

# Provincial Government Western Cape Provincial Treasury

## Strategic Plan for the fiscal years 2010/11 – 2014/15



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# Foreword

Over the years, the Provincial Treasury of the Western Cape has developed a reputation of being a well-run ship. Naturally, fresh blood comes with new ideas and the desire to do things even better.

Over the next five years, Treasury will focus its efforts on promoting clean and efficient governance across all departments, entities and municipalities. In close conjunction with the Ministry, Treasury will put systems in place that will alert to any potential corruption threats, to which responses will be prioritised. We will instil a sense of responsibility, across the board and in cooperation with other departments, that government's budget must be used carefully, transparently and with full accountability. In so doing, we will lead this Province and the local governments within our ambit, to higher levels of service delivery. Treasury will also ensure that it maintains the efficient allocation of the Province's budget, and achieves marginal real growth.

The Provincial Treasury accepts that it has an important role to fulfil which cannot be performed in isolation from National Treasury. It is therefore committed to strengthening its relationship with the latter and developing a sound working platform with other provinces, so that we can learn from their experiences and transfer any knowledge gained.

The modernisation process that was embarked upon in several departments will be phased in as from 1 April 2010. From that date, Treasury will hand over the Strategic and Annual Performance Plan of the Internal Audit Component and Corporate Services Component to the Department of the Premier. Budget shifts for these components will only be reflected in the adjustments estimates of 2010, once all due administrative and consultation procedures are duly recorded and in place.

It has become evident that in government, performance information plays an increasingly important and indispensable role. Rightly so, the contents of these documents are subject to external auditing and concerted efforts are made to track and monitor their progress on a quarterly basis. This comprehensive mandate has been duly taken up by the Provincial Treasury in conjunction with the Department of the Premier, and I have every confidence that my team will fulfil on its responsibilities.



**ALAN WINDE**

**EXECUTIVE AUTHORITY OF FINANCE, ECONOMIC DEVELOPMENT AND TOURISM**

# OFFICIAL SIGN-OFF

It is hereby certified that this Strategic Plan:

- Was developed by the management of the Western Cape Provincial Treasury under the guidance of Mr Alan Winde.
- Takes into account all the relevant policies, legislation and other mandates for which the Western Cape Provincial Treasury is responsible.
- Accurately reflects the strategic goals and objectives which the Western Cape Provincial Treasury will endeavour to achieve over the period 2010/11 – 2014/15.



**A Gildenhuys (Mr)**  
**Chief Financial Officer**

**Signature** \_\_\_\_\_



**J C Stegmann (Dr)**  
**Accounting Officer**  
**Approved by**

**Signature** \_\_\_\_\_



**A Winde (Mr)**  
**Executive Authority**

**Signature** \_\_\_\_\_

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Foreword

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# Abbreviations

Abet	Adult Basic Education and Training
AC	Audit Committee
ACFS	Annual Consolidated Financial Statements
ADP	Accelerated Development Programme
AFR	Asset Financing Reserve
AFS	Annual Financial Statements
AGSA	Auditor-General of South Africa
AO	Accounting Officer
APP	Annual Performance Plan
ASGISA	Accelerate and Shared Growth Initiative of SA
ASB	Accounting Standards Board
BAS	Basic Accounting System
BBBEE	Broad Based Black Economic Empowerment
BEE	Black Economic Empowerment
BER	Bureau for Economic Research
BI	Business Intelligence
BIF	Business Insight Folder
BPO	Business Process Outsourcing
BS	Budget Statement
BTO	Budget Treasury Office
CASIDRA	Cape Agency for Sustainable Development in Rural Areas
CeI	Centre for e-Innovation
CFO	Chief Financial Officer
CG	Conditional grant
CIDB	Construction Industry Development Programme
CPD	Corporation for Public Deposits
DBC	Departmental Bid Committee
DBSA	Development Bank of Southern Africa
DLGH	Department of Local Government and Housing
DORA	Division of Revenue Act
DoTP	Department of The Premier
DPWT	Department of Public Works and Transport
EA	Economic Analysis
EDU	Economic Development Unit
EEP	Employment Equity Plan
EOC	Employer of Choice
EPS	Electronic Purchasing System
EPWP	Expanded Public Works Programme
ERA	Enterprise Risk Assessor
FET	Further Education Training
FETC	Further Education and Training Certificate

FMCM	Financial Maturity Capability Model
FMIP	Financial Management Improvement Plan
FMS	Financial Management System
GAMAP	Generally Accepted Municipal Accounting Practice
GDPR	Gross Domestic Product per Region
GEPF	Government Employees Pension Fund
GIAMA	Government-wide Immovable Asset Management Act
GRAP	Generally Recognised Accounting Practice
HDI	Historically Disadvantaged Individual
HOD	Head of Department
HOT	Head Official Treasury
HR	Human Resource
HRD	Human Resource Development
HRDS	Human Resource Development Strategy
HRM	Human Resource Management
HSRC	Human Sciences Research Council
IA	Internal Audit
ICS	Improvement in Conditions of Service
ICT	Information Communication Technology
IDIP	Infrastructure Delivery Improvement Programme
IDP	Infrastructure Delivery Plan
IDP	Integrated Development Plans
IDP	Individual Development Plans
IE	iKapa Elihlumayo
IFMS	Integrated Financial Management System
IGCC	Intergovernmental Cash Co-ordination
IIA	Institute for Internal Auditors
IMFO	Institute of Municipal Finance Offices
IMLC	Institutional Management and Labour Committee
IPMU	Infrastructure Programme Management Unit
IT	Information Technology
IYM	In-Year Monitoring
LED	Local Economic Development
LG	Local Government
LG MTEC	Local Government – Medium Term Expenditure Committee
LOGIS	Logistical Information System
MEC	Member of Executive Council
MEDS	Micro Economic Development Strategy
MEDSAS	Medical Stores Administration System
MFMA	Municipal Finance Management Act, 2003 (Act 56 of 2003)
MLO	Media Liaison Officer
MPSA	Minister of Public Service and Administration
MSP	Master Systems Plan
MTBPS	Medium Term Budget Policy Statement
MTEC	Medium Term Expenditure Committee



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MTEF	Medium Term Expenditure Framework
MTFF	Medium Term Fiscal Framework
MTREF	Medium Term Revenue Expenditure Framework
NMIR	National Minimum Information Requirements
NT	National Treasury
NTR	National Treasury Regulations
OD	Organisational Development
PDC	Provincial Development Council
PERSAL	Personnel and Salary Administration System
PER&O	Provincial Economic Review and Outlook
PES	Provincial Equitable Share
PFMA	Public Finance Management Act, 1999 (Act 1 of 1999)
PGDS	Provincial Growth and Development Strategy
PGWC	Provincial Government Western Cape
PI	Performance Indicator
PMDS	Performance Management Development System
PMF	Performance Management Frameworks
PMI	Performance Measure Indicator
PMU	Programme Management Unit
PPP	Public Private Partnership
PPPFA	Preferential Procurement Policy Framework Act
PPSC	Provincial Portfolio Steering Committee
PSCBC	Public Service Commission Bargaining Council
PSDF	Provincial Spatial Development Framework
PT	Provincial Treasury
PTF	Provincial Treasury Forum
PTM	Provincial Treasury Management
PTRPA	Provincial Tax Regulation Process Act
QPR	Quarterly Performance Report
REAL	Revenue, Expenditure, Assets, and Liabilities
RFP	Request for Proposal
RFQ	Request for price Quotations
SAQA	South African Qualification Authority
SARS	South African Revenue Services
SCM	Supply Chain Management
SCoA	Standard Chart of Accounts
SCOF	Standing Committee on Finance
SCOPA	Standing Committee on Public Accounts
SDBIP	Service Delivery Budget Implementation Plan
SDR	Service Delivery Review
SEP	Socio-Economic Profile
SER	Socio-economic Review
SETA	Sector Education and Training Authority
SIP	Strategic Infrastructure Plan
SITA	State Information Technology Agency
SME	Small and Medium Enterprises

SMME	Small Medium and Micro Enterprise
SMS	Senior Management Service
SPMS	Staff Performance Management System
TCF	Technical Committee on Finance
TCO	Total Cost of Ownership
TELKOM	Telecommunication
TMM	Treasury Management Meeting
TQM	Total Quality Management
URS	User Requirement Statement
WCED	Western Cape Education Department
WCGRB	Western Cape Gambling and Racing Board
WC-MTBPS	Western Cape Medium Term Budget Policy Statement
WCSD	Western Cape Supplier Database
WSP	Workplace Skills Plan

## **PART A: STRATEGIC OVERVIEW**

### **1. Vision**

Change agent in resource allocation and utilisation practices in pursuing a systematic reduction in social and economic disparities.

### **2. Mission**

To obtain financial supportive means and foster the optimal utilisation of resources by means of sound governance practices.

### **3. 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.

### **4. Legislative and other mandates**

The legislative mandate within which the Provincial Treasury operates consists of the following mix of national and provincial legislation:

#### **Annual Division of Revenue Act**

To provide for the equitable division of revenue generated nationally, including 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 employment conditions for Treasury staff.

#### **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 work force broadly representative of the demographics of the Western Cape and eliminating unfair discrimination in employment towards implementing employment equity.

**Executives' Members Ethics Act (Act 82 of 1998)**

To provide for a code of ethics governing the conduct of members of provincial Executive Councils, and to provide for matters connected therewith.

**Government Employees, Pension Law, 1996 (Act 21 of 1996)**

To make provision for the payment of pensions and certain other benefits to employees of this department and to their dependants or nominees, and to provide for matters incidental thereto.

**Government Immovable Asset Management Act, 2007 (Act 19 of 2007)**

To provide for a uniform framework for the management of an immovable asset that is held or used by a provincial department and to ensure the coordination of the use of an immovable asset with the service delivery objectives of a provincial department.

