's queries and improve internal control frameworks
Standardised and improved risk management processes within provincial departments and municipalities	To develop and maintain an effective and efficient risk management framework and tools for utilisation by departments and municipalities
Improved internal audit processes within provincial departments and municipalities	To improve the quality of Internal Audit processes in provincial departments and municipalities
Improved operational efficiency in departments and dissemination of information to communities	To provide, implement and manage IT Network for the province
	To provide responsive IT End-user support to provincial departments
	To increase accessibility of information by citizens
Improved transversal system support and utilisation of information	To monitor and support transversal systems' users and evaluate compliance to regulations to improve the quality of output
	To provide an effective Management Information System to enable decision-making by managers

12.3 Analysis of constraints and measures planned to overcome them

Constraints	Measures planned to address constraints
Capacity constraints to support and monitor departments, public entities and municipalities in the following sub-programmes: <ul style="list-style-type: none"> Accounting Services Norms and standards Risk management Internal Audit Financial systems (BAS and Logis) 	Create additional posts in the structure <ul style="list-style-type: none"> Accounting Services: 4 Managers Norms and standards: 4 Managers Risk management: 1 Senior Manager, 2 Managers and 1 Assistant Manager Internal Audit: 1 Senior Manager Financial systems (BAS and Logis): 2 Managers and 3 Assistant Managers
Late submission of reports and incorrect information by departments, municipalities and public entities in terms of prescripts hampers performance and service delivery of the programme.	Communication should be improved through continuous reporting internally and externally and capacity will be addressed by workshops and training
Late tabling of consolidated Annual Financial Statements due to late submission of information or incorrect information being submitted	Implementation of an action plan and strategy to ensure timeous tabling of consolidated Annual Financial Statements
Perception by departments and municipalities that regard role of Provincial Treasury Norms and Standards as "policing"	Implement assessment and feedback mechanism to support value added through monitoring performed
Low attendance of users at courses and training sessions	<ul style="list-style-type: none"> Implement accreditation of courses Issue certificates to attendees Report non-attendance to relevant Heads of Departments
Provincial departments and public entities only focus on audit findings when implementing remedial actions and not in the entire internal control framework	Improve the action plan framework to be in line with the COSO framework and implement measurement tools to evaluate effectiveness of the strategy
All municipalities and departments have not established Risk Management functions and functions are performed by different role-players	Improve monitoring on Risk Management processes and capacitate internal audit units who are facilitating the risk assessment exercise within their respective institutions
Internal audit units in provincial departments and municipalities are not capacitated	Strengthen monitoring of internal audit functions and ensure these functions are understood and endorsed
Newly established Provincial Internal Audit Unit and misunderstanding about mandate of the Provincial Internal Audit Unit (at Provincial Treasury) viz a viz the mandate of the departments' Internal Audit Units and the roles and responsibilities of established structures such as the Audit Committees and Audit Steering Committees	Improve communication through workshops and presentations to ensure improved understanding
Effectiveness of decentralised internal audit units has been a matter of emphasis by the Auditor-General	Research the advantages and disadvantages of a centralised / decentralised approach in terms of internal audit functions and provide recommendations for a specific approach in the Province
High demand of training on BAS, Logis & Vulindlela from regions/offices incorporated (Bushbuckridge) due to fact that these offices utilised other systems	Ensure that BAS, Logis & Vulindlela training is provided according to needs by analysing training requirements and focusing on high-risk areas
Slow system response time due to overload of transactions processed during month and annual closing of books	Compile and implement a schedule in the Province for departments to access the systems during specified times
Unauthorised access to information due to linking of the various systems	Obtain a security report on the threat of unauthorised access to inform decision-making regarding implementation of identity management system
Inadequate financial resources to implement the Master Systems Plan in totality	Prioritise phases of the Master Systems Plan to be implemented in terms of a strategy focusing on value adding processes
Limited availability of IT infrastructure in affected communities	Prioritise areas and buildings where there is available IT Infrastructure (government buildings, municipalities, hospitals, Thusong centres and schools)
Power outages	Generators and UPS to be acquired by the Department of Public Works
Inadequate resources (human and equipment) to implement the IT Learnership programme to provide training at schools and to identified adults	Develop and implement a strategy to prioritise the Learnership training in terms of available resources

12.4 Description of planned quality improvement measures

The Programme encounters capacity constraints to support departments, public entities and municipalities. The structure should be extended with two senior managers, twelve managers and eight assistant managers. The programme makes provision for ongoing assessment, monitoring and evaluation of the situation in departments, public entities and municipalities to determine gaps/challenges. This is done in order to provide training, professional advice and to assist with capacity building. The impact of training and capacity building is evaluated and measured to ensure that the gaps identified are closed.

