

**PROVINCIAL GOVERNMENT
WESTERN CAPE
PROVINCIAL TREASURY
STRATEGIC PLAN
2004/05 TO 2006/07**

APOLOGY

We fully acknowledge the Province's language policy and endeavour to implement it. However, it has been our experience that only the English version of the document is in demand. Consequently, the document will be available in the other two official languages of the Western Cape as soon as possible.

VERSKONING

Ons gee volle erkenning aan die Provinsie se taalbeleid en streef daarna om dit toe te pas. Praktyk het egter geleer dat slegs die Engelse weergawe van die dokument in aanvraag is. Die dokument sal gevolglik so gou moontlik in die ander twee amptelike tale van die Wes-Kaap beskikbaar wees.

ISINGXENGXEZO

Siyawuqonda umgaqo-nkqubo weelwimi wePhondo kwaye siyazama ukuwufezekisa. Kambe ke into esiye sayiqwalasela yeyokuba lulwimi lwesiNgesi ekufuneka lusetyenzisiwe kolu xwebhu. Iyakufumaneka nangezinye iilwimi ezimbini ezisemthethweni zaseNtsona Koloni kwakamsinya.

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FOREWORD

STATEMENT OF POLICY AND COMMITMENT BY THE MINISTER OF FINANCE AND ECONOMIC DEVELOPMENT

In terms of service delivery, the public do have legitimate expectations for real economic growth, real rise in personal disposable income and substantive and rapid reduction in economic disparities, which will ensure a significant improvement in the perennial problems of low living standards, income disparity, unemployment and crime rates, to name a few.

Realising just that, the concept of *iKapa elihlumayo*, the Provincial Growth and Development Strategy that adds the dimension of compassion, was born, together with its goals of promoting economic growth and employment, reducing inequality and providing a sustainable safety net.

From various interactions with provincial, municipal and private sector stakeholders, the following eight key priorities emerged taking the *iKapa elihlumayo* concept a step further by articulating quite clearly what must be concentrated on to achieve the desired outcomes. The key priorities are, building human capital, development of a strategic infrastructure plan, a micro-economic strategy, a spatial development framework, building social capital, developing an effective co-ordination and communication strategy, improving financial governance and the provincialisation of municipal rendered functions.

The role of the Provincial Treasury towards meeting the above, as far as public financial matters are concerned, should be that of catalyst of change with its policy objectives being the formulation and implementation of fiscal policy, ensuring spending efficacy, to install and maintain fiscal discipline through proper financial governance, efficient acquisition and application of assets, acquisition of resources, capacity building and fostering and maintenance of intergovernmental relations.

Although this is a tall order to achieve, the mindset and determination displayed within the Treasury, together with the proven leadership of all the provincial departments, allows me to believe that the desired results should be attainable.



EBRAHIM RASOOL
MINISTER OF FINANCE AND ECONOMIC DEVELOPMENT

DATE: 19 February 2004

PART A: STRATEGIC OVERVIEW

1. OVERVIEW BY THE ACCOUNTING OFFICER

Accepting the challenge of being the catalyst of change as far as provincial financial matters are concerned and arising from the Provincial Treasury's vision and mission as stated in this publication, the latter is committed to and will primarily focus on the following:

- Producing a fiscal policy framework that will describe those socio-economic and service deliverable variables that will dictate the revenue and expenditure imperatives to be targeted;
- Improving budget management by aligning proposed allocations with desired outcomes, measuring post-budget allocation effectiveness and efficiency of resource expenditure;
- Vesting of proper asset management by further developing the different stages of supply chain management (SCM), provincial public private partnerships (PPPs), cash management and financial system management;
- Management of liabilities by improving debtor management practices, management of creditors and dealing with budget pressures, contingencies and vis major occurrences;
- Establishing full nominal accounting compliance, producing consolidated financial statements and promoting substantive accrual based accounting standards and practices;
- Maintenance of fiscal discipline by perfecting and maintaining the basics in fiscal governance;
- Acquisition and managing of resources to ensure the maximising of the Province's revenue and borrowing potential, without causing economic harm;
- Building of capacity through financial training for all finance staff in the Province;
- Establishing and maintaining financial governance by setting of norms and standards, communication channels and analysis of departmental systems, procedures and structures for risk areas.

In conclusion, the Provincial Treasury is focusing on being more receptive, adaptive and innovative in its endeavours to raise living standards for all in the Western Cape.



JC STEGMANN (DR)

DATE: 19 February 2004

2. **VISION**

As change agent in resource allocation and utilisation practices to achieve the highest possible living standards in pursuing the systematic reduction in social and economic disparities.

3. **MISSION**

To obtain financial and supportive means and utilise these optimally in pursuit of its vision and supporting strategic goals.

4. **VALUES**

The Provincial Treasury cherishes the following values:

- To give effect to the Public Service Code of Conduct.
- To be of service, to empower people.
- To be an employment equity employer.
- To be aware of, and to cultivate respect for our country's heterogeneity.
- To benefit all people in the Western Cape.

5. **SECTORAL SITUATION ANALYSIS**

The Provincial Treasury, Provincial Government of the Western Cape and the department of Local Government together form the integrated co-operative governance sector. It is the responsibility of the Provincial Treasury to support the Premier of the Western Cape to attain the legislative mandates in terms of Section 125 of the Constitution, Act 108 of 1996 and allocate resources for this purpose. Successful synergy between the three departments are of utmost importance to ensure sound relationships between all three spheres of government. This approach is not only intended to benefit the Western Cape Province, but should also be an example to other provinces and other spheres of government outside the boundaries of the Western Cape.

5.1 **Summary of service delivery environment and challenges**

In spite of all the initiatives regarding the new fiscal arrangements launched since 1994, a great deal remains to be done to improve per capita income levels, economic disparities, general fiscal management and a range of socio-economic circumstances. This challenge remains and new initiatives are to be developed to make incremental changes over the medium-term.

As key agents in resource allocation, ensuring efficacy of spending and general fiscal discipline, treasuries collectively and individually have to deal with tremendous challenges to improve the general welfare of the governed.

Most of the focus to date has been on nominal compliance with financial legislation with limited attention to normative and quantifiable service delivery aspects. These challenges therefore place more pressure on innovative measures that are to be instituted between government and the private sector.

5.2 **Summary of organisational environment and challenges**

The current approved organisational structure should cater better for the Treasury's strategic goals and enable the Treasury to better fulfil its Constitutional mandate to address the socio-economic challenges of the Province in tandem with all other departments, municipalities and other stakeholders. The National Treasury has already restructured to fulfil its Constitutional mandates, the Provincial Treasury has now followed suit, which, apart from the strategic goals to be pursued should also improve synergy between the spheres of government.

The biggest challenge the Provincial Treasury faces is to ensure that new appointees are of the right caliber regarding skills being able to perform at the higher level of the new organisational structure to attain the predetermined goals over the short- to medium-term and exceed the set goals over the long-term.

6. **LEGISLATIVE AND OTHER MANDATES**

- **Annual Division of Revenue Act**
To provide for the equitable division of revenue raised nationally, inclusive of conditional grants, amongst the three spheres of government and matters incidental thereto.
- **Basic Conditions of Employment Act, 1997 (Act 75 of 1997)**
To provide regulatory prescripts, in addition to the Public Service Act, 1994 and the Public Service Regulations, 2001, regarding the conditions of employment of staff in the Treasury.
- **Borrowing Powers of Provincial Government Act, 1996 (Act 48 of 1996)**
To provide norms and conditions which the Treasury must adhere to in negotiating loans for the Provincial Government.
- **Employment Equity Act, 1998 (Act 55 of 1998)**
To regulate the processes and procedures of the Treasury in achieving a diverse and competent workforce broadly representative of the demographics of the Western Cape and eliminating unfair discrimination in employment towards implementing employment equity.
- **Intergovernmental Fiscal Relations Act, 1997 (Act 97 of 1997)**
To define the role of the Minister of Finance and Economic Development and that of the Treasury as representatives of the Provincial Government, in promoting co-operation between other spheres of government on fiscal, budgetary and financial matters; to provide insight into the prescribed processes for the determination of the equitable share and allocation of revenue raised nationally and for matters in connection therewith.

- **Labour Relations Act, 1995 (Act 66 of 1995)**
 To regulate and guide the Treasury in recognising and fulfilling its role in effecting labour harmony and the democratisation of the workplace.
- **Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003)**
 To regulate financial management in the local sphere of government; to require that all revenue, expenditure, assets and liabilities of municipalities and municipal entities are managed economically, efficiently and effectively; to determine the responsibilities of persons entrusted municipal borrowing; to make provision for the handling of financial emergencies in municipalities; and to provide for matters connected therewith.
- **Occupational Health and Safety Act, 1993 (Act 85 of 1993)**
 To provide for the 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 person at work; to establish an advisory council for occupational health and safety; and to provide for matters connected therewith.
- **Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000)**
 To provide the Treasury with a regulatory framework enabling and assisting departments and potential historically disadvantaged individuals (HDIs) in the sustainable development and implementation of a preferential procurement system.
- **Promotion of Access to Information Act, 2000 (Act 2 of 2000)**
 To give 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 Administrative Justice Act, 2000 (Act 3 of 2000)**
 To give 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 of the Republic of South Africa, 1996; and to provide for matters incidental thereto.
- **Public Finance Management Act, 1999 (Act 1 of 1999)**
 To regulate financial management in the Treasury to ensure that all revenue, expenditure, assets and liabilities of the Treasury 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. To fulfil all Treasury responsibilities with respect to other departments and public entities.

- **Public Service Act, 1994 (Act 103 of 1994)**
 To provide for the organisation and administration of the Treasury and for human resource management which includes the regulation of conditions of employment, terms of office, discipline, retirement and discharge of staff members of the Treasury and matters connected therewith.
- **Skills Development Act, 1998 (Act 97 of 1998)**
 To provide an institutional framework to devise and implement national, sector and workplace strategies to develop and improve the skills of the South African workforce; to integrate those strategies within the National Qualification Framework contemplated in the South African Qualification Authority Act, 1995; to provide for learnerships that lead to recognised occupational qualifications; to provide for the financing of skills development by means of a levy-grant scheme and a National Skills Fund; to provide for and regulate employment services; and to provide for matters connected therewith.
- **Skills Development Levy Act, 1999 (Act 9 of 1999)**
 To provide for the imposition of a skills development levy; and for matters connected therewith.
- **Western Cape Direct Charges Act, 2000 (Act 6 of 2000)**
 To provide for the withdrawal of State moneys from the Western Cape Provincial Revenue Fund, as a direct charge, in accordance with the Constitution of the Republic of South Africa, 1999 (Act 108 of 1996), the Constitution of the Western Cape, 1997 (Act 1 of 1998) and the Public Finance Management Act, 1999 (Act 1 of 1999), and for matters incidental thereof.
- **Western Cape Gambling and Racing Law, 1996 (Law 4 of 1996)**
 To provide regulatory prescripts to support the responsible Minister in ensuring sound financial administration and management and matters incidental thereto by the Western Cape Gambling and Racing Board.
- **Western Cape Law on the Powers and Privileges of the Provincial Legislature Amendment Act, 1998 (Law 3 of 1998)**
 To provide the Treasury with regulatory prescripts in assisting the Legislature when necessary, in meeting their financial responsibilities as set out in legislation.
- **Western Cape Provincial Tender Board Law, 1994 (Law 8 of 1994)**
 This Law is no longer applicable to the Provincial Treasury as it was revoked during the previous financial year.
- **Western Cape Exchequer Law, 1994 (Law 4 of 1994)**
 This Law is no longer applicable to the Provincial Treasury as it was revoked during the previous financial year.

7. BROAD POLICIES, PRIORITIES AND STRATEGIC GOALS

7.1 Broad policies

The Provincial Treasury endeavours, through its mandate in terms of the Public Finance Management Act, 1999 and related legislation, to assist the Minister of Finance and Economic Development to attain and consistently broaden the economic base of the Province through synergy and equity in service delivery, reducing economic and social inequalities and creating employment via stimulatory incentives and the redirection of resources and opportunities to that part of the population that needs it most. The success of the course will result in meeting the Western Cape Government's defining objectives of hope, delivery and dignity and give reality to the concept *iKapa elihlumayo* - the growing Cape.

7.2 Priorities

- Ensure the existence of an appropriate and dynamic financial legislative framework through determining and implementing financial norms and standards.
- Render a fully compliant internal audit service to all departments and thereby ensuring that governance, risk management and control processes are adequate in their effort to meet the *iKapa elihlumayo* goals.
- Assessment of provincial department's measurable information to ensure alignment of their objectives towards the outcomes of the Province. The emphasis will be to move towards an outcome based budget allocation.
- Design of analytical instruments to assess the qualitative impact of provincial service delivery on provincial socio-economic variables.
- Concerted efforts in pursuit of other sources of revenue to further increase the Province's own contribution.
- Successfully fulfilling the envisaged role of the Provincial Treasury in terms of the Municipal Finance Management Act, 2003 (MFMA).
- Ensure that financial reporting is a full and true reflection of the financial position of the Province.
- Identify and develop strategic sourcing methodologies in those industries where the bulk of the provincial procurement budget is spent and develop simple standardised supply chain management processes to ensure satisfactory delivery of goods and services, inclusive of a new supply chain management system within all the departments.
- Build the necessary capacity in the Provincial Treasury to take over all public private partnerships (PPPs) related responsibilities from the National Treasury by 1 April 2005.
- Optimise liquidity in the Provincial Revenue Fund to ensure maximum return within acceptable levels of risk.