**Intergovernmental Fiscal Relations Act, 1997 (Act 97 of 1997)**

To define the role of the Minister of Finance, Economic Development and Tourism and that of the Treasury as representative of the Provincial Government in promoting cooperation 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 generated nationally and for matters in connection therewith.

**Intergovernmental Relations Framework Act, 2005 (Act 13 of 2005)**

To establish a framework for the national government, provincial governments and local governments to promote and facilitate intergovernmental relations; to provide for mechanisms and procedures to facilitate the settlement of intergovernmental disputes; and to provide for matters connected 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 work place.

**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 with municipal borrowing; to make provision for the handling of financial emergencies in municipalities; and to provide for matters connected therewith.

**Money Bills Amendment Procedure and Related Matters Act, 2009 (Act 9 of 2009)**

To provide for a procedure to amend monetary bills before Parliament; to provide for norms and standards to amend monetary bills before provincial legislatures and other related matters.

**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 health and safety hazards arising out of or in connection with the activities of persons at work; to establish an advisory council for occupational health and safety; and to provide for matters connected therewith.

**Public Audit Act, 2004 (Act 25 of 2004)**

To provide assistance to the Auditor-General's Office in recovering outstanding audit fees; to intervene on matters arising from audit reports 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 other person that is required for exercising or protecting 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 the right to request 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.

**Provincial Tax Regulation Process Act, 2001 (Act 53 of 2001)**

To regulate the intergovernmental process that must be followed by provinces in exercising their powers in terms of section 228 of the Constitution to impose taxes, levies and duties, and flat rate surcharges on the tax bases of any tax, levy or duty imposed by national legislation; and to provide for matters connected therewith.

**Public Finance Management Act, 1999 (Act 1 of 1999) (PFMA)**

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. This Act describes the powers and functions of Treasuries to direct their responsibilities with respect to other departments and public entities.

**Public Service Act, 1994 (Act 103 of 1994) as amended**

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 the discharge of staff members of the Treasury and matters connected therewith.

**Remuneration of Public Office Bearers Act (Act 20 of 1998)**

To provide for a framework for determining the upper limit of salaries and allowances of Premiers, members of Executive Councils, members of Provincial Legislatures and members of Municipal Councils; to provide for a framework for determining pension and medical aid benefits of office bearers; to provide for the repeal of certain laws; and to provide for matters connected therewith.

**Skills Development Act, 1998 (Act 97 of 1998)**

To provide an institutional framework to devise and implement national, sector and work place strategies to develop and improve the skills of the South African work force; to integrate those strategies within the National Qualifications 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.

**Taxation Laws Amendment Act (Act 32 of 1999)**

To amend the Marketable Securities Tax Act, 1948, in order to effect certain textual alterations; to provide that a certain part of the salary of public office bearers is deemed to be an allowance; to further regulate the taxation of the investment income of controlled foreign entities and the investment income arising from donations, settlements or other dispositions; to limit the application of certain exemptions; to provide for further exemptions; to further regulate the allowance for tax purposes in respect of intellectual property and matters relating thereto.

**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, 1996, the Constitution of the Western Cape, 1997 (Act 1 of 1998) and the Public Finance Management Act, 1999 (Act 1 of 1999), and matters incidental thereto.

**Western Cape Gambling and Racing Law, 1996 (Law 4 of 1996)**

To provide for 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 to assist the Provincial Legislature to meet its financial obligations as determined by legislation.

**5. Situational analysis****5.1 Performance environment**

In spite of all the initiatives regarding the fiscal initiatives that have been launched since 1994 both socio-economic disparities and the state of fiscal management within government, plus a range of other issues, remain a challenge.

The scope of responsibility of Provincial Treasuries has also increased over the last 15 years with greater involvement in the local sphere of government and an increasing role of fiscal discipline and direction within provincial departments and associated entities. The aim of the Provincial Treasury over the next five years will be to enhance allocative efficiency within the context of marginal real growth in resource allocation and to assist departments and municipalities to achieve higher levels of service delivery. These endeavours will place more emphasis on an interactive and cooperative approach, accepting change as a norm. Greater emphasis will therefore be on day to day practical improvements and to systematically achieve those targets that were not met over the last 15 years, apart from achieving the goals as set out in this document.

**5.2 Organisational environment**

New strategic goals were compiled for 2010/11 – 2014/15 for the Provincial Treasury to better fulfil its constitutional mandate to address the socio-economic challenges of the Province in tandem with departments, municipalities and other stakeholders. Furthermore, the Department of the Premier is driving a multi-year modernisation process, which has been initiated by the new Provincial Government that came into power in May 2009. The changes in strategic goals therefore also necessitated new strategic objectives and performance indicators that will become effective as from 1 April 2010.

**5.3 Description of the strategic planning process**

The new Strategic Plan (SP) and Annual Performance Plan (APP) compiled by the Provincial Treasury is in line with National Treasury's latest prescripts applicable to provincial departments and entities for the new five-year planning period. Provincial Treasury's SP and APP processes commenced early in 2009 and was the end result of a culmination of a great deal of analytical work and the joint effort of managers and their units to recompile their strategic goals, strategic objectives and performance indicators from a new base. These individual and team efforts were workshopped with the Minister of Finance, Economic Development and Tourism early in January 2010 to obtain his final concurrence and support.

The strategic process of planning will carry on over the next six years to achieve even further refinement and will be based on the measurement of performance at quarterly and annual intervals. Each performance indicator has to be substantiated for feedback and approval by

the Accounting Officer and the responsible Minister. In turn, this information will be subjected to both internal and external audits.

The effect of the modernisation process will, among others, result in a shift of the Internal Audit (IA), Human Resource Management (HRM) and Enterprise Risk Management (ERM) components to the Department of the Premier (DoTP). In the relevant sections, appropriate notes have been inserted, where these components have been affected by mooted changes with all performance measures and goals captured within the SP and APP of DoTP.



## 6. Strategic goals of the department

<b>Strategic Goal 1</b>	Assist the member of the Executive Council and the HoD with the delivery of the assigned functions to them.
<b>Goal statement</b>	Render effective strategic secretarial support, administrative support and communication services.
<b>Justification</b>	Ensure that the vision, mission, strategic goals and objectives of the Department are achieved.
<b>Links</b>	Links to the Provincial Strategic framework objective of clean, value driven, efficient and effective and responsive government.

<b>Strategic Goal 2</b>	Effective financial management of the department up to a level 3+ financial capability rating.
<b>Goal statement</b>	Deliver financial management and associated advisory services; to make limited provision for accommodation requirements.
<b>Justification</b>	Reduce risk, ensure efficient and effective use of financial resources, and ensure clean audit reports and sustainability within the department.
<b>Links</b>	Links to the Provincial Strategic framework objective of clean, value driven, efficient and effective and responsive government.

<b>Strategic Goal 3</b>	Revenue adequacy, optimisation and efficiency of revenue collection for departments and municipalities to achieve a level 3+ financial capability rating.
<b>Goal statement</b>	Efficient revenue sources and fiscal policy, which addresses financing requirements with no adverse economic effects.
<b>Justification</b>	The limited and constraint fiscal envelope requires provincial and local government to ensure the optimum and efficient collection of all potential revenue sources.
<b>Links</b>	Links to the Provincial Strategic framework objective of clean, value driven, efficient and effective and responsive government.

<b>Strategic Goal 4</b>	Responsive budgets for all provincial departments, municipalities and entities to achieve a level 3+ financial capability rating.
<b>Goal statement</b>	Promote the development of responsive departmental, municipal and entity budgets that contribute to improvements of selected socio-economic outcomes through economic analysis, budget policy formulation, budget allocations and monitoring of performance.

<b>Justification</b>	<p>Provincial, municipal and entity budgets are meant to play key roles as policy instruments to address social and economic challenges. The achievements of socio-economic imperatives need to be supported with appropriate budget policy and budgetary allocations.</p> <p>Budgets that address selected socio economic outcomes and government priorities/goals as well as effective M&amp;E processes to monitor performance of budget policy and plans are important to ensuring effective resource allocation.</p>
<b>Links</b>	<p>Links to the Provincial Strategic framework objective of clean, value driven, efficient and effective and responsive government.</p> <p>Budget and related documents such as municipal integrated developments plans, spatial development framework, local economic development plans, which is supported by socio-economic statistics obtainable from Community Surveys and National Census and the Local Government Turnaround Strategy.</p>

<b>Strategic Goal 5</b>	<p>Credible budgets within departments, municipalities and entities to achieve a level 3+ financial capability rating.</p>
<b>Goal statement</b>	<p>Budgets that are sustainable, operationally efficient, purpose driven and implemented as planned.</p>
<b>Justification</b>	<p>Improve the sustainability and credibility of provincial, municipal and entity budgets, the monitoring of implementation to enhance x-efficiency, financial prudence and fiscal discipline in order to maximise the capacity of provincial departments and municipalities to deliver services.</p>
<b>Links</b>	<p>Links to the Provincial Strategic framework objective of clean, value driven, efficient and effective and responsive government.</p> <p>Links to the national Medium Term Spatial Framework's outcome of a, "responsive, accountable, effective and efficient local government system", and to the strategic objective "financial viability" of the five year strategic agenda of local government, as well as to "financial management" of the Local Government Turnaround Strategy.</p>

<b>Strategic Goal 6</b>	<p>Enhance departmental and municipal capacity and performance to achieve a level 3+ financial capability rating for SCM and moveable asset management.</p>
<b>Goal statement</b>	<p>Assist departments and municipalities in respect of SCM and moveable asset management to build capacity and enforce good governance practices; and for departments to enhance relationships with BEE and SMME vendors in support of preferential procurement imperatives and implement a transversal contract model for the province that gives effect to economies of scale and value for money.</p>

<b>Justification</b>	Ensure that the vision, mission, strategic goals and objectives of the Department are achieved.
<b>Links</b>	Links to the Provincial Strategic framework objective of clean, value driven, efficient and effective and responsive government.

