


National Treasury
Department of Finance
REPUBLIC OF SOUTH AFRICA



National Treasury

Presentation on 2005/06 annual
report to PCOF

10 October 2006

Presentation

- Policy context
- Assessment of each programme
- HRM report
- Summarised financial management and performance

Policy context

- 2005/06 strategic plan identified four strategic focus areas:
 - Promoting sustainable growth and development
 - Reducing poverty
 - Enhancing budgetary transparency
 - Improving intergovernmental fiscal relations and financial management

Public Finance -2

- Justice and Protection Services
 - Investigation into official housing accommodation
 - New business and governance model for the integrated justice system modernisation project
 - Support for Justice Monies in Trust PPP
 - Research on prison overcrowding & eliminating IJS blockages
- Social Services
 - Finalisation of FET recapitalisation grant & support for higher education funding review
 - Operationalisation of Social Security Agency & special focus on disability management
 - Review of health conditional grants & transfer of forensic pathology services

4

Public Finance

- Administrative Services
 - Devolution of property management costs from DPW to client departments
 - Support for Foreign Affairs new head office & recapitalisation of African Renaissance Fund
 - Review of Home Affairs budget & tariffs
- Economic Services and infrastructure
 - Introduction of public transport infrastructure grant
 - Support for reform of water resource infrastructure planning & financing
 - Review of small enterprise development & DTI incentives
 - Advice on diamond and precious metal industry regulation

5

Public Finance

- Technical Assistance Unit
 - Support for 51 projects, of which 26 new and 25 ongoing
 - Municipal infrastructure delivery improvement programme
 - EU-funded social housing support programme
 - EU-funded local economic development in Kwazulu-Natal
 - Introduction of neighbourhood development grant programme
 - Development of monitoring & evaluation framework for conditional grants
- Support for 2010 World Cup
 - Dedicated 2010 World Cup office has been established to support Deputy Minister and the LOC
 - Funding arrangements for stadium development & overall programme planning and scheduling in place

6

Budget Office -2

- Expenditure Planning
 - Production of the 2006 Estimates of National Expenditure, 2005 Appropriation Bill and the 2005 Adjustments Budget
 - Coordinate the budget reform programme
 - Parliamentary training
- Public Finance Statistics
 - Enhancement to standard chart of accounts and training to another 2500 officials
 - Introduction of consolidated economic accounts in the Budget Review
- Fiscal Policy
 - Production of the Budget Review and MTBPS
 - Support for the implementation of GEMS and pay progression
 - Analysis of capital-spending plans and monitoring of infrastructure finances

7

Budget Office

- Public-Private Partnership
 - Establishing a municipal desk and taking responsibility for projects under MIU
 - 51 projects at feasibility of procurement stage
 - 12 projects at implementation stage
 - 220 officials and private sector staff received training
- International Development Cooperation
 - Implementation of policy framework for the management of ODA flows
 - Hosted SA Development Counsellors' Forum
 - Participated in 11 annual consultations with partner countries

8

Economic Policy International Financial Relations 2

- Tax Policy
 - Tax proposals for the annual budget and tax legislation
 - Tax research papers: e.g. Environmental fiscal reform, possible replacement options for RSC and JSB levies
 - Growth Project-supporting ASGISA
- Economic and Macro Modelling
 - Impact of 2010 FIFA world Cup
 - Regulating Impact Assessment Model
 - Co-ordinate with SARB

9

EPIFR

- Financial sector policy
 - Discussion paper on contractual savings in the insurance industry
 - Statement of Intent on insurance industry reform
 - Drafting of Dedicated Banks Bill and Co-operative Banks Bill
 - Ensuring alignment of FATF compliance and access to finance
 - Implementation of Financial Sector Charter

10

EPIFR

- International financial relations
 - SADC Finance & Investment protocol completed
 - Multilateral Debt Relief Initiative (MDRI) implemented with South Africa committing full once-off contributions
 - South Africa accepted the G20 Chair in 2007