- In support of sound financial management, fully implement and optimally manage all financial systems on behalf of provincial departments.
- Implement the new supply chain management process within the Provincial Treasury as the Provincial Tender Board was dissolved on 31 December 2003.
- The establishment of a fully functional research library as a source of information needed to align the operations of the Provincial Treasury in such a way that the goals of *iKapa elihlumayo* will be met.

7.3 Strategic goals

The Provincial Treasury's strategic goals consist of the following:

1. To ensure smooth and effective functioning of the Minister's office.
2. To achieve service excellence in the provisioning and maintenance of sound financial management and administration.
3. To achieve service excellence in the development and management of human resources through training and development interventions, transformation initiatives and attainment of sound labour relations practices.
4. To develop and implement financial norms and standards and ensure effective communication.
5. To perform internal audit services on a risk-analysis basis.
6. To promote effective financial resource allocation.
7. To determine and evaluate economic parameters and socio-economic imperatives within a provincial and national macro-economic context.
8. To enable the provincial government to finance its service delivery obligations.
9. To ensure efficient budget management.
10. To ensure that financial reporting is a full and true reflection of the financial position of the Province.
11. To ensure the effective and efficient management of physical and financial assets.
12. To promote and illicit support for PPP initiatives ensuring effective and efficient management of physical assets.
13. To optimise liquidity in the Provincial Revenue Fund (PRF) ensuring maximum return within acceptable levels of risk.

14. To manage the development and maintenance of financial systems.
15. To make provision for unforeseeable and unavoidable expenditure within the Province.

8. INFORMATION SYSTEMS TO MONITOR PROGRESS

The Provincial Treasury relies on the following information systems to monitor and report on its performance:

- Financial Information Systems
 - Transaction processing system.
The Provincial Treasury makes use of the Basic Accounting System (BAS), Personnel and Salary System (Persal), Logistical Information System (Logis), Loss Control and the Nominated Accounts Payment System (NAPS) for its transaction processing system.
The reliability of most of the above-mentioned systems is dependant on the users of those systems.
 - Accounting information system
BAS is mainly used as the accounting information system. As it is a fairly new system (less than a year in operation) its reliability could not be tested to the full up to this point in time.
 - Internal audit system
- Operational Information Systems
The three systems in use in the Provincial Treasury that can be classified as operational information systems are the loss control system, Vulindlela (a management information system) and the day file system.
- Information Reporting Systems
The Provincial Treasury utilises BAS, Vulindlela, loss control, Logis (balanced score card) and Persal as electronic information reporting systems. In addition, the Provincial Treasury also uses the In-year-monitoring system to not only present to programme managers a report on their respective expenditure and revenue performance levels as well as projections for the remaining period, but also to comply to the PFMA by submitting to National Treasury the monthly state of revenue and expenditure for the Provincial Treasury, as a whole, during a financial year.
- The Provincial Treasury converted to BAS since 1 April 2003 and successfully closed all its transactions on FMS for 2002/03. The Provincial Treasury is also in the process of assisting twelve remaining departments in the Province to convert from the FMS to BAS on 1 April 2004.

9. **DESCRIPTION OF STRATEGIC PLANNING PROCESS**

The Minister's support and backing was gained as a first step, whereafter the focus shifted to the involvement of senior staff, which ultimately impacted directly on the success of implementing the strategic plan. In achieving the latter, the following process was followed:

- Using the current strategic plan and restructuring initiatives the senior management, recompiled a new strategic plan for the Treasury with the officials of Financial Management providing secretarial support during the process.
- Meaningful consultation sessions per component were held in an endeavour to ensure full understanding and buy-in of the new strategic plan. A concurrent process was followed by the Head of Human Resource Management to achieve the same result with organised labour.

PART B: BUDGET PROGRAMME AND SUB-PROGRAMME PLANS

1. PROGRAMME 1: ADMINISTRATION

AIM: To achieve service excellence in the provisioning and maintenance of office support to the Minister and of sound financial administration, supply chain management and human resource management and administration.

PROGRAMME DESCRIPTION:

Office of the Provincial Minister

to render secretarial, administrative and office support services and acts as linkage with the Treasury, the department of Economic development and tourism, and the Provincial Parliament enabling the minister to realise both his direct treasury and economic development responsibilities

Financial management and specialised support services

to deliver financial management and specialised auxiliary services for the Treasury

Human resource management

to organise the Treasury's human resource management, special programmes, development and training and sectoral education and training contribution to the Sectoral education and training authority (SETA)

to provide financial assistance for educational development

1.1 Sub-programme 1.1: Office of the Provincial Minister

1.1.1 Situation analysis

The existence of this component is to assist the Minister of Finance and Economic development in fulfilling his legislative, political and administrative roll as member of the Provincial Cabinet.

During the past year the performance of the Office of the Provincial Minister enabled him to improve the liquidity position of the Province and together with improved financial performance of provincial departments made it possible to focus on more long-term strategic objectives.

The key challenges are the further development of secretarial, administrative and office support services and the strengthening of the linkage with the Treasury, the department of Economic development and tourism, and the Provincial Parliament to enable the Minister to realise both his direct treasury and economic development responsibilities.

1.1.2 Policies, priorities and strategic objectives

The optimising of the services rendered by the office in order to assist the Minister to attain and consistently broaden the economic base of the province through synergy and quality in service delivery, reducing economic and social inequalities and creating employment via stimulatory incentives and the redirection of resources and opportunities to that part of the population that needs it most.

STRATEGIC GOAL 1: *To ensure smooth and effective functioning of the Minister's office.*

STRATEGIC OBJECTIVES:

1. Ensure the rendering of secretarial, administrative and office support services.
2. Act as linkage between the Treasury and the Department of Economic Development and Tourism.
3. Enable the Minister to realise his direct treasury and economic development responsibilities.

1.1.3 Analysis of constraints and measures planned to overcome them

The day to day running of the office be strengthened to proper functional and co-ordinated arrangements.

To overcome these constraints a fully functional organisational structure will be implemented and the applicable staff members be sensitised to their different roles within such a structure.

1.1.4 Description of planned quality improvement measures

Defining the roles of the different staff members within the office, upgrading the level of general administrative and document management services and the reduction of the turnaround time of documents submitted to the Minister, are measures to improve the functioning of the office.

1.1.5 Specification of measurable objectives and performance indicators

See Table 1.1

1.2 **Sub-programme 1.2: Financial Management and Specialised Support Services**

1.2.1 Situation analysis

- The Sub-programme Financial management and Specialised support services was established with the inception of the Provincial Treasury to render financial and general administrative services in support of the line functions.
- Obtained an unqualified Auditor-general report for the previous financial year and delivered the financial statements and the annual report in the three official languages of the Province. Furthermore an internal control component and a supply chain unit were implemented.
- Key challenges for the future are to establish proper risk management strategies, the continuation of sound financial management and administration, the implementation of a fully functional document management system and the reimplementing of BAS to include a new standard chart of accounts.

1.2.2 Policies, priorities and strategic objectives

Following from the situation analysis the Sub-programme Financial management and specialised support services endeavours to further develop its services to strengthen all functional programmes of the goals of *iKapa elihlumayo*.

STRATEGIC GOAL 2: *To achieve service excellence in the provisioning and maintenance of sound financial management and administration*

STRATEGIC OBJECTIVES:

1. Ensure management accounting within the new standard chart of accounts framework (SCOA).
2. Ensure financial accounting within the new SCOA framework.
3. Ensure supply chain management within the newly established procurement procedures determined by National Treasury.
4. Render specialised auxiliary services.
5. Ensure systems of risk management and internal control.
6. Render support on transversal financial matters.

1.2.3 Analysis of constraints and measures planned to overcome them

Should the financial systems for any reason not be fully functional, the lack of management information will severely prohibit managerial decision-making. As a result of restructuring the knowledge, skills and capacity of officials have been reduced drastically. All applicable staff members will be subjected to the necessary training in the operating of the financial systems and by evaluating the recently conducted skills audit, inadequacies in the gap in staff skills, will be identified and a programme implemented to ensure a well-informed and properly equipped personnel corps.

1.2.4 Description of planned quality improvement measures

The implementation of a proper management information system, supply chain policy plan, improvement of performance reporting, establishing of a fully operational internal control component and the analysis of annual financial statements are measures to improve effectiveness and efficiency.

1.2.5 Specification of measurable objectives and performance indicators

See Table 1.1

1.3 Sub-programme 1.3: Human Resource Management

1.3.1 Situation analysis

The Provincial Treasury is a newly restructured department and likewise the Human resource management component. The demand for services rendered by the Human resource management component can be categorised into long- and short-term demands.

Short-term: One of the biggest challenges facing the Provincial Treasury, given the aforementioned restructuring process, is the high vacancy rate and the appointment of appropriate staff to key and specialised positions. Other key challenges include retraining and reskilling of current staff, initiatives to manage high-turnover through targeted strategies.

Long-term: In pursuit of our long term goal of improving and building capacity for the attainment of Treasury's mandate, the Human resource management component will strengthen its contributions and commitment through learnerships and internships. Other challenges include mechanisms to manage and monitor performance at organisational and individual levels through the implementation of the Staff Performance Management System (SPMS) and other performance measures.

1.3.2 Policies, priorities

Human resource management has played a significant and pivotal role in the past year in contributing to the successful restructuring of the Department of Finance to the Provincial Treasury of the Western Cape. Over the last 12 months saw the realisation of the effective and efficient implementation of the following policies, programmes and interventions.

The component has developed in-house practices such as the Quality Management System, Induction Programme, Competency Based Interviews, which ensures that the proper norms and standards are maintained within Provincial Treasury to continuously promote an environment for employee growth and succession. The policy framework for the development and implementation of transformation strategies includes the following: HIV/Aids awareness, Change Management and diversity initiative partnerships with other institutions e.g. the Office on the Status of Gender, Youth and Disability within the Provincial government. In-house policies such as the Departmental Personnel Delegations, Bursary Policy, Overtime Draft Policy, Incentive Draft Policy, HIV/Aids Draft Policy, have also been developed to enhance and streamline personnel administration in the Provincial Treasury.

Measures towards attainment of employment equity included the submission and implementation of the EE Plan and targets, as well as the alignment with our recruitment and training processes.

STRATEGIC GOAL 3: *To achieve service excellence in the development and management of human resources through training and development interventions, transformation initiatives and attainment of sound labour relations practices.*

STRATEGIC OBJECTIVES:

1. Render personnel management services.
2. Manage human resource development.
3. Manage policy and transformation matters.
4. Manage labour relations.

1.3.3 Analysis of constraints and measures planned to overcome them

As the nature and function of the component is highly regulated, failure to deliver on the objectives may contribute to non-compliance and increased risk exposure.

The directorate will also maintain the basics that support these initiatives by rendering and administering service conditions, recruitment and selection, effective system (Persal) control and maintenance, performance and an exit management service. The effect of this would be evident in the compliance of all service requirements, fair and efficient processes, an updated and accurate database (Persal), 100 per cent functioning and implemented performance management system and a knowledge database on improvements for the Provincial Treasury.

To ensure then that these organisational transformations take place the directorate has to identify, drive, manage and promote employment equity, change and diversity, Batho Pele principles, health and safety of employees, human resource management policy development and human rights issues in the workplace. Delivering on these objectives will ensure a 90 percent numerical goal attainment of employment equity figures, a diversified workforce, safe and healthy working conditions, trained first aid officials and floor marshals, required policies adopted in the Institutional Managerial Labour Caucus (IMLC), all prospective policies implemented and by achieving this the directorate would also attain their service delivery objectives.

The environment in which this can be attained has to be stable and controlled and ensuring cordial labour relations will provide the much-needed base. By rendering a departmental advisory service, administering grievances and misconduct procedures, dealing with labour disputes and implementing strategies to prevent labour disputes, there will be comprehension and compliance regarding procedures. This in effect would allow for containment of grievances and disciplinary matters to prescribed timelines, resolving of matters before arbitration and maintaining a level of less than 10 percent incidents within the Provincial Treasury.

1.3.4 Description of planned quality improvement measures

Most policy interventions instituted through this directorate on behalf of the Provincial Treasury are fairly new and still maturing with current Treasury staff, hence it will be difficult to institute quality improvement measures for current policies at this particular stage. The quality management system is a comprehensive compilation of policy documents that forms the backbone of quality assurance within this directorate.