<b>Strategic Goal 7</b>	Increase the level of infrastructure delivery to achieve a level 3+ financial capability rating (departments of Education, Health, Transport and Public Works and selected municipalities) and the sound management of PPP projects.
<b>Goal statement</b>	Effective and efficient delivery of infrastructure and management of immovable assets, including PPP projects through institutionalising best practice, systems, tools and building capacity.
<b>Justification</b>	Departments and municipalities still lack the ability in terms of capacity, business processes, etc. to achieve optimal investment in infrastructure and sound management of immovable assets.
<b>Links</b>	Links to the Provincial Strategic framework objective of clean, value driven, efficient and effective and responsive government, as well as the National Government's Infrastructure Delivery Improvement Programme (IDIP).

<b>Strategic Goal 8</b>	Monitor and evaluate cash flow and investment management so that it is sustainable and credible and will enhance service delivery and improve liquidity in departments and municipalities.
<b>Goal statement</b>	Ensure sustainable, credible and effective cash flow and investment management in departments and municipalities.
<b>Justification</b>	By ensuring more effective and efficient cash flow and investment management it will improve service delivery and maintain liquidity in departments and municipalities.
<b>Links</b>	Links to the Provincial Strategic framework objective of clean, value driven, efficient and effective and responsive government.

<b>Strategic Goal 9</b>	Management, utilisation and implementation of financial systems to achieve a level 3+ financial capability rating within provincial departments and selected entities.
<b>Goal statement</b>	Provide for the standard implementation, management and technical user support (helpdesk and training) of existing financial systems and the transition to the Integrated Financial Management Solutions (IFMS) to enhance compliance with the PFMA and other relevant legislation.
<b>Justification</b>	This goal will contribute to sound financial management, skilled and capacitated system users and compliance to user requirement statement.
<b>Links</b>	Links to the Provincial Strategic framework objective of clean, value driven, efficient and effective and responsive government.

<b>Strategic Goal 10</b>	Ensure the development of accounting practices within provincial and local government that will promote effective and efficient capturing of REAL movements/accountability and contribute towards attaining level 3 and higher auditable organisations.
<b>Goal statement</b>	Establish a sound and dynamic financial accounting framework to promote accountability, transparency and good governance.
<b>Justification</b>	Improve the quality and integrity of financial accounting and reporting to fully reflect all transactions and the values and extent of all assets owned government.
<b>Links</b>	This goal will contribute to clean municipal audits by the national target year of 2014. Links to the Provincial Strategic framework objective of clean, value driven, efficient and effective and responsive government.

<b>Strategic Goal 11</b>	Enable departments and municipalities to achieve a level 3+ financial management capability over the next 5 years.
<b>Goal statement</b>	Develop, implement and monitor compliance with corporate governance norms and standards within local and provincial government.
<b>Justification</b>	In terms of S18 of the PFMA and S5 MFMA, PT must set the norms and standards for financial management, and may assist with the implementation thereof and thereby improve efficient and economic utilisation of resources.
<b>Links</b>	Links to the Provincial Strategic framework objective of clean, value driven, efficient and effective and responsive government.

## PART B: STRATEGIC OBJECTIVES

### 7. Programme 1: Administration

Programme	Sub-programme
1. Administration	1.1. Office of the MEC 1.2. Management Services 1.3. Corporate Services (Shifts to the department of the Premier) 1.4. Financial Management

#### 7.1 Programme Purpose

Give strategic direction and to provide quality financial and other support services to the Minister and the Head of Department.

#### 7.2 Programme structure

The programme is further structured into the following sub-programmes:

##### **Sub programme 1.1: Office of the MEC**

Purpose: assist the Member of Executive Council with the assigned functions of the Executive.

The Minister's office renders secretarial and administrative services to assist the Minister with the performance of his/her legislative responsibilities as MEC and as an elected public representative. This includes fostering relationships with the media and all other parties within government and the broader public.

##### **Sub programme 1.2: Management Services**

Purpose: assist the Head of Department with the functions assigned by the MEC.

The Office of the Head of Department provides strategic support to the Department as a whole, including secretariat and other support services. This includes internal communication and website services, information centre services and managerial coordination for the Department.

##### **Sub programme 1.3: Corporate Services**

The Modernisation Programme, which is in an advanced stage, proposes a shift of the Human Resource (excluding the Departments of Health and Education), Internal Audit and Enterprise Risk Management functions to a shared Corporate Services within the Department of the Premier with effect from 1 April 2010. Therefore the strategic objectives and performance indicators relating to these functions are only reflected in the strategic and

annual performance plans of the Department of the Premier. The financial implications of the function shift will be finalised during the 2010/11 adjusted estimates process once all of the human resource and other related issues have been finalised.

Due to the modernisation process undertaken by the Department of the Premier clarity has not yet been reached on all the specific administrative changes. Corporate Services will be shifted to the DoTP to provide a model in the Province. Training and personnel development responsibilities have been assigned to the heads of the different programmes within the Treasury.

**Sub programme 1.4: Financial management**

Purpose: effective financial management of the department up to a level 3+ financial capability rating and the provision of limited accommodation requirements and support services.

This sub-programme is driven by the Chief Financial Officer (CFO) who is appointed in terms of Chapter 2 of the National Treasury Regulations and reports directly to the Accounting Officer. The main duties are spread across five sections.

The Management Accounting section is responsible for the compilation of annual and adjusted budgets, quarterly and annual performance reports, and the monitoring and control of expenditure.

The Financial Accounting section is responsible for maintaining an effective payments system, for compiling the annual financial statements and maintaining the ledger accounts of the Department.

The Supply Chain Management section (SCM) is responsible for providing and developing the SCM database, maintaining and safeguarding assets and providing administrative support in respect of the acquisition of goods and services.

The Internal Control section must ensure that effective internal control measures are in place throughout the Department, particularly in high-risk areas and also ensure the prevention of adverse internal and external audits.

Currently the Auxiliary Services section still resides under the CFO, which includes the registry, government vehicles, telephone services, reprographic services, messenger services and food aid services.

**7.3 Strategic objectives**

<b>Strategic Objective 1</b>	Provide secretarial and administrative services to the Ministry.
<b>Objective statement</b>	Effective, efficient and economic secretarial and administrative services within the Ministry in alignment with departmental strategic goals.
<b>Baseline</b>	Services are currently rendered satisfactorily, but the effectiveness and efficiency can be improved.

<b>Justification</b>	Secretarial and administrative services within the Ministry are required to ensure that the Minister is able to perform the responsibilities as Member of the Executive Council and public representative.
<b>Links</b>	Links to the Provincial Treasury's Strategic Goal 1: assisting the MEC and the HoD with the delivery of the assigned functions to them.

<b>Strategic Objective 2</b>	Render communication services to the Ministry.
<b>Objective statement</b>	Effective communication through media liaison services.
<b>Baseline</b>	Current relationship with media is satisfactory, but better relationships need to be fostered to ensure that media coverage portrays the portfolio responsibilities of the Minister.
<b>Justification</b>	Media coverage will ensure that the public is informed of the Minister's execution of the portfolio responsibilities.
<b>Links</b>	Links to the Provincial Treasury's Strategic Goal 1: assisting the MEC and the HoD with the delivery of the assigned functions to them.

<b>Strategic Objective 3</b>	Assist with strategic management and support to the Ministry.
<b>Objective statement</b>	Strategic management and support to aid the Executive Authority in the execution of the assigned responsibilities.
<b>Baseline</b>	Difficult to determine the current level of performance as it is a new strategic objective.
<b>Justification</b>	Strategic management and support to the Minister is necessary to ensure that the Departments deliver on their mandates and that the Minister therefore executes the responsibilities as Executive Authority.
<b>Links</b>	Links to the Provincial Treasury's Strategic Goal 1: assisting the MEC and the HoD with the delivery of the assigned functions to them.

<b>Strategic Objective 4</b>	Build competencies and enhance and maintain strategic support services.
<b>Objective statement</b>	Ensure effective operation of the Head of Department (HOD) office by rendering strategic support to the Provincial Treasury.
<b>Baseline</b>	Systems in place that captures and tracks progress with the implementation of the Provincial Treasury key areas.
<b>Justification</b>	Ensure that there is a clear operational plan, inclusive of human capital and other support services in place for the HOD to provide leadership and strategic direction to the rest of Provincial Treasury.
<b>Links</b>	Links to the Provincial Treasury's Strategic Goal 1: assisting the MEC and the HoD with the delivery of the assigned functions to them.

<b>Strategic Objective 5</b>	Effective communication and event co-ordination within Treasury.
<b>Objective statement</b>	Render strategic support, coordination, communication and information services.
<b>Baseline</b>	Internal and external communication strategies and information services in place for the whole department.
<b>Justification</b>	Ensure that all staff members at Treasury are well informed about activities happening and have access to information required to fulfil their responsibilities.
<b>Links</b>	Links to the Provincial Treasury's Strategic Goal 1: assisting the MEC and the HoD with the delivery of the assigned functions to them.