The Provincial Treasury strategy to monitor actions taken by departments to address audit findings had been implemented during the 2004/05 financial year and the programme needs to improve the action plan framework to be in line with the COSO framework and implement measurement tools to evaluate and improve the effectiveness of the strategy.

The programme will also focus on communicating to stakeholders the frameworks, roles and responsibilities of the various internal audit units and procedures within the province to ensure that these processes are understood and endorsed.

12.5 Resource information

Programme 4: Financial Governance

Sub-programme	Actual 2005/06	Actual 2006/07 (Base)	2007/08 Estimate	Average Annual change (%) ²	2008/09 Budget	2009/10 Target	2010/11 Target	Average annual change (%) ³
1. Programme Support	1236	3934	1280	(67%)	3061	3897	4291	10%
2. Accounting Services	1619	2903	2926	1%	4784	5752	6266	9%
3. Norms and Standards	2644	4643	5756	24%	7723	8844	9834	11%
4. Risk Management	20	350	1550	343%	1816	2565	3061	19%
5. Provincial Internal Audit	0	0	289	100%	1941	2822	3494	24%
6. Interlinked financial systems	0	0	0	0%	5747	6799	7309	8%
7. Information Technology	42152	40039	49961	25%	54685	58801	61253	4%
Total programme	47671	51869	61762	19%	79757	89480	95508	7%

13. CAPITAL INVESTMENT, MAINTENANCE AND ASSET MANAGEMENT PLAN

In line with Provincial Treasury responsibility, the Asset Management plan includes the provision of support and capacity building to provincial departments and the 17-delegated municipalities. The plan is divided into areas such as Supply Chain Management, Asset Management and other Municipal Finance Management Implementation, and other training as may be directed by National Treasury from time to time. The Asset Management plan encompasses plans of action to address issues raised by the Auditor General for the previous financial year.

14. CO-ORDINATION, CO-OPERATION AND OUTSOURCING PLANS

14.1 Interdepartmental linkages

The Department facilitates the collection of revenue by departments through continuous interaction and support.

The Department has joint responsibilities with the Department of Local Government and Housing on the implementation of the Municipal Finance Management Act in Municipalities. A memorandum of understanding has been entered into between the two Departments for purposes of clarifying the roles and responsibilities of each Department.

14.2 Local Government linkages

There are linkages to local government through the following sub-programmes:-

- Fiscal Policy – Local Government
- Budget Management
- Municipal Finance
- Risk Management
- Accounting services
- Monitoring and Evaluation
- Provincial Internal Audit Coordination
- Interlinked Financial Systems
- IT
- Provincial Supply Chain Management
- Financial Asset Management
- Liabilities Management
- Physical Asset Management

14.3 Public entities

None.

14.4 Public private partnerships, outsourcing etc.

None.

Part C: Background information

15. Appendix one: Analysis of service delivery environment

15.1 Policy changes and trends

The Tender Board was abolished and all procurement issues handled thereby were decentralised to all Departments. A Provincial Supply Chain Management section in the Department was established to deal with the implementation of the Supply Chain Management Framework.

15.2 Environmental factors and emerging challenges

15.2.1 Demographic profile of the Province

The economy of South Africa grew by 5% in 2005. The expansion was boosted amongst others by strong demand for commodities, sustained increases in consumer purchasing power, low inflation (which is expected to remain within the inflation target of 3 to 6% in the 2006/06 financial year), low interest rates, and increased private and public investment. The consumer and business confidence remained at higher levels during 2005.

In 2004, the province contributed 6,8% to the national Gross Domestic Product (GDP) and the provincial economy has grown by 4,2% in 2004, a significant increase from 2.7% growth in 2003, and has averaged 3% between 1996 and 2004.