1.3.5 Specification of measurable objectives and performance indicators

See Table 1.1

Table 1.1: Programme 1: Administration

Measurable Objective	Performance Measure	Output	Year-1 2002/03 (actual)	Base year 2003/04 (estimate)	Year 1 2004/05 (target)	Year 2 2005/06 (target)	Year 3 2006/07 (target)
Programme 1: Administration							
1.1 Office of the Minister							
Smooth and effective functioning of the minister's office.	100 % satisfaction by the Minister. Good integration with departmental function. Five day turnaround time on documents submitted to the minister.	Delivering administrative, communication and other support services to the standards set by the minister.	60 % of Target achieved.	70%	80%	100%	Maintain the performance set in 2005/06.
1.2 Financial management and specialised support services							
Efficient and effective planning and budget management.	Ensure no greater than 2% variance between actual and approved budget. Effective application of resources in realising strategic goals. Attainment of all prescribed due dates.	Resource allocation management and generation in line with Treasury's strategic goals.	90% of target achieved.	Aiming for less than 2% variance by reassessing resource allocations and performance given restructuring and high departmental vacancy rate.	Maintain the performance set in the base year.	Maintain the performance set in the base year.	Maintain the performance set in the base year.

Measurable Objective	Performance Measure	Output	Year-1 2002/03 (actual)	Base year 2003/04 (estimate)	Year 1 2004/05 (target)	Year 2 2005/06 (target)	Year 3 2006/07 (target)
Programme 1: Administration							
1.2 Financial management and specialised support services <i>(continued)</i>							
Ensuring proper financial accounting and risk management.	Unqualified Auditor-general report plus certification by relevant audit committee that effective risk management exists.	Financial management on par or in excess of Treasury's normative standards.	Target achieved.	Meeting all performance measures and output as listed.	Effective risk management and internal control.	Further refining internal control measures in terms of financial prescripts.	Further refining internal control measures in terms of financial prescripts.
	No fraud or losses.	No cases of fraud. Losses within acceptable norms.	Target achieved.	Maintain the performance set in 2002/03.	Maintain the performance set in 2002/03.	Maintain the performance set in 2002/03.	Maintain the performance set in 2002/03.
	Full compliance to PFMA implementation requirements.	100% compliance.	90% of target achieved.	100% compliance.	100% compliance.	100% compliance.	100% compliance.
	Submission of annual financial statements and other in-year monitoring reports in line with quality and due date requirements.	100% compliance.	Targets achieved.	100% compliance.	100% compliance.	100% compliance.	100% compliance.
Supply chain management in line with treasury criteria.	Full compliance to efficiency and policy criteria developed by the Treasury. Submission of all assessments on due dates.	Value for money procurement, stock and inventory management maximising returns on physical assets.	Target achieved.	50% attainment of Treasury's policy goals.	80% attainment of Treasury's policy goals.	100% attainment of Treasury's policy goals.	100% attainment of Treasury's policy goals.
Excellent specialised auxiliary services.	Fully functional library and document management services.	Accessible library service and document management services.	Not applicable.	40% library services. 60% document management services.	70% library services. 80% document management services.	90% library services. 90% document management services.	100% library services. 100% document management services.

Measurable Objective	Performance Measure	Output	Year-1 2002/03 (actual)	Base year 2003/04 (estimate)	Year 1 2004/05 (target)	Year 2 2005/06 (target)	Year 3 2006/07 (target)
Programme 1: Administration							
1.3 Human resource management							
Excellence in personnel and performance management services.	Vacancy rate less than 8%. Performing personnel corps. Meeting of all due dates and timely corrective measures.	Appropriately recruited, placed and assessed personnel enabling full functioning of the Treasury.	Targets set for 2002/03 achieved.	30% Vacancy rate. 70% Performance rate. 100% of target achieved.	20% Vacancy rate. 80% Performance rate. 100% of target achieved.	10% Vacancy rate. 80% Performance rate. 100% of target achieved.	8% Vacancy rate. 80% Performance rate. 100% of target achieved.
Ensuring cordial labour relations.	No labour disputes. Rapid settling of grievances, misconduct and mal-performance. Minimum cases of grievances and misconduct and mal-performance.	Good discipline and well-informed staff and organised labour.	Not applicable.	No disputes. 90% settling of misconducts, malperformance and grievances within prescribed time-frames. 1 grievance. 1 malperformance.	No disputes. 95% settling of misconducts, malperformance and grievances within prescribed time-frames. Nil grievance. Nil malperformance.	No disputes. 100% settling of misconducts, malperformance and grievances within prescribed time-frames. Nil grievance. Nil malperformance.	No disputes. 100% settling of misconducts, malperformance and grievances within prescribed time-frames. Nil grievance. Nil malperformance.
Facilitating appropriate human resource development.	Skilling (soft skills and formal training) in line with the goals and time-frames established via in the individual development plan process. Meeting of all due dates and timely corrective measures.	Competent human resource base.	Target achieved.	90% attainment. 100% compliance.	95% attainment. 100% compliance.	100% attainment. 100% compliance.	100% attainment. 100% compliance.

Measurable Objective	Performance Measure	Output	Year-1 2002/03 (actual)	Base year 2003/04 (estimate)	Year 1 2004/05 (target)	Year 2 2005/06 (target)	Year 3 2006/07 (target)
Programme 1: Administration							
1.3 Human resource management (continued)							
Ensuring organisational transformation.	Diversity profile in line with the Provincial population composition.	A workforce and organisational structure capable of dealing with Treasury's challenges.	60% of 2002/03 target achieved.	75% attainment.	85% attainment.	100% attainment.	100% attainment.
	Appropriate grading and structure to meet operational challenges.		Not applicable.	90% attainment.	100% attainment.	Revision and maintenance depended on external environment.	Revision and maintenance depended on external environment.
	Institution of appropriate human rights programmes.		Not applicable.	70% attainment.	90% attainment.	100% attainment.	100% attainment.

1.4 Reconciliation of budget with plan

Table 1.2: Programme 1: Administration budget by sub-programme (R' 000)

Programme 1: Administration								
Sub-programme	Year - 2 2001/02 (actual)	Year - 1 2002/03 (actual)	Base year 2003/04 (estimate)	Average annual change (%) ²	Year 1 2004/05 (budget)	Year 2 2005/06 (MTEF projection)	Year 3 2006/07 (MTEF projection)	Average annual change (%) ³
Office of the provincial minister	2 433	2 834	3 022	11.45	3 434	3 627	3 815	8.08
Financial management and specialised support services	15 252	16 211	11 250	(14.12)	12 008	12 949	13 167	5.38
Human resource management		1 761	6 004		7 077	7 459	7 825	9.23
Total	17 685	20 806	20 276	7.08	22 519	24 035	24 807	6.95

2. PROGRAMME 2: FINANCIAL GOVERNANCE

AIM: To enhance performance orientated financial management.

PROGRAMME DESCRIPTION:

Normative financial management and communication

to ensure that norms and standards within the legislative framework are developed, implemented and complied with in provincial departments

to develop, consolidate and maintain effective internal and external communication

Internal audit

to render an independent, objective assurance and consulting activity that adds value and contributes to the achievement and accomplishment of departmental strategic goals and objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes

In order for the programme to be effective in the execution of the above, it is divided into two (2) sub-programmes, namely:

- Sub-programme 2.1: Normative financial management and communication
- Sub-programme 2.2: Internal audit

2.1 **Sub-programme 2.1: Normative financial management and communication**

2.1.1 Situation analysis

This sub-programme is responsible for ensuring that norms and standards within the financial legislative framework are developed, implemented and complied with in provincial departments. Progress in this regard is given to National Treasury on a biannual basis. In addition to the latter the unit is also responsible for developing, consolidating and maintaining effective internal and external communication.

During August 2003 a survey conducted in all departments revealed that departments obtained a 98 percent success rate on the nominal compliance of the PFMA. National Treasury developed a document, viz, Normative Measures for Financial Management, which focuses on perfecting the basics with the implementation of the PFMA. This unit played a pivotal role with the restructuring of the document and the inputs, inclusive of a proposed broad framework, which were taken up in the document. The first and foremost area that needed immediate attention in addressing the standard of financial management in the public sector was improving the effectiveness of CFOs and their support structures. In an effort to address this issue this unit issued guidelines to Accounting Officers on the generic role and structure of CFOs.

With reference to the above, it is clear that departments comply at least nominally with the relevant prescripts (regulatory framework, reporting requirements and timelines). The new challenge for this unit is that financial practitioners should start grappling with substantive implementation of the PFMA, which entail the ability to set benchmarks (quality) for financial management and financial functionaries (CFO

structure) standards. As an oversight functionary this unit commits itself to promote sound financial management by ensuring compliance with the Treasury norms and standards prescribed by the PFMA and the proper implementation thereof in provincial departments and public entities. Compliance with national and provincial norms and standards will result in sound financial management through the effective and efficient utilisation of resources of provincial departments and public entities.

A further challenge is the establishment of an accessible Provincial Treasury website, which will not only serve as a communication tool, but also guide and develop all within government and the private sector.

2.1.2 Policies, priorities and strategic objectives

STRATEGIC GOAL 4: *To develop and implement financial norms and standards and ensure effective communication.*

STRATEGIC OBJECTIVES:

1. To determine and implement financial norms and standards and to monitor and assist with nominal and substantive compliance.
2. To ensure the existence of an appropriate and dynamic financial legislative framework.
3. To develop, consolidate and maintain effective internal and external communication.

2.1.3 Analysis of constraints and measures planned to overcome them

There is an average vacancy rate of 35,2 percent in the CFO support structure of departments in the Province. This poses a major risk in terms of achieving substantive compliance of the PFMA. The Provincial Treasury will monitor and address this issue rigorously with accounting officers of departments. This will entail ensuring that departments fill their vacant posts appropriately and have effective training programmes in place.

2.1.4 Description of planned quality improvement measures

The legislative framework in which the component operates must be assessed and be refined where it is within our competence to do so.

Prepare inputs for the significant amendments that are being proposed for the PFMA by the National Treasury.

A database of all legislation, regulations and associated instructions and directives compiled and reviewed for relevance or improvement.

Monitor progress made in addressing emphasis of matters raised by the Auditor-general in annual reports of provincial departments and public entities.

2.1.5 Specification of measurable objectives and performance indicators

See Table 2.1

2.2 Sub-programme 2.2: Internal audit

2.2.1 Situation analysis

This sub-programme is responsible for rendering an independent, objective assurance and consulting activity that adds value and contributes to the achievement and accomplishment of departmental strategic goals and objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Accounting officers are compelled to have effective Internal audit functions in terms of section 38(1)(a)(ii) of the PFMA and the sub-programme therefore has a legislative mandate to assist accounting officers to ensure more than nominal compliance. The existing capacity of the sub-programme does not provide for even nominal compliance regarding this section of the PFMA within all departments. In order to achieve the latter and due to the risks inherent in the Provincial Government with its budget of R18 billion and a staff compliment of 68 000 officials, a tender was invited for the co-sourcing of internal audit services.

After a period of three years, it is intended to have a fully-fledged capacitated internal audit service within the provincial government with its resultant efficiency gains, i.e. not only doing the right things, but doing the right things effectively, efficiently and economically.

2.2.2 Policies, priorities and strategic objectives

Following from the situation analysis the sub-programme internal audit endeavours to deliver internal audit services to all departments by assuring management that governance, risk management and control processes are adequate to assist them in achieving their objectives in support of the *iKapa elihlumayo* goals.

STRATEGIC GOAL 5: *To perform internal audit services on a risk-analysis basis.*

STRATEGIC OBJECTIVES:

1. To render an effective internal audit service.
2. To perform inherent risk assessments of the business processes in provincial departments and build a risk profile per department and the Provincial Government as a whole.
3. To develop and facilitate the implementation of effective risk management and government governance capacity within the provincial government.

2.2.3 Analysis of constraints and measures planned to overcome them

Prior to the effective functioning of Internal audit in the Province, structures will have to be created within the identified departments and then capacitated. To manage the risk of non-compliance with the PFMA, the function was transferred to the Provincial Treasury with effect from 1 August 2003. A tender was finalised to outsource the function while the

structures are developed. The function will then be co-sourced until the units are capacitated to such an extent that they are fully functional and the tenderer can be withdrawn.

2.2.4 Description of planned quality improvement measures

- Establishment of internal audit capacity on a shared service basis.
- Co-sourcing of internal audit services to provide rapid capacity within the departments, with the departments of Education, Health and Social services and Poverty alleviation as part of the first phase.
- Establishment of five effective audit committees for Education, Health, Social Services and Poverty alleviation and Transport and public works and one shared for the remaining departments.
- Building the capacity and the skilling of the existing shared internal audit unit.
- Performance of inherent risk assessments within all departments to provide for a risk based three year rolling strategic audit plan.
- The development and facilitation of the implementation of effective risk management and government governance capacity within all provincial departments.