<b>Strategic Objective 6</b>	Responsive and credible budget composition and delivery for the department.
<b>Objective statement</b>	Ensure a realistic budget that is within the prescribed limits and availability of funds and to promote efficient financial resource use.
<b>Baseline</b>	Department has a realistic budget that is credible together with a financial efficiency programme in place.
<b>Justification</b>	Ensuring that the budget prepared can meet the business of the department and that the variance between Main and Adjusted Budget is less than 2%.
<b>Links</b>	Links to the Provincial Treasury's Strategic Goal of rendering financial management advisory services. (Strategic goal 2)

<b>Strategic Objective 7</b>	Full and accurate reflection of all financial transactions of the department.
<b>Objective statement</b>	Maintain a proper management of ledgers and achieve a clean audit report. Deliver a fully effective accounting function to the department to achieve proper management of ledgers, clean audits, a complete and maintained asset register and payment of creditors within 30 days.
<b>Baseline</b>	Unqualified successive audits, payments are made within 30 days and ledgers are reconciled monthly.
<b>Justification</b>	Financial transactions in ledgers reflect a healthy status of a department that is auditable.
<b>Links</b>	Links to the Provincial Treasury's Strategic Goal of rendering financial management advisory services. (Strategic goal 2)



<b>Strategic Objective 8</b>	Level 3 auditable supply chain management services.
<b>Objective statement</b>	Provide and develop SCM databases for stocks, IT equipment and assets, appropriate policy frameworks, a responsive procurement plan, a revised accounting officer's system of delegations and effective monitoring and evaluation of SCM.
<b>Baseline</b>	According to Provincial Treasury's findings, SCM services are average.
<b>Justification</b>	Improve to acceptable levels of level 3 and higher.
<b>Links</b>	Links to the Provincial Treasury's Strategic Goal of rendering financial management advisory services. (Strategic goal 2)

<b>Strategic Objective 9</b>	Effective internal control measures and risk mitigation.
<b>Objective statement</b>	Identify risk mitigation strategies, the improvement of internal control management and institutionalisation of financial management improvement.
<b>Baseline</b>	Risk management, internal capacity and internal control are not on par and managers do not always manage their risks effectively.
<b>Justification</b>	Proactive planning, correct identification of risks and early remedy of any financial management risks or deficiencies or capacity.
<b>Links</b>	Links to the Provincial Treasury's Strategic Goal of rendering financial management advisory services. (Strategic goal 2)

<b>Strategic Objective 10</b>	Provide effective auxiliary and specialised support services.
<b>Objective statement</b>	Ensure a proper filing and tracking system and the maintenance of the GG fleet.
<b>Baseline</b>	To provide effective auxiliary support services to the department.
<b>Justification</b>	Good auxiliary services ensure a smooth running department.
<b>Links</b>	Links to the Provincial Treasury's Strategic Goal of rendering financial management advisory services. (Strategic goal 2)

## 7.4 Resource considerations

Sub-programme R'000	Outcome			Revised estimate 2009/10	Medium-term estimate		
	Audited	Audited	Audited		2010/11	2011/12	2012/13
	2006/07	2007/08	2008/09				
1. Office of the Minister <sup>a</sup>	2 774	3 312	3 595	4 465	4 896	5 253	5 612
2. Management Services	2 029	2 566	2 576	3 341	5 287	5 652	6 006
3. Corporate Services	8 928	13 371	13 676	12 149	7 758	8 303	8 856
4. Financial Management	14 993	14 198	20 294	20 049	21 449	23 008	23 532
<b>Total payments and estimates</b>	28 724	33 447	40 141	40 004	39 390	42 216	44 006

Changes over time reflect a variety of policy choices, ultimately resulting in placing greater responsibility with Programme and sub programme managers for staff development and those costs that can be directly attributed to the running of their programme or sub programme. Examples of the latter are printing, audit and staff related costs. The rise in compensation of employee costs relates to the bolstering of the CFO office and that of the Minister and HoD, calculated to improve overall financial and strategic management of the Provincial Treasury as well as to meet regulatory requirements.

Provision has also been made for predetermined IT technology refresh and associated enhancements to meet the data and information management requirements of the department. The rollout of the corporatisation model (inclusive of human resource, enterprise risk management and internal audit services) as well as initiatives to introduce e-filing, reconfiguration and appropriate placement of support services will take place in due course

## 7.5 Risk management

### Sub-programme 1.1: Office of the MEC, 1.2: Management Services and 1.3: Corporate Services

The risks relating to the Office of the MEC and the Office of the Head of Department are taken up in an enterprise risk management model of the Department. No significant risks are therefore identified for the first two sub-programmes of Programme 1 in terms of the current model, the low impact and the unlikelihood of these risks manifesting themselves during the next five year. As indicated under paragraph 7.2 above, Corporate Services has been shifted to the DoTP.

### Sub-programme 1.4: Financial management

#### Risk:

The management of Supply Chain Management Unit is lower than level 3.

#### Mitigation:

The mitigation of risks inherent in the SCM process is challenging and is receiving urgent attention under the guidance of the CFO. Many models that have been developed in the

2009/10 financial year will be implemented and become operative during the first three years of the next five-year cycle. Capacity constraints within the unit are being addressed and training and liaison with the Provincial Treasury is strengthened. In general, external factors will also have to be guided by both the Provincial and National Treasury to ensure that the SCM units in all departments receive guidance and support over the next five years.

## 8. Programme 2: Sustainable Resource Management

Programme	Sub-programme
2. Sustainable Resource Management	2.1. Programme Support 2.2. Fiscal Policy 2.3. Budget Management 2.4. Public Finance

### 8.1 Programme Purpose

To inform financial resource allocation, to manage the provincial budget and to monitor the implementation of provincial, municipal and entity budgets to enhance the effective utilisation of available fiscal resources.

### 8.2 Programme structure

The programme currently consists of two chief directorates, namely Public Finance and Public Policy Services, which fall under the branch Fiscal and Economic Services. The programme is further divided into the following sub-programmes:

#### Sub-programme 2.1: Programme support

This sub-programme houses the head of the branch: Fiscal and Economic Services and the two chief directors responsible for Public Policy Services and Public Finance, respectively. It also provides resources for the structured training and development of the staff in the programme.

#### Sub-programme 2.2: Fiscal Policy

Purpose: provide for the effective and efficient development of revenue streams

The Fiscal Policy sub-programme provides guidance on the effective and efficient development and collection of all available revenue streams. The recent downturn in economic activity has resulted in a pronounced decline in available resources to provincial and local governments from the existing tax instruments. Therefore, initiatives in the sub-programme to improve the sustainability of provincial and municipal budgets include a variety of actions to explore the full use of available revenue sources. These actions refer to research, inputs into a new provincial fiscal framework, refining and updating current research initiatives and developing new revenue proposals where that may prove to be feasible.

### **Sub-programme 2.3: Budget Management**

#### **Element: Provincial Government Budget Management**

Purpose: provide for provincial economic analysis and advice that informs fiscal policy and the budget allocation process and to assist, assess and report on policy attainment across the provincial sphere.

This sub-programme's key focus area is on improving the responsiveness of the provincial budget to address socio-economic imperatives through, amongst others, the annual publication of the Provincial Economic Review and Outlook (PER&O), the medium-term budget policy statement, associated budgetary allocations over the MTEF and the budget overview.

In addition, the focus is on informing resource allocations that increasingly respond to socio-economic imperatives through the assessment of budget and policy plans, initiatives to improve performance information and reporting in provincial departments, and public entities and monitoring of budget implementation and performance.

#### **Element: Local Government Budget Management**

Purpose: provide for local government economic analysis and advice that informs fiscal policy and the budget allocation decisions and to assist, assess and report on policy attainment across the local government sphere.

This sub-programme's key focus area is on improving the responsiveness of municipal budgets to address socio-economic imperatives through evaluation and advice on the appropriateness of these to facilitate the prioritisation of basic needs of communities and the promotion of their social and economic development.

### **Sub-programme 2.4: Public Finance**

#### **Element: Provincial Government Finance**

Purpose: compile the annual main and adjustments estimates and the efficient implementation thereof, to assist, assess and report on provincial revenue and expenditure management, including provincial entities and to provide oversight of the Western Cape Gambling and Racing Board.

This sub-programme is responsible for the assessment of provincial budgets to improve their sustainability and credibility and for monitoring the implementation of budgets to enhance x-efficiency, financial prudence and fiscal discipline. A key objective is improving the credibility and sustainability of provincial budgets by promoting efficient budget implementation.

#### **Element: Local Government Finance (Groups 1 and 2)**

Purpose: assist, assess and report on municipal budgets, revenue and expenditure management, including municipal entities and to drive the implementation of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003).

The sub-programme is divided into two directorates, namely Group 1 (mainly coastal municipalities) and Group 2 (mainly non-coastal municipalities). They will respectively concentrate on improving the credibility and sustainability of municipal budgets by promoting efficient budget implementation and developing the functional ability of municipalities through the implementation of standards, knowledge-sharing and training (internally and externally).

Further steps will be taken to improve the interface between municipal budgets and in-year monitoring by identifying gaps in the interface and implementing remedial steps relating to revenue and expenditure management in municipalities.

### 8.3 Strategic objectives

<b>Strategic Objective 11</b>	Build competencies and enhance and maintain the delivery of the programme.
<b>Objective statement</b>	Ensure effective, targeted and efficient operation of the programme.
<b>Baseline</b>	Support services provided to the programme are satisfactory, but the effectiveness and efficiency of the programme can be improved.
<b>Justification</b>	Ensure that there is a clear operational plan, inclusive of human capital and other support services for the programme to better meet its business objectives.
<b>Links</b>	Contributing to the Provincial Treasury’s Strategic Goal 1: assisting the member of the Executive Council and the HoD with the delivery of the assigned functions to them.

<b>Strategic Objective 12</b>	Full utilisation of all potential revenue sources available to provincial and local governments.
<b>Objective statement</b>	Provide for the effective and efficient development and collection of all available revenue streams.
<b>Baseline</b>	No new provincial taxes have been implemented over the last five years. Base research (desktop) on fuel levy, bed levy and tourism taxes have been done. The current global economic environment impacted on resource availability and resulted in major government revenue shortfalls across the world, including South Africa, which impacted directly on the available resources to provincial and local governments. Sharp declines in available funding (other than for statutory payments) to the provincial government.
<b>Justification</b>	The sharp decline in available resources to provincial and local governments necessitates a fresh look at exploring initiatives aimed at the full use of available revenue sources, taking into account economic realities.
<b>Links</b>	Links to the Provincial Treasury’s Strategic Goal 3: revenue adequacy, optimisation and efficiency of revenue collection for departments and municipalities to achieve a level 3+ financial capability rating.