11

Inter Governmental Relations -2

- Division of Revenue Bill
 - Published on Budget Day (15 February 2006)
 - Enacted as Act 2 of 2006 (GG 28700 of 31/3/06)
- Intergovernmental Fiscal Review
 - Published September 2005 as *Provincial Budgets and Expenditure Review 2001/02 – 2007/08*
 - Also provided analyses of trends in service delivery
- Section 32 quarterly reports
 - Monthly and quarterly monitoring carried out. Quarterly reports gazetted
 - Non-financial performance data (on beneficiaries of social grants) published for the first time

12

Inter Governmental Relations

- Support for provincial government financial reforms
 - 10 sector specific CFO Forum meetings held quarterly
- Support for municipal financial reforms
 - Training workshops held with nine provincial treasuries
 - 500 graduate interns appointed in 100 municipalities
- Implementation of MFMA
 - 22 advisers appointed to 25 municipalities (3 shared)
 - Five roving advisers made available to provincial treasuries
 - 23 circulars and guides published online
 - More than 25,000 hits on MFMA implementation website
- Facilitating infrastructure delivery improvements
 - IDIP Phase 1 completed

13

Assets and Liability Management -3

- Gross borrowing requirement of R34,8 bn financed within approved risk Management
- Funding instruments further diversified
- Debt service cost as a percentage of GDP continued to decline
- GFECRA eliminated
- Sovereign credit ratings improved
- Cash management liquidity buffer reduced

14

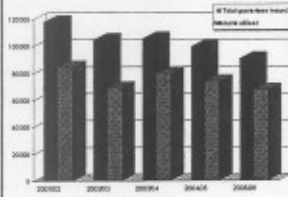
Assets and Liability Management

- Government-wide surplus cash centrally coordinated
- R1,7 bn of special dividends facilitated from SOE's
- R2,1 bn ordinary dividends raised from SOEs
- Enforced SOE corporate governance compliance in accordance with PFMA
- Minimising counter party risk on investment of surplus cash
- Monitoring and Analysis of country risk

15

Management of financial guarantees

Guarantee exposure declining



- Guarantee Certification Committee (GCC)
 - All requests for new guarantees from functional department submitted to GCC
 - GCC makes recommendations to Minister of Finance based on set criteria
 - Guarantee fees
- Central Guarantee Register
 - Quarterly reporting to IMF to comply with their SOCS
- Risk Management
 - Capping of total government debt and contingent liabilities at 50 per cent of GDP
 - Credit review of SOE guarantees

18

Specialist Functions -4

- PFMA Implementation and Co-ordination
 - Reports on progress with PFMA implementation submitted to SCOPA & PCOF – August 2005.
 - Memorandum on audit out comes submitted to Cabinet – January 2006
 - 282 courses (6688 trainees) to assist with implementation of financial management reforms.

17

Specialist Functions

- Supply Chain management
 - Implementation of the Supply Chain Management Framework
 - Practice notes issued when required on an ongoing basis.
 - Municipalities have commenced with the SCM
 - Framework implementation. High capacity municipalities commenced on 1 July 2005, medium capacity municipalities in 1 Jan 2006 and low capacity municipalities 1 Jul 2006.

16

Specialist Functions

- Supply Chain management
 - Training to assist accounting officers/authorities is done on an ongoing basis
 - Supply Chain Management Regulations in terms of Section 168 of the MFMA were gazetted on 30 May 2005
 - During 2005/2006 Strategic Sourcing was applied to 54.3% of transversal contracts
 - Revised Preferential Procurement Regulations have been referred for legal refinement

19

Specialist Functions

- Financial Systems
 - Increased capacity on Mainframe by approximately 44% and improved network monitoring by SITA has resulted in
 - improved performance of systems and, thus, month-end and year-end closures
 - transaction congestion being completely eradicated
 - Cabinet approved the master systems plan of the IFMS Project in September 2005
 - Replace existing legacy systems with modern systems solutions
 - Greatly improve the implementation of the PFMA