2.2.5 Specification of measurable objectives and performance indicators

See Table 2.1

Table 2.1: Programme 2: Financial Governance

Measurable Objective	Performance Measure	Output	Year-1 2002/03 (actual)	Base year 2003/04 (estimate)	Year 1 2004/05 (target)	Year 2 2005/06 (target)	Year 3 2006/07 (target)
Programme 2: Financial Governance							
2.1 Normative financial management and communication							
Determination and implementation of financial management norms and standards to facilitate excellence in service delivery.	% nominal and substantive compliance by accounting officers with predetermined norms and standards.	Assessment of financial management systems and practices and tailoring current practices to achieve fiscal policy objectives. Assessment of nominal and substantive compliance and initiation of remedial steps.	98% nominal compliance.	100% nominal compliance with the implementation of the PFMA.	100% nominal and 50% substantive compliance with the implementation of the PFMA.	100% nominal and 70% substantive compliance with the implementation of the PFMA.	100% nominal and 90% substantive compliance with the implementation of the PFMA.

Measurable Objective	Performance Measure	Output	Year-1 2002/03 (actual)	Base year 2003/04 (estimate)	Year 1 2004/05 (target)	Year 2 2005/06 (target)	Year 3 2006/07 (target)
Programme 2: Financial Governance							
2.1 Normative financial management and communication <i>(continued)</i>							
	Meeting of all prescribed due dates and timely corrective measures.	100% compliance.	100% compliance.	100% compliance.	100% compliance.	100% compliance.	100% compliance.
Ensuring the existence of an appropriate and dynamic financial legislative framework.	Number of unauthorised departures from financial prescripts. Number of pieces of legislation participated in. Financial legislative database.	Issuing and monitoring of Provincial Treasury Instructions, other financial legislation and prescripts that are aligned with best financial management practice. Effective participation in financial or finance related legislative processes, both national and provincial. Database of financial legislation, regulations and associated instructions, directives and delegations.	Targets achieved. Nil. Nil.	Nil unauthorised departures from financial prescripts. 3 Acts. Information compilation.	Nil unauthorised departures from financial prescripts. 6 Acts. Database updated.	Nil unauthorised departures from financial prescripts. 9 Acts. Database updated.	Nil unauthorised departures from financial prescripts. 12 Acts. Database updated.
Effective internal and external communication system.	% content loaded on site. % informed Provincial Treasury personnel.	Website developed that is informative and instructive of the Provincial Treasury's activities. Internal communiqués that offer timely and appropriate information to all employees in the Provincial Treasury.	10% of target achieved. 60%	80% of content uploaded to website. 70% including issuing of monthly newsletter.	100% of content uploaded to website. 80% including issuing of monthly newsletter.	Website maintained. 90% including issuing of monthly newsletter.	Website maintained. 90% including issuing of monthly newsletter.

Measurable Objective	Performance Measure	Output	Year-1 2002/03 (actual)	Base year 2003/04 (estimate)	Year 1 2004/05 (target)	Year 2 2005/06 (target)	Year 3 2006/07 (target)
Programme 2: Financial Governance							
2.1 Normative financial management and communication <i>(continued)</i>							
	% informed clients.	Communication framework supplementary to the website directed to all the external clients of the Provincial Treasury.	Not applicable.	60%	70%	80%	90%
2.2 Internal audit							
Effective internal audit service within all provincial departments, inclusive of the Provincial Parliament.	Effectiveness opinion by the relevant accounting officer and the Audit Committee(s).	The rendering of co-sourced internal audit services.	Not applicable.	Finalisation of co-sourcing tender.	Internal audit service to the departments of Health, Social services and poverty alleviation and Education.	70% effectiveness rating of internal audit services to all provincial departments, inclusive of the Provincial Parliament.	90% effectiveness rating.
Five effective audit committees: Education, Health, Social services and poverty alleviation, Transport and public works and one shared for the remaining departments.	% effectiveness performance evaluation by accounting officers.	Fully functional audit committees.	Dysfunctional committee.	Shared Audit Committee, Education, Health, Social services and poverty alleviation Audit Committees established.	80% effectiveness rating plus Audit Committee for the department of Transport and public works.	90% effectiveness rating.	100% effectiveness rating.
Performance of inherent risk assessments for all departments.	Number of audit plans accepted by the relevant accounting officer and Audit Committee, per vote.	Annual and rolling three year strategic audit plans.	Nil.	Nil.	3 votes.	14 votes.	14 votes.
The promotion of the implementation of effective risk management and governance system within all departments.	Number of risk management units established per vote.	Implemented risk management systems within all departments.	Nil.	2 votes.	5 votes.	14 votes.	14 votes.

2.3 Reconciliation of budget with plan

Table 2.2: Programme 2: Financial Governance budget by sub-programme (R'000)

Programme 2: Financial Governance								
Sub-programme	Year - 2 2001/02 (actual)	Year - 1 2002/03 (actual)	Base year 2003/04 (estimate)	Average annual change (%) ²	Year 1 2004/05 (budget)	Year 2 2005/06 (MTEF projection)	Year 3 2006/07 (MTEF projection)	Average annual change (%) ³
Normative financial management and communication			1 448		3 947	4 167	4 380	44.62
Internal audit	3 056	4 493	10 694	87.07	19 524	21 081	21 502	26.22
Total	3 056	4 493	12 142	99.33	23 471	25 248	25 882	28.70

3. PROGRAMME 3: RESOURCE MANAGEMENT

AIM: To ensure the effective management of the Province's fiscal resources.

PROGRAMME DESCRIPTIONS:

Budget office

to promote effective financial resource allocation
to manage the annual fiscal policy process, i.e. consolidate, prepare and compile the annual Western Cape medium-term budget policy statement (WC-MTBPS) and provide advice, drive the MTEF and annual budget process and determine annual budget allocations per function including resource shifts between spheres of government and departments
to ensure integration and synergy of budget priorities between departments and governments, assess and ensure effective expenditure including the costing of new policy proposals and determining its relative priority
to introduce measures to close the gaps between macroeconomic variables and policy priorities, budget trends, spending trends, strategies, development plans and service delivery indicators

Macroeconomic analysis

to conduct macroeconomic analysis and render policy advice, i.e. to determine and analyse key economic variables, their interrelation and relevance to the budget, the potential for growth and development and the interaction with governmental and revenue patterns, alternative budgeting and other revenue and expenditure scenarios on selected key economic growth and development indicators
to assess the impact of previous fiscal policy objectives on selected economic variables and the development of institutional co-ordination and sector integration

Resource acquisition

to enable the provincial government to finance its service delivery obligations, determine the overall financing envelope for the MTEF including administering the medium term revenue planning process, assessing and optimising national revenue, ensure effective and

efficient development of provincial revenue including the assessment of revenue trends and the compilation and submission of revenue reports to ensure effective and efficient management of debtors, loans guarantees and other financial commitments
to advise the responsible minister on gambling and racing related matters and provide and administer the required financial support functions inclusive of management of transfer payments to the Western Cape Gambling and Racing Board

Western Cape Gambling and Racing Board

to make funds available to the public entity in terms of the legal provisions governing the financial relations between the province and the Board

to meet statutory and financial obligations

to effectively and efficiently collect gambling and racing revenue due to the provincial revenue fund (PRF)

3.1 Sub-programme 3.1: Budget office

3.1.1 Situation analysis

The Budget office was established during the 2003/04 financial year with the aim of establishing annual medium-term budget policy statement (MTBPS) for the Province which informs allocations to departments in the annual main budget. During the first year, staff was recruited to the newly created posts within the component. Academic researchers assisted with the assessment of core departments' measurable information in order to establish the alignment of their objectives towards the outcomes of the province. The key challenge over the MTEF period will be to build on these assessments and to move towards an outcome-based allocation process resulting in more sustainable allocations.

Proposed fiscal and allocative policies, priorities and objectives will be included in the yearly medium-term budget policy statement (MTBPS) and allocations will be based on the conclusions of the latter policy statement.

A challenge will be the promotion of integrated governance. Integrated governance will be promoted through fiscal policy and budget allocations over the medium- to long-term. This will be done within the guidelines set by National Treasury and in line with the medium-term strategic framework.

3.1.2 Policies, priorities and strategic objectives

STRATEGIC GOAL 6: *To promote effective financial resource allocation.*

STRATEGIC OBJECTIVES:

1. Drive the MTEF and annual budget process.
2. Manage the annual medium-term budget policy process.
3. Consolidate, prepare and compile the annual medium-term budget policy statement.
4. Determine annual budget allocation per function.
5. Determine resource shifts between spheres of government and departments.
6. Ensure integration and synergy of budget priorities between departments and governments.
7. Assessing and ensuring effective expenditure.
8. Ensuring that new policy proposals are costed and the relative priority determined.
9. Introduce measures to close gaps between macro economic variables and policy priorities, budget trends, spending trends, strategies, development plans and service delivery indicators.
10. Provide technical assistance and training.

3.1.3 Analysis of constraints and measures planned to overcome them

The major constraints that the Budget office will be facing over the next three years are:

- the lack of analytical capacity and
- the quality of measurable information in departmental strategic plans and linkages of this information with outcomes of the Provincial Government.

The lack of analytical capacity will be addressed by recruiting a network of academic researchers as well as a capacity building programme for permanent staff. Measurable information in departmental strategic plans will be improved through specific interventions by the provincial treasury in departments. As the analytical ability of treasury staff improves, the improved knowledge will be filtered through to departments by means of interaction with departmental personnel and associated budget reforms.

3.1.4 Description of planned quality improvement measures

The budget office continuously strives towards a better integrated and better informed process of allocations to departments. In order to achieve this quality improvement, budget reforms will be introduced that will address the following:

- Improved budget circulars that are well structured and that clearly define what is expected from accounting officers;
- Better defined assignments to academic researchers that will enable researchers to have a clear indication of what is expected of them;
- Improved work flow with specific reference to papers from academic researchers, MTEC submissions from accounting officers, draft strategic plans and budget-related inputs, etc; and
- The improvement of MTEC hearings.

3.1.5 Specification of measurable objectives and performance indicators

See Table 3.1

3.2 **Sub-programme 3.2: Macro economic analysis (MEA)**

3.2.1 Situation analysis

MEA was established in the 2003/04 financial year to generate and analyse socio-economic data and to feed these into the provincial budget process. The main challenge is to change the approach that departments have to budget from one of performing a constitutional mandate, to intervening strategically in the provincial economy. MEA will prepare an Annual Socio-Economic Review (SER) that will assess the socio-economic situation of the province as well as the impact of provincial service delivery at the same time. From these assessments, MEA will formulate strategic budget interventions in the provincial economy and labour market.

The first year was spent on employing staff, contracting academic researchers and developing its analytical instruments. The key challenges over the next three years will be the refinement of its database and the design of tools to assess the quantitative impact of provincial service delivery on provincial socio-economic variables.

3.2.2 Policies, priorities and strategic objectives

STRATEGIC GOAL 7: *To determine and evaluate economic parameters and socio-economic imperatives within a provincial and national macroeconomic context.*

STRATEGIC OBJECTIVES:

1. Determine and analyse key economic variables, their interrelation and relevance for the budget.
2. Determine the potential and constraints for growth and development and their interaction with governmental spending and revenue patterns/trends.
3. Determine alternative budgeting and other revenue and expenditure impact scenarios on selected key economic growth and development indicators.
4. Assess impact of previous fiscal policy objectives on selected economic variables.
5. Develop institutional co-ordination and sector integration.
6. Provide technical assistance and training in the application of macroeconomic analysis.

3.2.3 Analysis of constraints and measures planned to overcome them

The major constraints that MEA will face over the next three years are:

- The lack of analytical capacity, the paucity of data and the absence of an interpretative framework to order and channel socio-economic data into the budget process.
- Consolidating and expanding the network of academic researchers as well as a capacity building programme for permanent staff will address the lack of capacity. Collecting and monitoring 'lead indicators' that will serve as proxies while Statistics South Africa (SSA) refines its annual Gross Domestic Product of the Region (GDPR) figures, will address the lack of data.

3.2.4 Description of planned quality improvement measures

Since this component was only established in 2003/04, it will only start a cycle of quality improvement measures in 2004/05. The key improvement that MEA will constantly pursue is the alignment of departmental activities to the socio-economic goals of *iKapa elihlumayo*. Refining the reporting requirements and resource allocation process of the annual budget process will pursue this alignment. Related operational improvements may include:

- Improved coordination of researchers through peer review and more intensive oversight
- Development of more targeted briefs for researchers
- Further research on data available outside of Statistics South Africa

- Formulating a methodology for assessing the impact of specific revenue and expenditure aspects of provincial budgets
- Scan of available analysts in the private sector

3.2.5 Specification of measurable objectives and performance indicators

See Table 3.1

3.3 Sub-programme 3.3: Resource acquisition

3.3.1 Situation analysis

Resource acquisition was established in the 2003/04 financial year and is responsible to obtain the required resources that would enable delivery of government's ideals in a sustainable and equitable manner. It also tries to acquire resources from within the Province in a manner that does not impact negatively on economic growth, but rather add to it.

Key challenges over the MTEF include concerted efforts in pursuit of other sources of revenue, and to finalise processes surrounding the imposition of provincial fuel and bed levies. Furthermore, to vigorously pursue the analyses of factors, which have a bearing on own revenue formation, particularly those distributed via the national decision process to ensure a fair and equitable outcome that will contribute to long-run economic growth and development on a national basis.