<b>Strategic Objective 13</b>	Mechanisms for revenue collections in provincial and local governments that are optimum inclusive of cash management arrangements.
<b>Objective statement</b>	Provide for the effective and efficient mechanisms of revenue collection within provincial and local governments.
<b>Baseline</b>	<p>No assessment has been done as yet into whether provincial and local governments are using effective and efficient mechanisms in optimising their revenue collection and potential.</p> <p>The current global economic environment impacted on resource availability and resulted in major government revenue shortfalls across the world, including South Africa, which impacted directly on the available resources to provincial and local governments</p> <p>Sharp declines in available funding (other than for statutory payments) to the provincial and local government require new initiatives in becoming increasingly more efficient and effective.</p>
<b>Justification</b>	The sharp decline in available resources to provincial and local governments necessitates a fresh look at exploring new initiatives aimed at becoming increasingly more effective and efficient with revenue collection.
<b>Links</b>	Links to the Provincial Treasury's Strategic Goal 3: revenue adequacy, optimisation and efficiency of revenue collection for departments and municipalities to achieve a level 3+ financial capability rating.

<b>Strategic Objective 14</b>	Evaluate the responsiveness of budgets within provincial departments and entities.
<b>Objective statement</b>	Evaluate the responsiveness of budgets for provincial departments and entities to inform resource allocations that increasingly respond to socio-economic imperatives through the assessment of budget and policy plans, initiatives to improve performance information and reporting and monitoring of performance.
<b>Baseline</b>	The responsiveness of budgets have been assessed as part of the PG MTEC 1 and 2 processes.
<b>Justification</b>	Provincial budgets are meant to play a key role as a policy instrument to address social and economic challenges. The achievement of socio-economic imperatives needs to be supported with appropriate budgetary allocations. In order to assess the effectiveness of the financial resource allocation in achieving predetermined objectives including improving social and economic outcomes, quality performance information is required to feed into the budget allocation process. The determination of an evaluation criteria and linking of measurement indicators are required to track progress against plans.
<b>Links</b>	Links to the Provincial Treasury's Strategic Goal 4: responsive budgets for all provincial departments, municipalities and entities to achieve a level 3+ financial capability rating.

<b>Strategic Objective 15</b>	Conduct economic analysis to inform provincial planning and budgeting processes.
<b>Objective statement</b>	Review, analyse and report on economic parameters and socio-economic information to inform provincial planning and budgeting processes on an annual basis.
<b>Baseline</b>	One annual publication of a Provincial Economic Review and Outlook, which provides the socio-economic context to the Medium Term Budget Policy Statement and Budget Overview.
<b>Justification</b>	Research on the economic parameters and socio-economic situation is required to describe the situation that budgets need to address and to provide a context, which facilitates and informs the development of a responsive budget.
<b>Links</b>	Links to the Provincial Treasury's Strategic Goal 4: responsive budgets for all provincial departments, municipalities and entities to achieve a level 3+ financial capability rating.

<b>Strategic Objective 16</b>	Evaluate the responsiveness and implementation of the budget.
<b>Objective statement</b>	Evaluate and advise on the responsiveness of municipal budgets to facilitate the prioritisation of the basic needs of the community and promotion of social and economic development of communities through the monitoring of Service Delivery and Budget Implementation Plans, Mid-Year reports and Annual Reports
<b>Baseline</b>	Achieve a level of responsiveness in municipal budgets that is consistent with the aims of the local government turnaround strategy. Municipal budgets that support the provincial strategic objective of clean, value driven, efficient and effective responsive government.
<b>Justification</b>	Improve the responsiveness and implementation of municipal budgets by providing advice and on-going monitoring and evaluation.
<b>Links</b>	Links to the Provincial Treasury's Strategic Goal 4: responsive budgets for all provincial departments, municipalities and entities to achieve a level 3+ financial capability rating.



<b>Strategic Objective 17</b>	Evaluate the credibility and sustainability of the budget.
<b>Objective statement</b>	Assessing provincial budgets to improve the sustainability and credibility and the monitoring of the implementation to enhance x-efficiency, financial prudence and fiscal discipline.
<b>Baseline</b>	Given the legislative financial framework in the provincial government environment as well as the competency levels of provincial finance officials, the performance of provincial budgets varies between a 2 and 3 auditable rating.
<b>Justification</b>	Improve the sustainability and credibility of provincial budgets and the monitoring of implementation to enhance x-efficiency, financial prudence and fiscal discipline.
<b>Links</b>	Links to the Provincial Treasury's Strategic Goal 5: credible budgets within departments, municipalities and entities to achieve a level 3+ financial capability rating.

<b>Strategic Objective 18</b>	Monitor the implementation of the budget in terms of x-efficiency, financial prudence and fiscal discipline.
<b>Objective statement</b>	Ensuring x-efficiency, financial prudence and fiscal discipline in the implementation of the budget.
<b>Baseline</b>	Given the legislative financial framework in the provincial government environment as well as the competency levels of provincial finance officials the performance of provincial budgets vary between a two and three auditable rating.
<b>Justification</b>	Monitor value for money spend and budgeting implementation practices.
<b>Links</b>	Links to the Provincial Treasury's Strategic Goal 5: credible budgets within departments, municipalities and entities to achieve a level 3+ financial capability rating.

<b>Strategic Objective 19</b>	Develop and capacitate departments and entities through the implementation of standards, knowledge sharing and training (internally and externally).
<b>Objective statement</b>	Provide policy advice and training, knowledge sharing and the implementation of standards to ensure sound and sustainable management of financial affairs of departments and entities.
<b>Baseline</b>	No standard operating procedures' relating to budgets exists.
<b>Justification</b>	Ensure standardisation across the Province with regard to the implementation of budgets and to ensure that standard efficiency practices are executed.
<b>Links</b>	Links to the Provincial Treasury's Strategic Goal 5: credible budgets within departments, municipalities and entities to achieve a level 3+ financial capability rating.

<b>Strategic Objective 20</b>	Evaluate the credibility and monitor the implementation of the budget.
<b>Objective statement</b>	Assessing municipal budgets to improve the sustainability and credibility and monitoring the implementation thereof to enhance x-efficiency, financial prudence and fiscal discipline.
<b>Baseline</b>	Given the legislative financial reforms in the local government environment as well as the competency levels of municipal officials, the performance of municipal budgets varies between a 2 and 3 auditable rating.
<b>Justification</b>	Improve the sustainability and credibility of municipal budgets and monitoring the implementation thereof to enhance x-efficiency, financial prudence and fiscal discipline.
<b>Links</b>	Links to the Provincial Treasury's Strategic Goal 5: credible budgets within departments, municipalities and entities to achieve a level 3+ financial capability rating.

<b>Strategic Objective 21</b>	Develop the functional ability of municipalities through the implementation of standards, knowledge sharing and training (internally and externally).
<b>Objective statement</b>	Structured roll-out of the 16 MFMA implementation priorities relating to revenue and expenditure management in municipalities.
<b>Baseline</b>	Given the legislative financial reforms in the local government environment as well as the competency levels of municipal officials, the financial performance of municipal varies between a 2 and 3 auditable rating.
<b>Justification</b>	Improve the interface between municipal budgets and in-year monitoring by identifying the gaps in the interface and the implementation of remedial steps relating to revenue- and expenditure management in municipalities.
<b>Links</b>	Links to the Provincial Treasury's Strategic Goal 5: credible budgets within departments, municipalities and entities to achieve a level 3+ financial capability rating.

#### 8.4 Resource considerations

Sub-programme R'000	Outcome			Revised estimate 2009/10	Medium-term estimate		
	Audited 2006/07	Audited 2007/08	Audited 2008/09		2010/11	2011/12	2012/13
1. Programme Support	1 742	1 475	1 605	2 473	3 247	3 452	3 679
2. Fiscal Policy	1 163	230	662	2 954	3 895	4 159	4 413
3. Budget Management	9 746	10 478	8 974	11 224	13 582	14 684	15 757
Provincial Government Budgets				7 374	8 154	8 733	9 310
Local Government Budgets				3 850	5 428	5 951	6 447
4. Public Finance	8 681	9 357	10 105	19 212	26 539	28 313	30 094
Provincial Government Finance	4 553	3 432	3 157	10 363	14 062	14 964	15 881
Local Government Finance: Group 1	4 128	5 925	6 948	4 756	7 402	7 899	8 403
Local Government Finance: Group 2				4 094	5 075	5 450	5 810
<b>Total payments and estimates</b>	<b>21 332</b>	<b>21 540</b>	<b>21 346</b>	<b>35 864</b>	<b>47 263</b>	<b>50 608</b>	<b>53 943</b>

The increases in the allocations over the MTEF have mainly been to cater for the increased responsibilities relating to the implementation of the Municipal Finance Management Act (MFMA), transversal performance audits to be conducted by the Auditor-General across a number of provincial departments over the 2010 MTEF, and for initiatives aimed at increasing provincial revenue. The latter includes a review of gambling taxes and of the national fiscal transfer system to provinces. These additions resulted in concomitant changes in the economic classification for both goods and services and compensation of employees.

### **Management considerations**

The sub-programmes are evolving and further reconfiguration is therefore being considered. This entails the possible establishment of a new chief directorate that focuses specifically on MFMA issues to improve the credibility and sustainability of municipal budgets through more efficient budget implementation, developing the functional ability of municipalities, clearer standards, knowledge-sharing and training, and better coordination. In addition, a refocus of the Chief Directorate: Public Finance to include an additional directorate that will focus exclusively on data and information management initiatives for Treasury, the relocation of Immovable Asset Management and Liabilities Management from Programme 3 and shifting the Research and Modelling unit to the Chief Directorate: Public Policy Services.