The sectors, which have contributed significantly to the growth in the provincial economy, are mining, manufacturing, electricity and trade. Manufacturing contributed 30,1% to the economic growth of the province whilst mining and electricity contributed 21,4% and 9,9% respectively. Tourism is one of the growth sectors in the province and a huge employer.

The unemployment rate in the province for September 2005 was 26.9% as compared to the rate of 24.8% during September 2004 indicating a rise in unemployment in the province. Unemployment could be attributed to the growth in the economically active participants in the labour market, slow growth in industries, etc.

During 2004 agriculture was the highest contributor to employment at 22,1%, followed by community services at 19,1%, trade at 14,2%, manufacturing at 10,7% and households at 10,2%. The trend shows that labour intensive sectors have a potential to create more jobs and sectors which are more capital and skill intensive in nature and whose production structure rely more on machinery and high technology employ less. Sectors such as construction and tourism should be promoted, as they tend to be more labour intensive and have huge untapped growth potential.

The Mpumalanga population size stood at 3.2 million in 2005 and its population is the third smallest province in South Africa. Out of the total population of the province, 51% are females and 49% are males. The growth in population could be attributed to natural growth factors and migration patterns within the economy as people seek better opportunities for employment and other opportunities. The province constitutes 6.8% of the total population of South Africa, occupying 79 490 square kilometres of land in South Africa, however, the total size of the province and the population size will change after the finalisation of re-demarcation of provinces. In terms of size, it is the second smallest province in South Africa.

Between 1996 and 2004 the number of students in primary and secondary schools increased by 25% and 36%, respectively. The number of matriculants has increased by 70% between 1996 and 2004. The number of people not schooling has declined quite significantly by 35%.

The income distribution in the province, indicates that 15% of households earn less than R6 000 annual income per household, 40% earn annual income of between R6 001 and R30 000, the number of households who earn an annual income of between R30 001 and R54 000 is 22%, 16% is between R54 001 and R132 000, and only 7% earn annual income of more than R132 000. The majority of households in the province earn a low level of income.

The youth constitute the largest portion of the population as 56% of the population in Mpumalanga province is between the ages of 0 and 24, 32% is between 25 and 49 years, 11% is between 50 and 74 years and the last 1% is 75 years and above. The youth constitutes the largest portion of the population, which might impact on the dependency ratio within the province, as 35% of the population is not economically active, and below 15 years of age.

The demographic data of the province reflects that the economy still has challenges of unemployment, poverty, skills shortages and unequal income distribution. The challenge for the departments and especially the Department of Finance is to ensure that these challenges are addressed through properly coordinated budgets.

15.2.2 Employment, income and [other relevant information]

Table 1: Occupational categories

(As at 01 Feb 2007)

Types of Occupation	Number	Percent of total
Lower skilled	72	25.1
Skilled	76	26.4
Highly Skilled Supervision	74	25.8
Management	49	17.1
Senior Management	16	5.6
Total	287	100

Table 2: Income distribution

Income per month	Percent of total
R1 – R4999	50
R5000 – R9999	71
R10000 – R14999	65
R15000 – R19999	39
R20000 – R24999	36
R25000 – R29999	5
R30000 +	21
Total	287