In addition, it will closely scrutinise large outstanding amounts due to departments, or apparent under-collections that persist in certain departments, that do not institute a sharp and effective focus on efficient debt collection and the establishment of a component that can effectively deal with loans, guarantees and other financial commitments.

3.3.2 Policies, priorities and strategic objectives

STRATEGIC GOAL 8: *To enable the provincial government to finance its service delivery obligations.*

STRATEGIC OBJECTIVES:

1. Administer the medium-term revenue planning process.
2. Assess and optimise vertical and equitable shares and conditional grants.
3. Ensure effective and efficient development of provincial revenue, whether user charges or provincial taxes, levies and duties.
4. Ensure effective and efficient management of debtors.
5. Ensure effective and efficient management of loans, guarantees and other financial commitments.
6. Administer gambling and racing matters.
7. Assess revenue trends, compile and submit revenue reports.
8. Determine an overall financing envelope for MTEF.
9. Provide technical assistance and training.

3.3.3 Analysis of constraints and measures planned to overcome them

The major constraints are:

- High vacancy rate: Filling of vacant posts in the short-term with appropriate skilled and capacitated personnel and to maintain establishment.
- Lack of analytical assessment capacity to vigorously pursue the analysis of factors influencing national funding of provinces. The lack of capacity will in the short-term be addressed by recruiting a network of academic researchers as well as recruiting suitable staff coupled with an assessment capacity building programmes for permanent staff.
- Treasury approved process for the imposition of a provincial fuel and bed levy. Thoroughly researched and consulted proposals to assist with the approval process.
- Departmental co-operation to ensure effective focus on efficient debt collection. Quarterly assessment and reporting on the state of debtors and fostering co-operation with departments primarily through CFO structure interactions.

3.3.4 Description of planned quality improvement measures

Increased revenue flows enabling systematic lessening of socio-economic disparities as a desired end result.

3.3.5 Specification of measurable objectives and performance indicators

See Table 3.1

3.4 **Sub-programme 3.4: Western Cape Gambling and Racing Board**

3.4.1 Situation analysis

The Western Cape Gambling and Racing Board (“the Board”) is a PFMA Provincial Schedule 3(c) provincial public entity, established in terms of the Western Cape Gambling and Racing Law, 1996, with its mandate to control all gambling, racing and activities incidental thereto in the Province. The link of the Board to the respective Ministries is in the main to enable it to develop strategic alignment with Provincial Government policy goals.

The detailed three-year strategic plan of the Board is not presented here as the Board produces, operates and reports according to its own strategic plan to the respective Ministries. The relevance of the Board in relation to the Treasury is broadly to make fiscal transfers/funds available to the public entity in terms of the legal provisions governing the financial relations between the Province and the Board. The Board raises some of its own finances primarily through licence and investigation fees, but as yet is not self-sustaining. The key aim is therefore to meet statutory and financial obligations of the Board to allow it to effectively and efficiently collect gambling and racing revenue due to the provincial revenue fund.

Clearly defined lines of communication exist between the accounting officer, the respective Ministers and the accounting authority (of the Board). The Board itself acts as the accounting authority, but has delegated most of its powers to the Chief Executive Officer of the Board. In general, accountability arrangements for all the relevant functionaries are strictly in line with that prescribed by the Public Finance Management Act, 1999 (Act 1 of 1999).

3.4.2 Policies, priorities and strategic objectives

Not applicable as this will be reported separately in the three-year strategic plan of the Western Cape Gambling and Racing Board.

3.4.3 Analysis of constraints and measures planned to overcome them

Not applicable as this will be reported separately in the three-year strategic plan of the Western Cape Gambling and Racing Board.

3.4.4 Description of planned quality improvement measures

Not applicable as this will be reported separately in the three-year strategic plan of the Western Cape Gambling and Racing Board.

3.4.5 Specification of measurable objectives and performance indicators

See Table 3.1

Table 3.1: Programme 3: Resource Management

Measurable Objective	Performance Measure	Output	Year-1 2002/03 (actual)	Base year 2003/04 (estimate)	Year 1 2004/05 (target)	Year 2 2005/06 (target)	Year 3 2006/07 (target)
Programme 3: Resource Management							
3.1 Budget office							
Compile annual medium-term budget policy objectives targeted to reduce socio-economic disparities, achieve synergy, improve financial management of resources and promote integrated governance.	Submission of provincial medium-term budget policy statement to the Executive and Provincial Parliament.	Costed policy proposals and integration of a variety of financial, economic and other considerations operative across all three spheres of government into a proposed consolidated priority framework resource allocation programme for the Province.	Western Cape Fiscal Policy (WCFP) 2003 – 2006.	Western Cape Medium Term Budget Policy Statement (WC-MTBPS 2004 - 2007).	WC-MTBPS 2005 – 2008.	WC-MTBPS 2006 - 2009.	WC-MTBPS 2007 - 2010.

Measurable Objective	Performance Measure	Output	Year-1 2002/03 (actual)	Base year 2003/04 (estimate)	Year 1 2004/05 (target)	Year 2 2005/06 (target)	Year 3 2006/07 (target)
Programme 3: Resource Management							
3.1 Budget office (continued)							
	Meeting of all due dates and timely corrective measures.	100% compliance.	100% compliance.	100% compliance.	100% compliance.	100% compliance.	100% compliance.
Proposing of allocations per function to ensure realisation of policy priorities.	Acceptance of allocations by the Executive and Provincial Parliament. Realisation of policy goals. Meeting of all due dates and timely corrective measures.	Drives and ensures successful realisation of the budget allocation process. Proposed spending priorities, goals to be achieved and optimum mix to be realised. 100% compliance.	Tabled budget 2003. Allocations aligned with the WCFP 2003 – 2006. 100% compliance.	Piloting outcome based allocations. Allocations aligned with the WC-MTBPS 2004 – 2007. 100% compliance.	Outcome based allocations (30% phased in). Allocations aligned with the WC-MTBPS 2005 – 2008. 100% compliance.	Outcome based allocations (70% phased in). Allocations aligned with the WC-MTBPS 2006 – 2009. 100% compliance.	Outcome based allocations (100% phased in). Allocations aligned with the WC-MTBPS 2007 – 2010. 100% compliance.
3.2 Macro economic analysis							
Determine the potential and constraints for economic growth and development, and their interaction with current government spending and revenue patterns.	Full economic impact assessment of intended or past revenue initiatives and expenditures. Meeting of all due dates and timely corrective measures.	Production of Socio-Economic Review (SER) and contribution to the WC-MTBPS.	Piloting of SER and WC-MTBPS for specific sectors.	Comprehensive SER and WC-MTBPS.	Maintenance and refinement of SER and WC-MTBPS.	Maintenance and refinement of SER and WC-MTBPS.	Maintenance and refinement of SER and WC-MTBPS.
Determine alternative budget, expenditure and revenue impact scenarios on selected economic growth and development indicators.	Systematic reduction in socio-economic disparities and appropriate gain in efficiency.	Preparation of input into budget process, Adjustment Estimate process and selected impact assessments.	Prototype input into budget process and Adjustment Estimate process.	Refinement of input into budget process and Adjustment Estimate process as well as pilot impact assessments.	Refinement of input into budget process and Adjustment Estimate process as well as impact assessments on request.	Maintenance of input into budget and Adjustment Estimate process and impact assessments.	Prototype input into budget process and Adjustment Estimate process.

Measurable Objective	Performance Measure	Output	Year-1 2002/03 (actual)	Base year 2003/04 (estimate)	Year 1 2004/05 (target)	Year 2 2005/06 (target)	Year 3 2006/07 (target)
Programme 3: Resource Management							
3.3 Resource acquisition							
Optimise division of national revenues.	Annual growth of at least 1% above CPI-X inflation. Optimum division between equitable share and conditional grants given national and provincial policy objectives. Meeting of all due dates and timely corrective measures.	Equitable share portion in line with constitutionally assigned obligations, real cost pressures and socio-economic disparities. Conditional grants that are appropriate to the maintenance and safe guarding of national policy objectives.	Meet the set revenue target for the fiscal year. Initial assessment as part of Fiscal Policy 2003-2006. 100% compliance.	Revenue that meets expenditure obligations. Refinements of initial assessment as part of WC-MTBPS 2004-2007. 100% compliance.	Revenue that meets expenditure obligations. Implement in line with assessment. 100% compliance.	Revenue that meets expenditure obligations. Implement in line with assessment. 100% compliance.	Revenue that meets expenditure obligations. Implement in line with assessment. 100% compliance.
Ensuring efficient and effective development of provincial revenue base.	Annual real growth in excess of 5%. Collection of outstanding debts. Meeting of all due dates and timely corrective measures.	Systematic increase in current own revenue not inconsistent with economic policy. Development of loan financing, fuel and bed levies. Systematic reduction of debtors book.	Nominal growth of 16.75% y-o-y. Fuel levy investigation underway and National Treasury framework awaited for loan financing. 100% compliance.	Real growth in excess of 5%. Development of loan financing, fuel and bed levies. 50% reduction in debtors book. 100% compliance.	Real growth in excess of 5%. Development of loan financing, fuel and bed levies. 60% reduction in debtors book. 100% compliance.	Real growth in excess of 5%. Development of loan financing and bed levies. Implement fuel levy. 70% reduction in debtors book. 100% compliance.	Real growth in excess of 5%. Implement loan financing and bed levies. 80% reduction in debtors book. 100% compliance.

Measurable Objective	Performance Measure	Output	Year-1 2002/03 (actual)	Base year 2003/04 (estimate)	Year 1 2004/05 (target)	Year 2 2005/06 (target)	Year 3 2006/07 (target)
Programme 3: Resource Management							
3.4 Western Cape Gambling and Racing Board							
Protected gambling and betting resource base.	Full receipt of estimated gambling and betting revenue. Transfers payments in line with cash flow and budget projections. Meeting of all due dates and timely corrective measures.	Efficient tax and revenue administration with a high level of gambling industry compliance. Adequately resourced controlling body for gambling and betting.	Revenues from gambling and betting exceeded the respective budget estimates by 32% and 38%. 100% compliance.	5% real growth in gambling and betting revenue. Receipt of all revenue due to PRF. 100% compliance.	5% real growth in gambling and betting revenue. Receipt of all revenue due to PRF. 100% compliance.	5% real growth in gambling and betting revenue. Receipt of all revenue due to PRF. 100% compliance.	5% real growth in gambling and betting revenue. Receipt of all revenue due to PRF. 100% compliance.

3.5 Reconciliation of budget with plan

Table 3.2: Programme 3: Resource Management budget by sub-programme (R'000)

Programme 3: Resource management								
Sub-programme	Year - 2 2001/02 (actual)	Year - 1 2002/03 (actual)	Base year 2003/04 (estimate)	Average annual change (%) ²	Year 1 2004/05 (budget)	Year 2 2005/06 (MTEF projection)	Year 3 2006/07 (MTEF projection)	Average annual change (%) ³
Budget office	1 547	2 198	1 923	11.49	3 858	4 038	4 121	28.93
Macro economic analysis			2 307		3 397	3 959	4 044	20.57
Resource acquisition	1 425	1 973	2 779	39.65	4 042	4 402	4 597	18.27
Western Cape Gambling and Racing Board	6 000	4 000	4 700	(11.49)	2 585	2 000	2 100	(23.55)
Total	8 972	8 171	11 709	14.24	13 882	14 399	14 862	8.27

4. **PROGRAMME 4: PUBLIC FINANCE AND ACCOUNTING**

AIM: To ensure efficient budget management, delivery of any assigned responsibilities in terms of the Local Government: Municipal Finance Management Act, 2003 as well as accounting and reporting fully reflecting the financial position of the Province.

PROGRAMME DESCRIPTIONS

Provincial government finance

to technically manage the budget, inclusive of budget formulation, formats, programme structure, processes and preparation for tabling

to administer the budget process, inclusive of trend analysis and interpretation, monitoring reporting and intervention, exercising of fiscal discipline, risk analysis and ensuring technical efficiency of resource use

Local government finance

to fulfil the Provincial Treasury responsibilities in terms of the Local government: Municipal Finance Management Act, 2003 (the Act)

to promote the object of the Act within the framework of cooperative government

to assist the National Treasury in enforcing compliance with the measures established in terms of section 216(1) of the Constitution of the Republic of South Africa, 1996 including those of the Act

to monitor and assist with the preparation of municipal budgets and the monthly outcome thereof

to monitor compliance with the Act, the submissions of prescribed reports by municipalities and take appropriate steps in the case of a breach of the Act

to perform any powers and duties delegated by the National Treasury to the Provincial Treasury

Financial accounting and reporting

to ensure financial transaction processing and reporting that fully reflects the financial position of the Province

to ensure integrity of financial data, accountability, financial reporting, interpretive accounting and transparency in government's financial transactions

4.1 **Sub-programmes 4.1 and 4.2: Provincial government finance and Local government finance**

4.1.1 Situation analysis

The *Public Finance* component is a key link between the Provincial Treasury and budget teams of provincial departments to encourage the development of sound budgeting practices, effective and efficient expenditure management inclusive of in-year monitoring and cooperative relationships.