## **8.5 Risk management**

### **Sub programme 2.1: Programme Support**

Due to the low impact and likelihood of identified risks to manifest itself over the next five years, no further discussion of this will take place.

### **Sub Programme 2.2: Fiscal Policy**

#### **Risk:**

Further deterioration of the current global economic environment which has a negative impact on the resources available from the national fiscus, as well as concomitant non-approval of new provincial revenue proposals by the National Treasury.

#### **Mitigation:**

Developing a risk-aversion fiscal framework going forward, moving towards balanced budgets over the MTEF and creating sufficient cash-backed reserves that would cushion against unexpected external shocks. This would include an adequate contingency reserve, the building up a working capital reserve over the MTEF that would assist with liquidity requirements and rebuilding the asset financing reserve to fund future infrastructure development.

New tax proposals would be backed by research conducted by reputable institutions giving consideration only to those that are both economically and politically viable.

### **Sub programme 2.3: Budget Management**

#### **Element: Provincial Government Budget Management**

##### **Risk:**

Mismatch between resource allocations to adequately respond to socio-economic imperatives and actual budget implementation, together with budget allocations and provincial planning that are not informed by credible socio economic data or considerations.

##### **Mitigation:**

Responsiveness of budgets and policies of departments to address socio-economic imperatives will be assessed. This includes tighter monitoring of budget implementation to check on responsiveness in addressing socio economic needs via the quarterly reporting mechanism. This monitoring is intended to better track departmental and entity performance against stated planned targets and through this to identify improvements in either the monitoring or stated performance targets, or both, to systematically increase departmental responsiveness.

Also to be pursued is a better tie-up between the financial (Public Finance) and non-financial (Budget Management) aspects of budget implementation and composition.

An analytical framework to include clarity on the content of desired socio-economic information is to be published and this can be used by the different role players, as well as feeding into the annual publication of the Provincial Economic Review and Outlook.

#### **Element: Local Government Budget Management**

##### **Risk:**

The need for credible socio economic data that informs the municipal planning process.

##### **Mitigation:**

The publication of allocations with targets at ward level is essential together with the monitoring of performance against targets at the lowest level (wards within local governments). Socio-economic district profiles for municipalities, which will include assessed administrative data of municipalities, will be developed over the next five years. This will put credible data/knowledge management in place that can then be used uniformly by the different role players in the Province at local government level. This will help to improve the Integrated Development Plans and the resultant budgets.

### **Sub Programme 2.4: Public Finance**

#### **Element: Provincial Government Finance**

##### **Risk:**

Provincial budgets (departments and entities) that are unsustainable, operationally inefficient, not purpose driven and not implemented as planned.

**Mitigation:**

Structured assessment of provincial budgets and in-year financial performance monitoring against a range of financial management and budget performance criteria, as well as providing feedback to all departments and entities.

**Element: Local Government Finance**

**Risk:**

Municipal budgets that are unsustainable, operationally inefficient, not purpose driven and implemented as planned.

**Mitigation:**

Structured assessment of municipal budgets and in-year financial performance monitoring against a range of financial management and budget performance criteria, plus appropriate feedback to all municipalities. In addition, fully functional intersphere coordinating and feedback structures to further mitigate any risks and improve the sustainability of municipal budgets.

## 9. Programme 3: Assets and Liabilities

Programme	Sub-programme
3. Assets and Liabilities	3.1. Programme Support 3.2. Asset Management 3.3. Liabilities Management 3.4. Interlinked and Financial Support Systems

### 9.1 Programme Purpose

The aim of this programme is to provide policy direction and to facilitate the effective and efficient management of financial systems, physical and financial assets, public-private partnerships and liabilities within the provincial and municipal spheres.

### 9.2 Programme structure

The Programme currently consists of the following sub-programmes:

#### Sub-programme 3.1: Programme support

This sub-programme houses the head of the branch: Governance and Asset Management (who is responsible for Programmes 3 and 4) and the chief director responsible for this programme. It also provides resources for the structured training and development of the staff in the programme.

#### Sub-programme 3.2: Asset Management

##### Element: Moveable Asset Management

Purpose: enhance departmental and municipal capacity and performance to a level 3+ financial capability for supply chain (SCM) and movable asset management.

The Movable Asset Management section is responsible for the enforcement of SCM requirements, respectively in terms of the PFMA and the MFMA and their regulations, to assist, guide and issue best practice guidelines to provincial departments, entities and municipalities and to investigate any system of control or financial management from a SCM perspective. This means engaging provincial departments, entities and municipalities on the implementation of SCM and conducting compliance/capacity assessments.

It also implies implementation of asset management requirements within the Province, developing Provincial Treasury instructions for SCM and facilitating the arrangements of transversal contracts. The unit also facilitates initiatives and drives policy towards supplier development and preferential procurement initiatives.

**Element: Immovable Asset Management**

Purpose: increase the level of infrastructure delivery to a level 3+ financial capability rating (departments of Education, Health, Transport and Public Works and selected municipalities) and the sound management of PPP projects.

The Immovable Asset Management section is responsible for assessing infrastructure budgets and infrastructure plans, monitoring and enhancing infrastructure spending performance of designated departments (Education, Health, Transport and Public Works) and championing infrastructure delivery improvement processes in these departments.

This section is also responsible for advising municipalities on immovable asset management and statutory infrastructure reporting, providing views on the infrastructure components of the draft municipal budgets, monitoring infrastructure spending performance of municipalities and piloting infrastructure delivery business improvement processes in selected municipalities.

The PPP section is, amongst other, responsible for advising and assisting provincial departments and municipalities on PPP projects and monitoring of PPP projects.

**Sub programme 3.3: Liabilities Management**

Purpose: monitor and evaluate cash flow and investment management so that it is sustainable and credible and will enhance service delivery and improve liquidity in departments and municipalities.

The Investments section is responsible for the investment of provincial funds, which are not immediately required to defray expenditure, at reputable financial institutions in accordance with an approved investment policy.

The Cash Flow Management section is responsible for controlling the Provincial Revenue Fund and the prudent management of cash by departments. The section also provides assistance to municipalities conducting cash flow management assessments to improve liquidity.

**Sub programme 3.4: Supporting and Interlinked Financial Systems**

Purpose: Management, utilisation and implementation of financial systems to achieve a level 3+ financial capability rating within provincial departments and selected entities.

The Operations and Implementation section is responsible for the day to day management of transversal systems (currently BAS, LOGIS and PERSAL), utilised by all departments as well the Provincial Parliament. In addition, this section is also responsible for providing and maintaining user access control to all transversal financial systems.

The User Support section is responsible for providing assistance and support to system users, while the Training section is responsible for the training of a target market of approximately 7 000 employees in all aspects of the systems to ensure its proper utilisation and management.

### 9.3 Strategic objectives

<b>Strategic Objective 22</b>	Build competencies and enhance and maintain the delivery of the programme.
<b>Objective statement</b>	Ensure effective, targeted and efficient operation of the programme.
<b>Baseline</b>	Support services provided to the programme are satisfactory, but the effectiveness and efficiency of the programme can be improved.
<b>Justification</b>	Ensure that there is a clear operational plan, inclusive of human capital and other support services for the programme to better meet its business objectives.
<b>Links</b>	Contributing to the Provincial Treasury's Strategic Goal 1: assisting the member of the Executive Council and the HoD with the delivery of the assigned functions to them.

<b>Strategic Objective 23</b>	Determine policy to drive, assess and assist departments in the attainment of building capacity, ensuring integrity of data, enforcing transparency and accountability, balancing commercial imperatives with social responsibility and addressing economies of scale and value for money for supply chain and moveable assets.
<b>Objective statement</b>	Build departmental capability to address strategic issues in respect of SCM and moveable asset management to improve efficiency gains and defining effective procedures for identifying and addressing skills gaps and training needs and improve departmental performance through the integration of policy and delivery .
<b>Baseline</b>	The manifestation of a high level of non-compliance to supply chain management, legislation, policy and procedure, has resulted in disparate expenditure trends, lack in cost effectiveness and value for money as well as collusive, uncompetitive and non-transparent tender processes within departments.
<b>Justification</b>	Gives effect to a programme to ensure improved transparency, accountability and capacity for supply chain management and moveable assets within departments.
<b>Links</b>	Links to the Provincial Treasury's Strategic Goal 6: enhancing departmental and municipal capacity and performance to achieve a level 3+ financial capability rating for SCM and moveable asset management.



<b>Strategic Objective 24</b>	Determine policy to drive, assess and assist municipalities in the attainment of building capacity, ensuring integrity of data, enforcing transparency and accountability for supply chain and moveable assets.
<b>Objective statement</b>	Build municipal capability to address strategic issues in respect of SCM and moveable asset management to improve efficiency gains and defining effective procedures for identifying and addressing skills gaps and training needs.
<b>Baseline</b>	The manifestation of a high level of non-compliance to supply chain management, legislation, policy and procedure, has resulted in disparate expenditure trends, lack in cost effectiveness and value for money as well as collusive, uncompetitive and non-transparent tender processes within municipalities.
<b>Justification</b>	Gives effect to a programme to ensure improved transparency, accountability and capacity for supply chain management and moveable assets within municipalities.
<b>Links</b>	Links to the Provincial Treasury's Strategic Goal 6: enhancing departmental and municipal capacity and performance to achieve a level 3+ financial capability rating for SCM and moveable asset management.

<b>Strategic Objective 25</b>	Entrenching built-environment business principles and processes for effective infrastructure delivery that is aligned and contributes to optimal utilisation of government immovable assets.
<b>Objective statement</b>	The promotion of effective and efficient delivery of infrastructure and management of immovable assets, including PPP projects through institutionalising best practice, systems, tools and building capacity.
<b>Baseline</b>	A diagnostic report was compiled on "Unblocking Infrastructure Delivery" for the departments of Health and Education as well as the branch: Public Works.
<b>Justification</b>	Address the capacity, business processes, etc. challenges in departments and selected municipalities that hampers the optimal investment in infrastructure delivery and the management of immovable assets.
<b>Links</b>	Links to the Provincial Treasury's Strategic Goal 7: increasing the level of infrastructure delivery to achieve a level 3+ financial capability rating (departments of Education, Health, Transport and Public Works and selected municipalities) and the sound management of PPP projects.