20

Office of the Accountant General -5

- Prepare and publish AFS
 - Developed AFS and consolidation template in line with applicable accounting & other frameworks
 - Implemented templates through training sessions with departments, entities and municipalities
 - Audited, and published consolidation AFS within period prescribed by PFMA
- NRF & RDP Funds
 - Both accounts audited in compliance with relevant legislation
 - NRF account consolidated into national consolidated AFS
 - RDP fund audited AFS published as prescribed
 - Published monthly statement of revenue and expenditure as prescribed

21

Office of the Accountant General

Financial Management Improvement

- Accounting policies developed to comply with all GRAP standard effective dates
- Compliance with IA and RM frameworks – 80% compliance by due date
- Internal Quality Assessment Reviews (IQAR) completed.
- IQAR for local government achieved in line with MFMA implementation plan
- Participated on audit comms of only 50% of national departments
- Public sector audit committee forum delayed to allow greater consultation with stakeholders

22

Office of the Accountant General

Asset Management:

- AM Framework Policy implemented through roadshows and training sessions.
- Training materials developed and training conducted
- Facilitated compliance with the framework wrt asset registers through:
 - Determining departmental readiness
 - Setting achievable milestones for implementation of registers
 - Assisting and supporting the department to meet milestones

Banking Services:

- Provide banking services to national departments, incl a fraud prevention system

23

Corporate Services -1

- Established an Internal Audit Unit
- Established an electronic Registry in the Ministry of Finance
- Operational policies, processes and procedures documented in 60% of Corporate Services
- Client Charter and Service Standards approved & implemented
- Knowledge Management framework has been researched and documented
- The knowledge repository has been designed

24

Corporate Services

- Project Management methodology has been adopted
- Implementation of a mobile environment
- Cost reduction initiatives were identified and implemented
- Service Desk (HEAT system) implemented in 100 % CS
- CS attained a 67% client satisfaction rating for Client Services Survey
- Finalised the Information Technology Disaster Recovery Plan
- Approved Emergency Evacuation Plan

25

HRM Report – developing staff

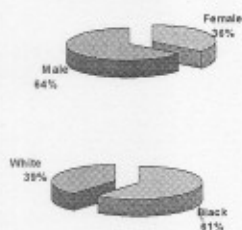
Talent Management Strategy refined:

- Competency Framework designed
- Skills Audit initiated
- Talent Pool initiated
- Internship Programme enhanced
- External Bursaries awarded
- Leadership Development training initiated

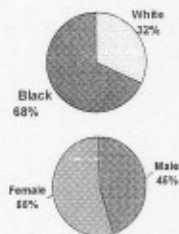
26

HRM Report – demographic profile

SMS Profile



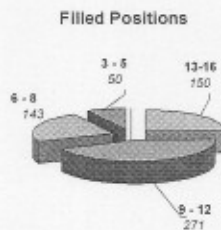
Staff profile



27

HR Management - vacancies

- Vacancy rate decreased from 25% to 21% (31 March 2006)
- Current vacancy rate 17.9%
- Turnover rate – 16 % (31 March 2006) Current – 14%
- Main reasons for leaving NT:
 - Resignations (50%)
 - Contract expiry (13%)
 - Transfers to other government departments (32%)



35

Summary of financial performance

- Attained an Unqualified Audit Report

| R millions | Appropriation | Actual expenditure | |
|----------------|---------------|--------------------|---|
| Programme 1 | 128,7 | 121,3 | Underspending on capital and vacancies |
| Programme 2 | 181,3 | 173,9 | Deviation under 5% |
| Programme 3 | 30,8 | 30,1 | Deviation under 5% |
| Programme 4 | 294,1 | 239,2 | Mainly underspending on IFMIS |
| Programme 5 | 57,9 | 47,9 | Non transfer to IRBA. |
| Programme 6 | 4 279,5 | 3 437,9 | Withholding of conditional grant (R841m) - DoRA |
| Programme 72 0 | 80,8 | 2 010,8 | Deviation under 5% |
| Programme 8 | 7 118,5 | 6 999,2 | Deviation under 5% |

Thank you



36