Services entail key activities related to in-year expenditure monitoring, which includes identification and appropriate interventions related to under spending, overspending, spending risks/pressures and the quantifying thereof.

There will be an increasing shift in focus towards monitoring, assessing and analysing the attainment of efficiency in spending, and the alignment of expenditure with overall policy goals through the application and enforcement of appropriate fiscal controls.

The development of an integrated financial and service delivery framework between municipalities and the Province to better align municipal integrated development plans and services and provincial budget processes and ensure that service delivery is underway.

The Municipal Finance Management Act, 2003, will have a direct impact on the work of the Public Finance component, the magnitude and extent dictated by the provisions in the Act and the delegation of powers and functions by the National Treasury.

An appraisal of the existing services and performance covering the 2003/04 financial year highlighted the following key areas:

For the 2nd consecutive year a full assessment was done of the draft annual budget (2004) to ensure that the allocations are aligned with policy priorities.

The prescribed in-year monitoring reports have been augmented with analytical narrative reports to encourage the development of interpretive skills in the Treasury and provincial departments.

Expenditure Review 2003 was made available as an internal working document which is an accessible resource on the spending of provincial departments.

A status report (13 August 2003) on the process to transfer functions between provincial and local spheres of government was compiled for internal use. Similarly a Local Government Review 2003 was made available as an internal working document. The documents, *inter alia*, discuss the difficulties with regard to intergovernmental fiscal relations.

Key challenges over the strategic plan period entail the following:

The evolution of in-year monitoring (IYM) narrative reports from Treasury to provincial departments, which will serve to build analytical capacity both in departments and the Treasury. This should ensure a deeper understanding of what the expenditure/budget numbers actually mean. Thus, improvement of expenditure management through early identification of issues, requiring appropriate remedial actions.

A major reform in the financial management environment was the implementation of a Standard Chart of Accounts with effect from 1 April 2004 to align financial reporting with international standards. The aforementioned necessitates the conversion of current expenditure items on a historical and futuristic basis to the items contained in the said chart and the adaptation of budgeting and reporting formats.

The continuation of the reforms related to budget formats and strategic plans sector and otherwise to improve the measurability of objectives and service delivery.

The successful implementation of a new economic reporting format is part of the implementation of a new standardised chart of accounts.

The departments of Education, Health and Social services and poverty alleviation are major spenders in the Province and thus impose the greatest risks on limited financial resources. Key challenges would be the fiscal management of the increasing number of learners, the implementation of Health Care 2010, the rapid expansion of access to social security grants and the rationalisation of functions between the two spheres of government.

Another major challenge is the roll-out of the Municipal Finance Management Act, 2003 in the Province, the full implications of which still needs to be assessed to ensure successful implementation.

4.1.2 Policies, priorities and strategic objectives

The successful fulfilling of the envisaged role of the Provincial Treasury in terms of the Municipal Finance Management Act, 2003.

Apart from catering for technical adjustments the Adjustment Estimate should also be used to augment annual budget priorities, in particular adjustments related to fulfilling the *iKapa elihlumayo* vision.

Fiscal discipline should not only be exercised by departments to remain within budget, but also to ensure that expenditure is in accordance with the relevant programme description, appropriately directed to policy priorities.

STRATEGIC GOAL 9: *To ensure efficient budget management*

STRATEGIC OBJECTIVES:

1. Administer the medium-term expenditure planning process.
2. Manage the adjustments budget process.
3. Prepare and compile the annual and adjustments budget.
4. Assess and enforce expenditure efficiency and liability management.
5. Manage, assess and control the implementation of the provincial budget.
6. Assess expenditure trends, compile and submit expenditure reports (IYM).
7. Promote budget reform.
8. Monitor and assess local government budgets.
9. Assess and advise on the optimal contribution of functions between the provincial and local government spheres.
10. Provide technical assistance and training.

4.1.3 Analysis of constraints and measures planned to overcome them

The Provincial Treasury was restructured with effect of May 2003. The outcome of which was, *inter alia*, a major exodus of staff from the Public finance component to other components within the organisation as well as other provincial departments. The latter half of 2003 saw a dedicated drive to recruit appropriate staff. During 2004, the major challenge would be to make this component fully functional and operational to meet the delivery demands.

The new Standard Chart of Accounts linked with the implementation of the Basic Accounting System, will require dedicated training interventions on a continuous basis. The principle of “train the trainers” will be applied to broaden the scope and speed of these interventions.

As stated above a policy intervention which will directly influence the performance of the Public finance component is the Municipal Finance Management Act, 2003 and the speed of implementation. To position the Public finance component some initial actions have already been taken. A local government financial coordinator post, supported by four budget analyst posts were created as a point of departure. The expansion thereof is dependent on the extent and scope of function and powers to be delegated by the National Treasury. Once clarity has been reached on the latter, further organisational development investigations will be commissioned to align the human resources structure with real requirements.

4.1.4 Description of planned quality improvement measures

In-year monitoring expenditure reports as produced in the current prescribed quantitative format, to a certain extent are meaningless if not properly analysed and interpreted. During 2003 a beginning was made to augment these reports with narrative analysis reports and to encourage chief financial officers of provincial departments to develop analytical capacity within their domain. During 2004/05 the assessment and interpretation capabilities of the Public finance component will be further developed and applied to achieve quality in-year monitoring reports that will promote optimal resource allocation.

Active participation with the National Treasury to develop budget and strategic planning formats to promote the publication of quality budget information.

4.1.5 Specification of measurable objectives and performance indicators

See table 4.1

4.2 **Sub-programme 4.3: Financial accounting and reporting**

4.2.1 Situation analysis

The *Accounting* component is a key link between the Head: Public finance and accounting that also fulfils the role of the Provincial accountant general and financial accounting teams of provincial departments to encourage the development of sound accounting practices to ensure that

financial reporting is a full reflection of the financial position of the Province.

Key services entail, in-year monitoring of the state of book of accounts, roll-out of the Generally Recognised Accounting Practice (GRAP), consolidation of annual financial statements, implementation of a national Standard Chart of Accounts and the interpretation of financial statements.

An appraisal of the existing services and performance covering the 2003/04 financial year highlighted the following key areas:

- Implementation of the Standard Chart of Accounts with effect from 1 April 2004:
 - Aggregation of the 2002/03 annual financial statements.
 - Implementation of analytical in-year monitoring reports.
 - Roll out of the prescribed annual financial statement formats.
 - Drafting of an Accounting Review as a working paper.
An Accounting Review 2003 was produced and made available as an internal working document.

Key challenges over the strategic period entail the following:

- The Accounting Standards Board has commenced with the developing of accounting standards, some drafts that were published during 2003 for comment. The issued standards will require compliance by all provincial departments and the proper monitoring of such compliance.
- The reporting on assets in the annual financial statements. The provision of appropriate enabling tools as well as building capacity within departments and the Provincial Treasury is a necessity.
- The 2003/04 financial year's annual financial statements will see a shift from the aggregation to consolidation of such statements for the Province and its public entities.
- This new development within provinces requires formats of annual financial statements and guidelines to be developed by the national work group on which the Western Cape Treasury is represented.
- Venturing into interpretation of annual financial statements is a new field, which needs further exploration. Thus guidelines for this purpose need to be developed and implemented.
- Work on the migration from trading accounts in its current format to trading entities.
- Continuous development of the format for annual financial statements.
- Accounting procedures to be established to close down the Western Cape Housing Development Fund and Provincial Capital Fund Ordinance, 1962 (Ordinance 3 of 1962).
- One of the major reforms in the financial environment was the implementation of a Standard Chart of Accounts with effect from 1 April 2004 to align financial reporting with international standards. The annual financial statements must therefore fully reflect the financial

position of the Province in terms of the new Standard Chart of Accounts. The aforementioned will necessitate the clearing of all suspense account balances brought forward from previous government dispensations in collaboration with the National Treasury.

4.2.2 Policies, priorities and strategic objectives

STRATEGIC GOAL 10: *To ensure that financial reporting is a full and true reflection of the financial position of the Province.*

STRATEGIC OBJECTIVES

1. Ensure the development of accounting practices that will promote effective and efficient capturing of REAL movements/accountability.
2. Ensure integrity of financial data.
3. Roll out and assess GRAP formats.
4. Develop and promote the use of cost accounting principles.
5. Improve financial performance through the development and application of interpretive accounting.
6. Assess accounting trends, co-ordinate and compile reports.
7. Compile annual consolidated financial statements.
8. Provide technical assistance and training.

4.2.3 Analysis of constraints and measures planned to overcome them

The major risk facing the transition from the current cash base of accounting to the accrual base of accounting, in terms of the GRAP implementation timeliness, are the existing inadequacies of the current accounting systems to enable this transition. The National Treasury is in the process of developing an integrated financial management solution and provincial treasuries will be consulted on the user requirements in order to address their needs.

4.2.4 Description of planned quality improvement measures

Over the past 3 years the formats of annual financial statements have evolved in terms of GRAP standards, which allows for the interpretation of financial statements. This will require developing interpretation methodologies, a database of annual financial statements for analytical purposes and appropriate templates for monthly and quarterly reporting to identify risks, opportunities and trends.

4.2.5 Specification of measurable objectives and performance indicators

See Table 4.1

Measurable Objective	Performance Measure	Output	Year-1 2002/03 (actual)	Base year 2003/04 (estimate)	Year 1 2004/05 (target)	Year 2 2005/06 (target)	Year 3 2006/07 (target)
Programme 4: Public Finance and Accounting							
4.2 Local government finance							
Alignment between municipal integrated development plans and service delivery and provincial budgeting processes and service delivery.	% functioning financial framework.	An integrated financial and service delivery framework between the Province and municipalities.	In progress.	50%	70%	80%	100%
Establishment of managerial and coordinating intergovernmental structures related to financial matters.	% development to establish a fully functional structure.	Functional Provincial Municipal Budgeting Forum and its technical forum.	Not applicable.	20% functional.	50% functional.	70% functional.	100% functional.
Fulfilment of the Provincial Treasury responsibilities of the Local Government: Municipal Finance Management Act, 2003.	% nominal and substantive compliance by municipalities.	Assessment of compliance.	Not applicable.	Not applicable.	20% nominal compliance.	40% nominal compliance.	60% nominal compliance.
	% nominal and substantive compliance by provincial departments.	Assessment of compliance.	Not applicable.	Not applicable.	20% nominal compliance.	40% nominal compliance.	60% nominal compliance.
	% compliance.	Meeting of all statutory due dates.	Not applicable.	Not applicable.	100% compliance.	100% compliance.	100% compliance.
	% development.	Establishment of a fully functioning organisational structure in the Provincial Treasury.	Not applicable.	Not applicable.	50% functional.	70% functional.	90% functional.
4.3 Financial accounting and reporting							
Full recording of REAL transactions and the preparation of quality financial statements.	Number of unwarranted balances in suspense accounts at the end of the financial year.	Accounting practices and reporting that will ensure effective and efficient capturing of REAL movements and accountability.	Targets achieved.	Nil.	Nil.	Nil.	Nil.

Measurable Objective	Performance Measure	Output	Year-1 2002/03 (actual)	Base year 2003/04 (estimate)	Year 1 2004/05 (target)	Year 2 2005/06 (target)	Year 3 2006/07 (target)
Programme 4: Public Finance and Accounting							
4.3 Financial accounting and reporting <i>(continued)</i>	Compliance with statutory due dates and timely corrective measures.	100% compliance.		100% compliance.	100% compliance.	100% compliance.	100% compliance.
	% qualified Auditor-General reports. Full compliance with Generally Recognised Accounting Practice requirements.	100% compliance.		7% qualified. 100% compliance.	<10% qualified. 100% compliance.	<10% qualified. 100% compliance.	Nil. 100% compliance.
Improved financial performance of departments through the application of interpretive accounting skills.	% compliance with and a 18 day turn around time for Provincial Treasury's interpretive narrative responses on departmental in-year monitoring reports. Produce an Accounting Review within deadline. Number of contacts with provincial departments to take remedial steps. Compliance with statutory due dates and timely corrective measures. % assessment of current cost accounting applications.	Trends, opportunities and risks identified and addressed immediately through optimal use of financial reports. Cost accounting principles implemented in provincial departments and entities.	Draft document prepared for evaluation. Not applicable.	70% 40%	80% Publish November. > 168 100% 60%	85% Publish November. >168 100% 80%	90% Publish November. >168 100% 100%

4.3 Reconciliation of budget with plan

Table 4.2: Programme 4: Public Finance and Accounting budget by sub-programme (R'000)

Programme 4: Public finance and accounting								
Sub-programme	Year - 2 2001/02 (actual)	Year - 1 2002/03 (actual)	Base year 2003/04 (estimate)	Average annual change (%) ²	Year 1 2004/05 (budget)	Year 2 2005/06 (MTEF projection)	Year 3 2006/07 (MTEF projection)	Average annual change (%) ³
Provincial government finance	1 975	4 095	3 404	31.28	3 585	3 889	3 791	3.65
Local government finance		241	854		2 481	2 234	2 258	38.28
Financial accounting and reporting	5 101	3 779	2 088	(36.02)	2 471	2 948	2 913	11.74
Total	7 076	8 115	6 346	(5.30)	8 537	9 071	8 962	12.19

5. PROGRAMME 5: ASSET MANAGEMENT

AIM: To ensure the effective and efficient management of physical and financial assets.