<b>Strategic Objective 26</b>	Cash Flow management improvement of provincial departments to achieve a level 3+ financial management capability.
<b>Objective statement</b>	Ensure that provincial departments' expenditure is aligned to available cash and bank reconciliations are done regularly.
<b>Baseline</b>	A substantial variance exists between projected expenditure (Section 40(4) (a)) that forms the basis for transfers from National and actual expenditure. Departments tend to exceed their available cash (daily, weekly and monthly) due to the fact that there is limited alignment between available cash and expenditure. Pre-payments are made before they are due and bank reconciliations are not regularly done on a daily basis to detect possible irregularities and / or fraud.
<b>Justification</b>	This objective will enforce more effective management of cash, controls that exist can be executed and all monies due to the provincial government are accounted for and promptly banked.
<b>Links</b>	Links to the Provincial Treasury's Strategic Goal 8: monitoring and evaluating cash flow and investment management so that it is sustainable and credible and will enhance service delivery and improve liquidity in departments and municipalities.

<b>Strategic Objective 27</b>	Monitoring and evaluation of cash flow and investment management that is sustainable and credible to enhance service delivery and improve liquidity in municipalities.
<b>Objective statement</b>	Ensure sustainable, credible and effective cash flow and investment management in municipalities.
<b>Baseline</b>	Financial management performance in municipalities in relation to unauthorised and wasteful expenditures, capacity, inadequate financial reporting, mismanagement and political instability as reported by the Auditor-General, requires stricter monitoring and evaluation to ensure good corporate governance.
<b>Justification</b>	By ensuring more effective and efficient cash flow and investment management in municipalities, will improve service delivery and maintain liquidity.
<b>Links</b>	Links to the Provincial Treasury's Strategic Goal 8: monitoring and evaluating cash flow and investment management so that it is sustainable and credible and will enhance service delivery and improve liquidity in departments and municipalities.

<b>Strategic Objective 28</b>	Financial system management improvement to achieve a level 3+ financial management capability.
<b>Objective statement</b>	Skilled and capacitated system users trained in various functionalities on the systems and effective information system controls are implemented and maintained.
<b>Baseline</b>	Currently information system controls (as highlighted by the 2008/09 Auditor-General reports), although implemented, are not maintained which severely diminishes the reliability of other internal controls. No departmental policies exist to guide and direct access to the systems. System users are given access to the system without being given formal training at least in accordance with their profile.
<b>Justification</b>	Enforce the effective and efficient management of information system controls to ensure integrity of data as well as appropriate and timeous management information.
<b>Links</b>	Links to the Provincial Treasury's Strategic Goal 9: management, utilisation and implementation of financial systems to achieve a level 3+ financial capability rating within provincial departments and selected entities.

#### 9.4 Resource considerations

Sub-programme R'000	Outcome			Revised estimate 2009/10	Medium-term estimate		
	Audited 2006/07	Audited 2007/08	Audited 2008/09		2010/11	2011/12	2012/13
1. Programme Support	898	961	840	1 332	2 350	2 521	2 694
2. Asset Management	7 582	7 542	8 622	11 536	14 609	15 648	16 702
Moveable Asset Management: Provincial Government	4 923	4 746	5 223	7 090	8 379	8 973	9 573
Moveable Asset Management: Local Government					1	1	1
Immoveable Asset Management	2 659	2 796	3 399	4 446	6 229	6 674	7 128
3. Liabilities Management	1 048	1 465	1 652	2 389	2 327	2 595	2 774
4. Supporting and Interlinked Financial Systems	42 009	11 739	11 234	11 868	13 839	14 811	15 785
<b>Total payments and estimates</b>	<b>51 537</b>	<b>21 707</b>	<b>22 348</b>	<b>27 125</b>	<b>33 125</b>	<b>35 575</b>	<b>37 955</b>

The reduction in the appropriation over time in comparison to 2006/07 is in respect of Supporting and Interlinked Financial Systems. This was due to the decentralisation of State Information Technology Agency costs for transversal financial systems to provincial departments. This applies mainly to the decrease in goods and service under the Programme.

In general the increases in the Programme over the MTEF make provision for the strengthening of Provincial Treasury's MFMA responsibilities and the institution of transversal financial system access control within the Province. The increase in respect of goods and services over the MTEF provides for bridging funding for the continuation of the Infrastructure Delivery Improvement Programme (IDIP), the development and

implementation of a business intelligence tool that runs on top of the financial systems and enhancements to the Provincial electronic purchasing system (EPSI) and its supplier database.

The Programme also caters for the anticipated rollout by National Treasury of the first two modules (asset and procurement management) of the Integrated Financial Management Solutions (IFMS). This will have an impact on the ageing provincial computer network, but provision has been made under DoTP for upgrade of the network over the MTEF.

### **Management considerations**

Nominal provision has been made for the envisaged upgrading of the sub-directorate Movable Asset Management: Local Government to a directorate as part of the reconfiguration of the Provincial Treasury.

Management is considering the option to relocate Immovable Asset Management and Liabilities Management to Programme 2: Public Finance.

## **9.5 Risk management**

### **Sub programme 3.1: Programme Support**

Due to the low impact and likelihood of identified risks to manifest itself over the next five years, no further discussion of this will take place.

### **Sub programme 3.2: Asset Management**

#### **Element: Movable Asset Management**

##### **Risk:**

Lack of appropriate systems within the Province to adequately manage moveable assets.

##### **Mitigation:**

There are currently no proper national or provincial systems with regard to movable asset management and to date only accounting standards and guidelines have been issued. In addition, the National Treasury intends rolling out an asset management module over the next couple of years to all national and provincial departments, with tests already underway in selected departments across the country. Negotiations are underway with the National Treasury to do the same in the Province within the current MTEF. Furthermore, the Provincial Treasury will support and assist all departments to attain the best achievable results over the next five years.

#### **Element: Immovable Asset Management**

##### **Risk:**

Inadequate implementation of the nationally driven Infrastructure Development and Implementation Plans (IDIP) by departments and municipalities together with associated skills gaps

**Mitigation:**

Extension of the IDIP programme beyond the current contract, using the Provincial Treasury's own resources until the revised national initiative kicks in. Furthermore, in liaison with the DoTP (Organisational Development) to institutionalise the IDIP programme in the affected department (Education, Health, Transport and Public Works) by designing the appropriate systems processes and structures.

**Sub programme 3.3: Liabilities Management**

**Risk:**

Periodic liquidity shortfalls within the Provincial Revenue Fund due to a combination of more evenly spread departmental expenditure during the year and a reduced frequency in cash transfers from the national fiscus.

**Mitigation:**

Revised management of the Provincial Revenue Fund (including the Asset Management Reserve) together with a modified accounting and projection framework that ties into medium-term fiscal modelling and the provision of a working capital reserve over the new MTEFF.

**Sub programme 3.4: Support and Interlinked Financial Systems**

**Risk:**

Uncertainty whether the National Treasury will be able to provide the asset management module and procurement module as part of the IFMS on 1 April 2010 and 1 July 2010 respectively, for implementation within the Provincial Government of the Western Cape.

**Mitigation:**

The National Treasury has been formally approached for permission to be included as a pilot province for the implementation of the two modules. Indications are that this province will be awarded the opportunity to be a pilot province, but this must still be confirmed by the IFMS Steering Committee.

## 10. Programme 4: Financial Governance

Programme	Sub-programme
<ul style="list-style-type: none"> <li>Financial Governance</li> </ul>	4.1. Programme Support 4.2. Accounting Services 4.3. Norms and Standards 4.4. Provincial Internal Audit

### 10.1 Programme Purpose

Development of accounting and financial management practices within provincial and local government that will contribute towards attaining level 3 and higher auditable organisations.

### 10.2 Programme structure

This programme together with Programme 3 constitutes the branch: Governance and Asset Management. It currently consists of a chief director as the head of the programme and is further divided into the following sub-programmes:

#### Sub-programme 4.1: Programme support

This sub-programme houses the chief director responsible for the programme and also provides resources for structured training and development of staff in the programme.

#### Sub-programme 4.2: Accounting Services

##### Element: Local Government Accounting

Purpose: improve the standards of accounting and financial reporting within municipalities and allied entities to a level 3+ financial capability rating.

The unit is busy with the roll-out of the latest GRAP standards (and its further evolvement) within the municipalities of the Western Cape. The 2009/10 municipal financial year requires all municipalities to complete their financial statements in terms of the full GRAP requirements. The unit has and will busy itself with training interventions, explanatory advice and facilitations (National Treasury, Accounting Standards Board and the Auditor General) in the event of disputes regarding the interpretation of accounting standards.

##### Element: Provincial Government Accounting

Purpose: improve the standards of accounting and financial reporting within departments and entities to a level 3+ financial capability rating.

The key objective of this unit over the next few years is to ensure full and timeous capturing of financial transactions and associated financial improvements to prevent irregularities and material financial misstatements allowing for modified cash-based standards within departments and the accrual standards within entities.

**Sub-programme: Corporate Governance**

Purpose: enable departments and municipalities to achieve a general level 3+ financial management capability over the next 5 years.

The sub-programme's main objectives are the development, implementation and enforcement of a generic set of corporate governance norms and standards for departments, municipalities and entities that are responsive to and compliant with the relevant financial legislative framework. In addition, the adaptation of a generic set of governance norms and standards to meet the particular requirements of individual departments is also envisaged.