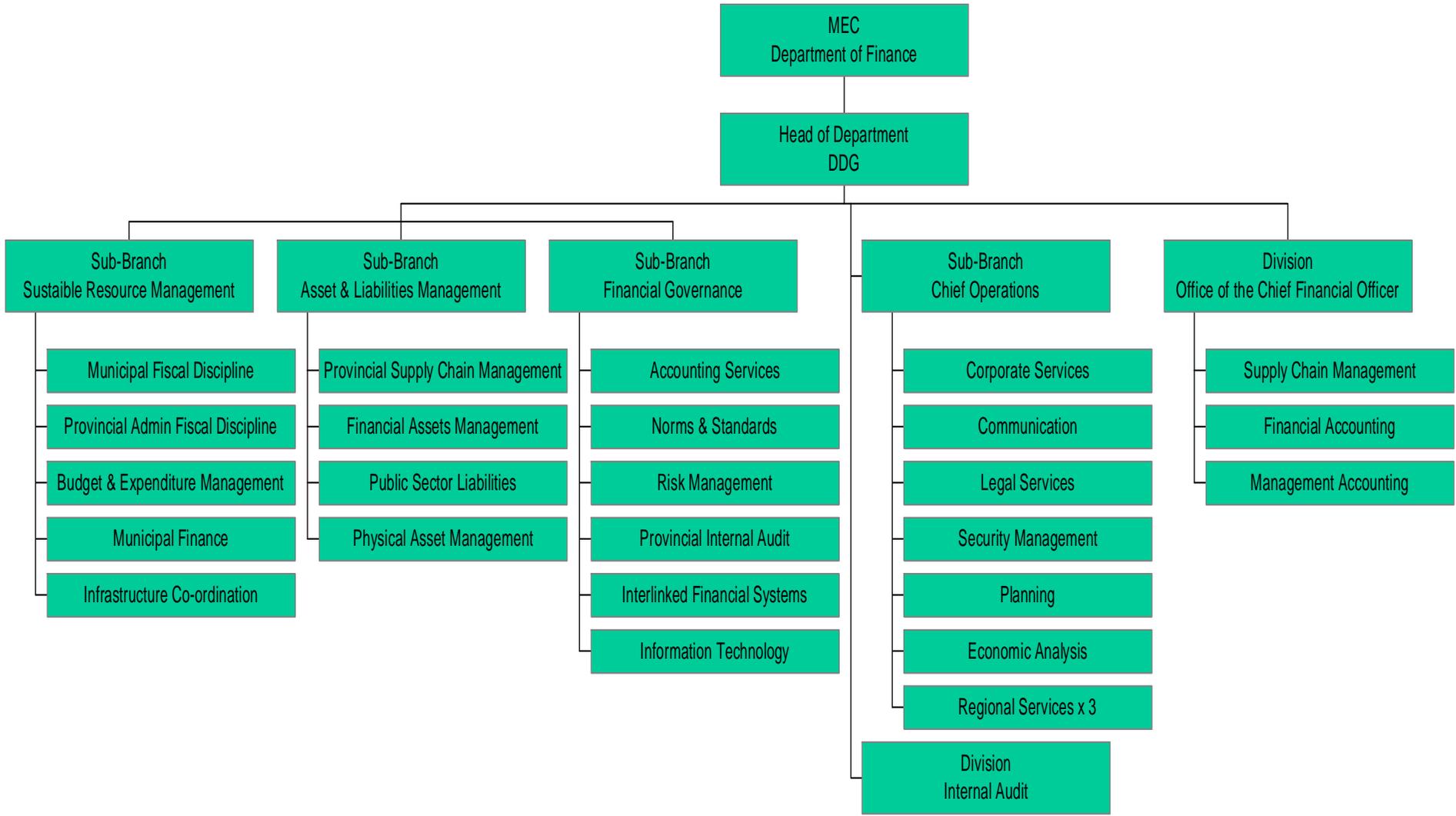
15.3 Evaluation of current implementation performance

The Department was able to maintain 96% availability of financial and non-financial systems. We were able to collect revenue in line with target. The department has produced provincial credible budget that seeks to adequately fund social services.

The Province has been able to close financial books successfully every month for the last three consecutive years.

16 Appendix two: Organisational information and the institutional environment

16.2 Organisational design



16.3 Delegations and performance agreements

The process of delegations are finalised and performance agreements are implemented for all staff.

16.4 Capital investment, maintenance and asset management plan

16.3.1 Long term capital investment and asset management plans

There is no long-term capital investment.

All Departmental assets are recorded in the Asset Register, which is updated regularly.

16.3.2 Capital investment plan

There is no capital investment plan.

16.4 Personnel

Appointment of personnel from Deputy Director upward are only finalised once a competency assessment is done.

16.5 IT systems

The Provincial government is currently using the following systems:

- BAS - financial information
- LOGIS – logistics information
- PERSAL – personnel
- IYM – monitoring expenditure and projections
- Vulindlela - Management Information System

16.6 Performance management system

The Performance Management and Development System (PMDS) have being implemented. There is continuous training on this system.

16.7 Financial management

The department complied with significant PFMA financial prescripts as a result the following measures were introduced and reviewed:

- The audit committee
- Internal Audit unit
- Risk management
- Financial policies
- Fraud Prevention plan

16.8 Audit queries

Audit queries received are referred to the division or section where it was raised.

The responses to audit queries are consolidated in the Office of the CFO and submitted to the Accounting Officer for approval there after to the Auditor General for consideration.