PROGRAMME DESCRIPTION

Supply chain management

to develop and ensure supply chain management strategies that will contribute to economic development and effective and efficient utilisation of physical assets

Public Private Partnership

to facilitate, promote and in liaison with accounting officers implement public private partnership initiatives

Financial asset management

to optimise liquidity requirements in the provincial revenue fund and ensure maximum return within acceptable levels of risk

Financial systems

to implement and manage financial management systems in support of sound financial management

5.1 Sub-programme 5.1: Supply chain management

5.1.1 Situation analysis

The sub-programme Supply chain management (SCM) was established in the 2003/04 financial year with the core objective of developing and insuring supply chain management strategies that will contribute to economic development and effective and efficient utilisation of assets.

This sub-programme replaced the sub-programme Procurement management that had the main functions of being overall responsible for the provincial procurement matters as well as rendering a secretariat service to the Western Cape Provincial Tender Board. Supply chain management is an integral part of financial management and seeks to address the gap between the traditional methods of procuring goods and services, the control thereof and obsolescence planning. It further also

addresses the acquisition, management and the disposal of property in order to unlock the potential thereof.

Departments will be relying on the unit to:

- Give strategic direction for supply chain management.
- Developing of best practices to reduce the procurement unit cost.
- Facilitate the arrangement of transversal contracts to ensure uniformity and to take full advantages of the economies of scale.
- Develop the necessary norms and standards to facilitate efficient physical asset management.

During the 2003/04 financial year the sub-programme was responsible to:

- Mainly introduce the concept of supply chain management within the provincial administration.
- Prepare departments to take over procurement related functions in anticipation of the abolishment of the Tender Board.
- Redefine the responsibilities of the Tender Board for the period April – December 2003.
- Assist the departments with the establishment of supply chain units.
- Develop a website for the advertising of provincial tenders.
- Establish in conjunction with the Unicity, a Western Cape Supplier Database.
- Developing of Provincial Treasury instructions and supply chain management practice notes.

Main challenges facing the sub-programme are to:

- Minimize procurement related costs.
- Elevate supply chain management in the Province.
- Unlocking the potential of property.
- Develop skillful supply chain management professionals.
- Operationalise the procurement strategy with a focus on BEE.

5.1.2 Policies, priorities and strategic objectives

STRATEGIC GOAL 11: *To ensure the effective and efficient management of physical and financial assets.*

STRATEGIC OBJECTIVES:

1. To identify and develop strategic sourcing methodologies in those industries where the bulk of provincial procurement budget is spent.
2. To, in liaison with the National Treasury identify a state of the art supply chain management system to drive continuous improvement in the delivery of goods and services and the control and the management thereof.
3. To develop simple standardised supply chain management processes to ensure satisfactory delivery of goods and services and the control and management thereof.
4. To build a purchasing culture in the province that is performance orientated, flexible yet, aligned to process, socially conscious but driven by customer satisfaction.
5. To elevate supply chain management through linking there to, the budget and strategic plan of departments.

5.1.3 Analysis of constraints and measures planned to overcome them

The existing level of expertise in supply chain management is not to standard and Departments might not be able to move soon enough to embrace the concepts of supply chain management. The Provincial Treasury will however as far as possible assist departments.

A further constraint is the lack of state of the art supply chain management systems and decision by National Treasury to stop the implementation of any interim system, resulting in the delay in pursuance of best practices. Close relations will be kept with National Treasury to ensure that the process to develop a supply chain management system is sped up.

5.1.4 Description of planned quality improvement measures

- The introduction of best procurement strategies to minimise procurement related cost.
- The use of service level agreements to elevate contract management and mitigate risk for government.
- The introduction of mechanisms to adequately address concerns from the public with regard to the awarding of tenders.
- The introduction of comprehensive and credible asset registers per department.

5.1.5 Specification of measurable objectives and performance indicators

See Table 5.1

5.2 **Sub-programme 5.2: Public private partnerships (PPPs)**

Situation analysis

Public private partnerships (PPPs) are co-operative arrangements between the public and private sector. Projects may take many forms and involve many different levels of private sector participation. The pursuance of PPP initiatives is a necessity to enhance service delivery and increase revenue in the Province.

The PPP unit currently resides under the supply chain management component. However, the future status of this strategic unit needs to be revisited. Presently, the unit does not reflect the full range of skills necessary to take over all public private partnership (PPP) related responsibilities from the National Treasury by 1 April 2005 and consideration will be given for additional members to supplement skills. A review of the operations of the PPP unit will also be undertaken to identify the barriers that hindered progress on prospective projects.

Key challenges facing the unit are:

- Elicit support for PPP projects.
- Identify new PPP opportunities.
- Develop new types of partnerships.
- Build a skills base in the Province with regards to the handling of PPPs.

5.2.2 Policies, priorities and strategic objectives

STRATEGIC GOAL 12: *To promote and illicit support for PPP initiatives ensuring effective and efficient management of physical assets.*

STRATEGIC OBJECTIVES:

1. Promote and assess new PPP projects.
2. Provide developmental technical assistance and support to departments.
3. Monitor and enforce compliance with legislation.
4. To build the necessary capacity in the Provincial Treasury to take over all PPP related responsibilities from the National Treasury by 1 April 2005.

5.2.3 Analysis of constraints and measures planned to overcome them

- PPP contracts are complex long-term arrangements and involve the procurement of a complete service and an initial focus on output specification. There may thus be significant costs associated with the transaction itself. This tends to make PPPs more suitable for large value projects. To justify small scale and low value projects, it needs to be “bundled” with other PPP projects.
- Progress is slow because of departments’ reluctance to pursue the PPP option, lack of skilled personnel, high risk factors, departments not being aware what is required, scarcity of well-resourced partners, and massive investment requirements. In an effort to promote the concept of PPPs as an alternative to the traditional delivery of government services and infrastructure the following actions are considered:
 - Create awareness of under-utilised assets and associate conditions.
 - Provide technical advice at the various stages of the process.
 - Appoint the right people and utilise training opportunities.

5.2.4 Description of planned quality improvement measures

- Market the PPP unit internally and externally.
- Engage in all current provincial PPP projects.
- Foster the exchange of ideas and the growth of PPP knowledge through:
 - conferences and meetings across the country.
 - a resource section and information services.
- Active links with National Treasury PPP Unit, Provincial Treasury PPP units, departments, and private sector specialists for purposes of skills transfer and developing of best practices.

5.2.5 Specification of measurable objectives and performance indicators

See Table 5.1

5.3 Sub-programme 5.3: Financial asset management

5.3.1 Situation analysis

This sub-programme is responsible for the management and control of the Provincial Revenue Fund that consists of the Exchequer Account and fourteen departmental banking accounts (PMGs). Each departmental banking account (PMG) is funded on a daily basis from the Provincial Exchequer Account in terms of daily cash flow inputs from the various departments. The cash management system of the provincial banker, to which the province has a direct link, is utilised to perform such electronic transfers. Once the daily cash flow has been finalised, any moneys, which are not immediately required to defray expenditure are invested at financial institutions, in terms of an internal investment policy.

During the past year, all banking accounts remained cash positive, all cheque payments were converted to electronic funds transfers (EFTs), capital and interest was repaid on maturity and interest on investments exceeded the appropriated budget figure.

One of the main challenges is that the accounts within the provincial government remain minimally cash positive on a daily basis and, on the other hand, that no overdrawn situation occurs at any time. The ultimate challenge, however, is to manage the projected budget deficit.

5.3.2 Policies, priorities and strategic objectives

STRATEGIC GOAL 13: *To optimize liquidity in the Provincial Revenue Fund (PRF) ensuring maximum return within acceptable levels of risk.*

STRATEGIC OBJECTIVES:

1. Manage cash flow matters.
2. Manage investments.

5.3.3 Analysis of constraints and measures planned to overcome them

The major challenge facing this sub-programme is to manage the projected budget deficit. Although a daunting task, more refined procedures with regard to provincial cash management and stricter control of liquidity will ensure the effective management thereof. These remedial measures will include instituting more effective cash flow management procedures that will lead to temporary capital accumulation, thereby optimising interest yield in attempt to redress the deficit. A further short-term solution to the budget deficit which can be utilised, but only as a last resort, is bridging finance.

5.3.4 Description of planned quality improvement measures

To further enhance cash flow management, the current 5% deviation between the funding and the actual expenditure flowing through the

departmental banking accounts be eradicated. Furthermore, payments in general, be scheduled in co-operation with departments.

5.3.5 Specification of measurable objectives and performance indicators

See Table 5.1

5.4 **Sub-programme 5.4: Financial systems**

5.4.1 Situation analysis

This sub-programme is responsible for the implementation and management of financial systems in support of sound financial management in all Provincial departments. The main systems being maintained includes the Financial Management System (FMS), Basic Accounting System (BAS), Logistical Information System (LOGIS) and Personnel and Salary Administration System (PERSAL).

Currently PERSAL and BAS have been implemented at all Provincial departments, and LOGIS at 56 sites.

During the past year BAS was implemented at the remaining twelve Provincial departments on 1 April 2004 and LOGIS was implemented at 20 new sites.

The main challenges are the implementation of the new standard chart of accounts and the re-skilling of approximately 2 370 officials. A further major challenge is the implementation of LOGIS at the remaining 7 health institutions by 1 April 2005 and the re-training of all officials involved with LOGIS.

With effect from 1 April 2004, financial systems will manage the State information technology agency (SITA) costs relating to transversal systems (BAS, FMS, LOGIS and PERSAL), which previously was under control of Department PAWC.

5.4.2 Policies, priorities and strategic objectives

STRATEGIC GOAL 14: *To manage the development and maintenance of financial systems.*

STRATEGIC OBJECTIVES:

1. Develop a policy framework for the evolution of efficient financial management systems.
2. Assess and maintain the financial management system.
3. Roll-out and ensuring efficient implementation of transversal financial management systems.
4. Develop and assess bespoke financial systems.
5. Determine the requirements for financial management systems to ensure efficient and effective management of REAL.
6. Monitor and report on financial management system's performance.
7. Provide technical assistance and training.
8. Monitor and verify monthly SITA costs relating to transversal financial systems ensuring optimal management of cost drivers.

5.4.3 Analysis of constraints and measures planned to overcome them

The main risk with regard to the utilisation of an online system (BAS) is the lack of skills and competencies. This will be addressed on a continuous basis by means of training, re-training and assistance. Additional to this, is the capacity of the network to accommodate the high volume of data. This will be addressed by the daily monitoring of the network in co-operation with information technology (IT) and the State information technology agency (SITA) and where required the upgrade of the infrastructure.

A further risk is the implementation of LOGIS at the remaining sites, which is dependent on the availability of staff, updated asset registers and the general state of their stores and provisioning administration environment. To overcome this risk, pre-implementation assessments of future sites and management meetings to identify and discuss shortcomings and remedial actions will be taken before implementation.

5.4.4 Description of planned quality improvement measures

Determine the requirements for financial management systems and ensure that these requirements are addressed in the new integrated financial management system being developed by National Treasury.

Assess and report monthly on the performance of financial management systems.

Provide functional financial training according to an approved training programme.

Provide an effective user support on all financial management systems.

Optimally manage the cost drivers relating to the SITA account.

5.4.5 Specification of measurable objectives and performance indicators

See Table 5.1

Table 5.1: Sub-Programme 5: Asset Management

Measurable Objective	Performance Measure	Output	Year-1 2002/03 (actual)	Base year 2003/04 (estimate)	Year 1 2004/05 (target)	Year 2 2005/06 (target)	Year 3 2006/07 (target)
Programme 5: Asset management							
5.1 Supply chain management							
To ensure effective and efficient planning for, acquisition, logistics management and disposal of goods and services, inclusive of immovable property.	Establishment of SCM units in departments and determination of efficiency criteria to be achieved.	Properly functional supply chain management components in departments and public entities performing to set criteria.	Not applicable.	30% of criteria (Health only) established.	70% of criteria (Health, Public Works and Education) established plus 30% supply chain management units efficient.	80% of criteria established and 70% supply chain management units efficient.	90% of criteria established and 80% supply chain management units efficient.
	Value for money SCM.	Assessments to determine the value for money results in selective departments.	Value for money assessment undertaken w.r.t. equipment in Dept. of Health.	Value for money assessment undertaken w.r.t. consumables in Department of Health.	Value for money assessment undertaken w.r.t. SCM in Transport and Public Works and Education.	Assessments as necessary.	Assessments as necessary.
	Annual goals to be benchmarked per sector.	Attainment of preferential procurement and other policy goals.	48% of contracts awarded to HDIs.	At least 40% of contracts awarded to HDIs.	At least 40% of contracts awarded to HDIs.	At least 40% of contracts awarded to HDIs.	At least 40% of contracts awarded to HDIs.
	Economies of scale by means of transversal contracts.	Reduction in procurement cost.	Not applicable.	Reducing of procurement costs by arranging two transversal contracts.	Reducing of procurement costs by arranging five transversal contracts.	Reducing of procurement costs by arranging eight transversal contracts.	Reducing of procurement costs by arranging eight transversal contracts.
	Comprehensive and up to date credible moveable asset register.	Movable asset register per department.	20% of departments.	30% of departments.	50% of departments.	70% of departments.	100% of departments.
	Fully trained strategic sourcing specialists within the Provincial Treasury.	Strategic sourcing methodology per industry.	Not applicable.	20% of supply chain practitioners trained.	50% of supply chain practitioners trained.	80% of supply chain practitioners trained.	100% of supply chain practitioners trained.