**10.3 Strategic objectives**

<b>Strategic Objective 29</b>	Build competencies and enhance and maintain the delivery of the programme.
<b>Objective statement</b>	Ensure effective, targeted and efficient operation of the programme.
<b>Baseline</b>	Support services provided to the programme are satisfactory, but the effectiveness and efficiency of the programme can be improved.
<b>Justification</b>	Ensure that there is a clear operational plan, inclusive of human capital and other support services for the programme to better meet its business objectives.
<b>Links</b>	Contributing to the Provincial Treasury's Strategic Goal 1: assisting the member of the Executive Council and the HoD with the delivery of the assigned functions to them.

<b>Strategic Objective 30</b>	Improving the financial accounting and reporting of municipalities and municipal entities to a financial maturity capability of level 3 by 2015.
<b>Objective statement</b>	Ensure the development, implementation and monitoring of accounting practises within municipalities and municipal entities that will promote effective and efficient capturing of Revenue, Expenditure, Assets and Liability movements/accountability and to achieve level 3 in terms of the Financial Maturity Capability model.
<b>Baseline</b>	Municipalities are currently performing at a level 2 on the Financial Maturity Capability model.
<b>Justification</b>	Will improve municipal accounting and financial reporting to a value driven, efficient, effective and responsive local government.
<b>Links</b>	Links to the Provincial Treasury's Strategic Goal 10: ensuring the development of accounting practices within provincial and local government that will promote effective and efficient capturing of REAL movements/accountability and contribute towards attaining level 3 and higher auditable organisations.

<b>Strategic Objective 31</b>	Raising the standard of accounting and financial reporting of departments and entities to a financial maturity capability of level 3+.
<b>Objective statement</b>	Ensure the development, implementation and monitoring of accounting practises within provincial departments and entities that will promote effective and efficient capturing of Revenue, Expenditure, Asset and Liability (REAL) movements/accountability and to achieve level 3+ in terms of the Financial Maturity Capability model.
<b>Baseline</b>	Departments and entities are performing at a level 2+ in terms of the Financial Maturity Capability assessments for 2009.
<b>Justification</b>	Will improve accounting and financial reporting of departments and entities to a value driven, efficient, effective and responsive provincial government.
<b>Links</b>	Links to the Provincial Treasury's Strategic Goal 10: ensuring the development of accounting practices within provincial and local government that will promote effective and efficient capturing of REAL movements/accountability and contribute towards attaining level 3 and higher auditable organisations.

<b>Strategic Objective 32</b>	Assess, develop, monitor financial norms and standards and, where necessary, enforce compliance by departments, municipalities and entities towards attaining a level 3+ in terms of the Financial Maturity Capability (FMC) model.
<b>Objective statement</b>	Assess, develop, implement and monitor compliance with corporate governance norms and standards within departments, Provincial Parliament, municipalities and entities.
<b>Baseline</b>	Financial Maturity Capability model assessment in March 2009 measured most departments to be at a 2+ auditable rating.
<b>Justification</b>	In terms of S18 of the PFMA and S5 MFMA, Provincial Treasury must set the norms and standards for financial management, and may assist with the implementation thereof and thereby improve efficient and economic utilisation of resources.
<b>Links</b>	Links to the Provincial Treasury's Strategic Goal 11: enabling departments and municipalities to achieve a level 3+ financial management capability over the next 5 years.

#### **Sub-Programme 4.4: Provincial Internal Audit**

The Modernisation Programme, which is in an advanced stage, proposes the shift of the Human Resources (excluding the Departments of Health and Education), Internal Audit and Enterprise Risk Management functions to a shared Corporate Services within the Department of the Premier from 1 April 2010. Therefore the strategic objectives and performance indicators relating to these functions are only reflected in the Strategic and Annual Performance Plans of the Department of the Premier. The financial implications of the function shift will be finalised during the 2010/11 Adjusted Estimates process once all of the HR and other related issues have been finalised.



## 10.4 Resource considerations

Sub-programme R'000	Outcome			Revised estimate 2009/10	Medium-term estimate		
	Audited 2006/07	Audited 2007/08	Audited 2008/09		2010/11	2011/12	2012/13
1. Programme Support	1 169	1 037	1 581	1 746	2 309	2 180	2 303
2. Accounting Services	3 735	3 806	5 272	7 688	8 717	9 337	9 959
Provincial Government Accounting				4 729	4 856	5 203	5 551
Local Government Accounting				2 959	3 861	4 134	4 408
3. Norms and Standards	3 118	3 551	3 426	4 657	7 379	7 914	8 457
4. Risk Management	2 926	2 091	2 276	2 813			
5. Provincial Internal Audit	21 395	27 945	24 560	19 860	22 287	23 901	25 517
Sub-programme Support				5 021	4 319	4 602	4 898
G&A Cluster				5 248	5 823	6 254	6 682
Economic Cluster				5 940	7 491	8 045	8 594
Social Cluster				3 651	4 654	5 000	5 343
<b>Total payments and estimates</b>	<b>32 343</b>	<b>38 430</b>	<b>37 115</b>	<b>36 764</b>	<b>40 692</b>	<b>43 332</b>	<b>46 236</b>

The change in allocations over the MTEF period has been mainly for the expansion of the internal audit function. Similarly, changes in the economic classification from goods and services to compensation of employees in the 2009/10 financial year and thereafter are the result of the phasing out of the previously co-sourced internal audit function and the subsequent internal build-up of internal audit. The contract with the external consortium came to an end in December of 2008.

Further changes are to be expected over the MTEF with the intended relocation back to the Department of the Premier in the 2010/11 financial year, with commensurate budget shifts occurring in the adjusted estimates of 2010/11, and the forthcoming main estimates.

Treasury's Phase 3 of the reconfiguration in respect of Local Government Accounting Services will require additional capacity to meet the Treasury's obligations under the national Clean Audit 2014 drive, which will be dealt with later.

## 10.5 Risk management

### 4.1 Programme Support

Due to the low impact and likelihood of identified risks to manifest itself over the next five years, no further discussion of this will take place.

#### **4.2.1 Local Govt. Accounting**

##### **Risk:**

Non-achievement of unqualified financial statements by municipalities that were all tabled by the due date.

Lack of technical skills and capacity to implement accounting reforms (GRAP Standards) across the Province.

##### **Mitigation:**

Development of standard operating procedures for municipalities associated good practice guidelines and assistance with the preparation of comprehensive audit files, well in advance of the year-end. Furthermore, to obtain clarification of the practical implication of current and new accounting standards and to timeously convey these to all municipalities.

Identify skills gaps in the accounting unit internally and externally to determine training needs. Develop focused training (internally and externally) to improve competency levels. Continuously arrange workshop sessions on the implementation/updates on the accounting reforms (GRAP Standards).

#### **Element: Provincial Government Accounting**

##### **Risk:**

Qualified financial statements within the Province with or without more adverse findings. Alternatively, unqualified financial statements with material misstatements.

Lack of technical skills and capacity to implement accounting reforms (GRAP Standards) across the Province.

##### **Mitigation:**

Development of standard operating procedures for departments and entities together with associated good practice guidelines and assistance with the preparation of comprehensive audit files, well in advance of the year-end. Furthermore, to obtain clarification of the practical implication of current and new accounting standards and to timeously convey these to all departments and entities.

In addition, the intensified roll-out of midyear financial statements within departments and entities together with appropriate testing, assessment, remedial steps and feedback to departments and other entities to improve the quality of financial reporting.

Identify skills gaps in the accounting unit internally and externally to determine training needs. Develop focused training (internally and externally) to improve competency levels. Continuously arrange workshop sessions on the implementation/updates on the accounting reforms (GRAP Standards).

**Sub programme 4.3: Corporate Governance**

**Risk:**

Dysfunctional CFO offices within departments, municipalities and entities.

**Mitigation:**

Repositioning of the unit to better assess the functioning of the different CFO offices, to identify gaps and appropriate remedial steps at the first sign of any dysfunctionality. In addition, to draft standard operating procedures to cover five main areas (management accounting, financial accounting, supply chain management, asset management and internal control) and to ensure that implementation is enforced with or without the required training interventions. Furthermore, to ensure completeness and appropriateness of the financial legal framework which departments, municipalities and entities have to work with.

## PART C: LINKS TO OTHER PLANS

### 11. Links to the long-term infrastructure and other capital plans

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

### 12. Conditional grants

Not applicable.

### 13. Public entities

Name of public entity	Current annual budget (R thousand)	Date of next evaluation
Western Cape Gambling and Racing Board	R39,338	1 September 2010

#### Mandate:

The main purpose of the Western Cape Gambling and Racing Board ("WCGRB") is to control and regulate gambling and racing within the Province of the Western Cape, that will:

- provide a stable, just, consistent and effective regulatory environment;
- inspire public confidence and trust, in an environment free from corruption and unlawful gambling and racing activities; and
- contribute to the economy of the Western Cape in a socially responsible manner.

#### Outputs:

To ensure business continuity and continued effective functioning of the WCGRB.

To ensure an efficient and effective regulatory authority that will provide a just and coherent regulatory environment.

To formulate, develop, implement and maintain effective gambling and racing legislation and policy.

To ensure that all gambling and racing activities in the Province are effectively regulated.

To maximise the benefit of regulated gambling and racing whilst minimizing the negative impact.

To keep abreast of new developments impacting the gambling and racing industries.

To ensure good corporate governance of the organisation and compliance with applicable legislation.

To ensure best practice in respect of financial and information systems.

To strive for financial self-sufficiency.

The Western Cape Gambling and Racing Board's own revenue has since 2004/05 increased to such a level that it has become self sufficient with the introduction of limited gambling machines that have become fully operative since the start of the 2005/06 financial year.

#### **14. Public-private partnerships**

The Provincial Treasury is not yet functionally responsible for any PPP, but provides an advisory and monitoring service. However, with capacity building within Provincial Treasury, it is envisaged to take over all PPP related responsibilities from National Treasury at some future date.