Measurable Objective	Performance Measure	Output	Year-1 2002/03 (actual)	Base year 2003/04 (estimate)	Year 1 2004/05 (target)	Year 2 2005/06 (target)	Year 3 2006/07 (target)
Programme 5: Asset management							
5.2 Public private partnership							
Build the necessary capacity within the Provincial Treasury.	Fully functional PPP unit in the Provincial Treasury.	Provincial PPP unit capable of delivery on full set of regulatory requirements.	Not applicable.	Preparatory year.	50% National Treasury functions taken over.	80% functional.	100% functional.
Facilitate, promote and in liaison with accounting officers implement public private partnership initiatives.	Financial and legally viable PPP contracts. Augmentation of overall provincial delivery envelope.	Affordable, value for money projects with appropriate risk-sharing relationships. PPP projects that expand on departmental delivery whilst reducing cost for the Province.	Not applicable. Not applicable.	Finalisation of Chapman's Peak, and Nature Conservation PPPs with appropriate risk transfer. Chapman's Peak PPP.	As identified and appropriate. Hermanus and Swellendam Hospitals Co-location projects, Eerste River Hospital Facility Management project, Conradie Hospital Replacement project. Still to be determined from Budget assessments.	As identified and appropriate. Still to be determined from Budget assessments.	As identified and appropriate. Still to be determined from Budget assessments.
5.3 Financial asset management							
Optimisation in the management of financial assets.	Maximum yield on money management operations through rigorous management and control of in and out flows on the provincial revenue fund. Meeting of all due dates and timely corrective measures.	To achieve the amount appropriated in the budget.	Target achieved. Target achieved.	100% of target achieved. 100% of target achieved.	100% of target achieved. 100% of target achieved.	100% of target achieved. 100% of target achieved.	100% of target achieved. 100% of target achieved.

Measurable Objective	Performance Measure	Output	Year-1 2002/03 (actual)	Base year 2003/04 (estimate)	Year 1 2004/05 (target)	Year 2 2005/06 (target)	Year 3 2006/07 (target)
Programme 5: Asset management							
5.4 Financial systems							
Implementation and management of appropriate financial systems.	Effective and efficient financial management systems.	Acceptance by the Executive and the National Treasury of a policy framework dealing with the evolution and deployment of financial systems.	Not applicable.	Acceptance of policy framework by 31 March 2005.	Implement and maintain policy.	Implement and maintain policy.	Implement and maintain policy.
	Logistical information system (LOGIS) fully rolled out to all health institutions (excepting academic hospitals) and integrated into the supply management system with fully capacitated personnel.	Utilisation of LOGIS at the Department of Health, (Academic Institutions excluded).	20 sites successfully implemented.	7 sites successfully completed and fully operational.	Dependant on the development of the New Integrated Financial Management System by National Treasury.	Dependant on the development of the New Integrated Financial Management System by National Treasury.	Dependant on the development of the New Integrated Financial Management System by National Treasury.
	BAS successfully implemented in all departments with fully capacitated personnel.	Operational use of BAS at all the departments and the Provincial Parliament.	BAS successfully implemented at 2 of the 14 votes as well as the Provincial Revenue Fund on 1 April 2003.	100% of target achieved.	Dependent on the development of the New Integrated Financial Management System by National Treasury.	Dependent on the development of the New Integrated Financial Management System by National Treasury.	Dependent on the development of the New Integrated Financial Management System by National Treasury.
	Meeting of all due dates and timely corrective measures.	100% compliance.	Target achieved.	100% of target achieved.	100% of target achieved.	100% of target achieved.	100% of target achieved.
	All 3 central hospitals successfully implemented and fully operational by 1 April 2005.	Utilisation of BAS at the 3 central hospitals (academic hospitals).	All 14 votes successfully implemented by 1 April 2004 with fully capacitated personnel.	3 central hospitals successfully implemented on 1 April 2005.	Dependant on the development of the New Integrated Financial Management System by National Treasury.	Dependant on the development of the New Integrated Financial Management System by National Treasury.	Dependant on the development of the New Integrated Financial Management System by National Treasury.

Measurable Objective	Performance Measure	Output	Year-1 2002/03 (actual)	Base year 2003/04 (estimate)	Year 1 2004/05 (target)	Year 2 2005/06 (target)	Year 3 2006/07 (target)
Programme 5: Asset management							
5.4 Financial systems (continued)							
	2 370 official appropriately trained on the various financial systems.	Provide functional financial training according to an approved training programme and in the case of BAS, PERSAL, Vulindlela and LOGIS according to the project plans.	2 000 officials appropriately trained on the various financial systems.	2 370 officials appropriately trained.	50% of the targeted market of 4 000 officials.	50% of the targeted market of 4 000 officials.	50% of the targeted market of 4 000 officials.

5.1 Reconciliation of budget with plan

Table 5.1: Programme 5: Asset Management budget by sub-programme (R'000)

Programme 5: Asset management								
Sub-programme	Year - 2 2001/02 (actual)	Year - 1 2002/03 (actual)	Base year 2003/04 (estimate)	Average annual change (%) ²	Year 1 2004/05 (budget)	Year 2 2005/06 (MTEF projection)	Year 3 2006/07 (MTEF projection)	Average annual change (%) ³
Supply chain management	3 683	3 518	4 687	12.81	4 876	5 146	5 416	4.94
Public private partnership		112	252		1 320	1 393	1 462	79.69
Financial asset management		851	1 033		1 183	1 241	1 303	8.05
Financial systems	10 804	14 467	20 204	36.75	37 897	34 474	34 747	19.81
Total	14 487	18 948	26 176	34.42	45 276	42 254	42 928	17.93

6. PROGRAMME 6: CONTINGENCY PROVISION

AIM: To respond to adverse natural or economic occurrences having the potential to threaten the budget framework of the Western Cape Government.

PROGRAMME DESCRIPTION:

ensuring available funds for eventualities that cannot be anticipated, prevented or funded by other means

6.1 Situation analysis

This programme, in terms of provisioning, mainly serves to provide for unforeseeable and unavoidable expenditure which might occur during a financial year and which cannot be funded by other means within the vote.

During the past year an amount of R5,450 million was utilised to cater for unforeseen expenditure.

The key challenge is to ensure a stable budget and fiscal environment to departments despite eventualities, beyond government's control, which might occur. To this end adequate provision must be made within the limited means of the Province to address unforeseeable and unavoidable events.

6.2 Policies, priorities and strategic objectives

A contingency provision amounting to R50 million in 2004/05, increasing annually by inflation, is set aside for each year of the 2004 MTEF, in order to stabilise the provincial budget as a whole and departments individually, in case any unforeseeable and unavoidable eventualities do indeed occur.

If the provision or part thereof is not utilised in a particular financial year, it may be allocated in the MTEF/budget process for normal expenditure.

STRATEGIC GOAL 15: *To make provision for unforeseeable and unavoidable expenditure within the Province.*

STRATEGIC OBJECTIVES:

1. Provide departments with financial means for those eventualities that could not be budgeted for but need to be addressed.

6.3 Analysis of constraints and measures planned to overcome them

Limited financial means is the major constraint, however, all endeavours will be made to ensure that this Province receives its optimal allocation from revenues collected nationally in order to fund this programme adequately.

6.4 Description of planned quality improvement measures

The Public Finance component covered under programme 4 will assess all requests for unforeseeable and unavoidable expenditure and make the necessary recommendations to the appropriate authorities.

6.5 Specification of measurable objectives and performance indicators.

Table 6.1: Programme 7: Contingency provision

Measurable Objective	Performance Measure	Output	Year-1 2002/03 (actual)	Base year 2003/04 (estimate)	Year 1 2004/05 (target)	Year 2 2005/06 (target)	Year 3 2006/07 (target)
Programme 6: Contingency provision							
To adequately provide for unforeseeable and unavoidable expenditure variation in policy objectives on the margin.	% possible to accommodate unforeseeable and unavoidable expenditures and policy variations.	Rigorous assessment of bids for additional funding and prioritisation given all spending pressures.	80%	20%			

7. CAPITAL INVESTMENT, MAINTENANCE AND ASSET MANAGEMENT PLAN

This section is not applicable to this Provincial Treasury as functional responsibilities of the Provincial Treasury do not relate to capital investment.

8. MEDIUM-TERM RECEIPTS

8.1 Summary of receipts

The following sources of funding are used for the Vote:

Table 8.1: Summary of receipts: Provincial Treasury

Receipts	Outcome			Main appropriation 2003/04 R'000	Adjusted appropriation 2003/04 R'000	Revised estimate 2003/04 R'000	Medium-term estimate			
	Audited 2000/01 R'000	Audited 2001/02 R'000	Audited 2002/03 R'000				2004/05 R'000	% Change from Revised estimate 2003/04	2005/06 R'000	2006/07 R'000
Equitable share	(389 006)	(472 813)	(328 674)	(97 022)	(248 034)	(278 237)	(56 872)	(79.56)	(33 445)	(24 811)
Conditional grants	214 168	225 647								
Departmental receipts	214 794	298 442	389 207	225 001		354 886	170 558	(51.94)	148 453	142 253
Financing										
Total receipts	39 956	51 276	60 533	127 979	103 437	76 649	113 686	48.32	115 008	117 442

8.2 Departmental receipts collection

Table 8.2: Departmental receipts collection: Provincial Treasury

Departmental receipts	Outcome			Main appropriation 2003/04 R'000	Adjusted appropriation 2003/04 R'000	Revised estimate 2003/04 R'000	Medium-term estimate			
	Audited 2000/01 R'000	Audited 2001/02 R'000	Audited 2002/03 R'000				2004/05 R'000	% Change from Revised estimate 2003/04	2005/06 R'000	2006/07 R'000
Tax receipts	49 868	110 906	133 093	116 909	138 379	139 802	108 970	(22.05)	118 037	131 037
Non-tax receipts	163 674	185 513	255 562	108 092	213 092	213 457	61 587^a	(71.15)	30 415	11 215
Sale of goods and services other than capital assets	10 663	341	5 197	15	15	24	15	(37.50)	15	15
Fines, penalties and forfeits	9	262	232			318		(100.00)		
Interest, dividends and rent on land	153 002	184 910	250 133	108 077	213 077	213 115	61 572	(71.11)	30 400	11 200
Transfers received	1 252	2 023	552			1 627	1	(99.94)	1	1
Sale of capital assets										
Financial transactions										
Total departmental receipts	214 794	298 442	389 207	225 001	351 471	354 886	170 558	(51.94)	148 453	142 253

^a Includes abnormal load permits, special vehicle registration numbers, trading account: surpluses, letting of immovable property, administration fees and taxi permits.

8.3 Conditional grants

Not applicable

8.4 Donor funding

Not applicable

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

9.1 Interdepartmental linkages

Not applicable.

9.2 Local government linkages

Not applicable.

9.3 Public entities

Table 9.1: Details of public entity

Name of public entity	Main purpose of public entity	Transfers from the departmental budget		
		2004/05 MTEF R'000	2005/06 MTEF R'000	2006/07 MTEF R'000
Western Cape Gambling and Racing Board	To control all gambling, racing and activities incidental thereto in the Province.	2 585	2 000	2 100

9.4 Public, private partnerships, outsourcing etc.

The Provincial Treasury is not yet functionally responsible for any PPPs. However, with capacity building within Provincial Treasury, it is envisaged to take over all PPPs related responsibilities from National Treasury by 1 April 2005.

10. FINANCIAL MANAGEMENT

10.1 Strategies to address audit queries

Every audit informal query received from the Auditor-general is forwarded to the accounting component with the office of the CFO where it is registered in an audit-register specifically drawn up for this purpose. It is then marked out to the applicable component with a request to present a written answer to the query at a specific date. A system of reminders is in place to ensure that the due dates are met. An informal answer then forwarded to the Auditor-general and the necessary inscriptions made in the audit register and copies thereof kept on file specifically opened for this purpose. It should be noted that no informal queries for 2002/03 have become formal queries and that no audit queries are outstanding.

10.2 Implementation of PFMA

All financial staff underwent intensive training on the content of the PFMA, the National Treasury Regulations and the Provincial Treasury Instructions.

A programme has also been drawn up to systematically implement the PFMA and bi-monthly reporting on progress is presented to the Treasury.

The Treasury is moving away from a nominal approach to a normative approach in order to capture the spirit of the PFMA and has embarked on a process of restructuring during 2002/03 and 2003/04 to be in line with the National Treasury.