

Provincial Treasury

FIVE-YEAR STRATEGIC AND PERFORMANCE PLAN

2005/06 to 2009/10



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APOLOGY

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

VERSKONING

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

ISINGXENGXEZO

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

Foreword

Statement of Policy and Commitment by the Minister of Finance, Economic Development and Tourism

In line with national policy direction, namely to build the first economy, respond to the challenges of the second economy and lastly to build a social safety net to reduce poverty, the national Treasury has identified funding priorities for 2005/06 which include the following:

- Increasing infrastructure and industrial investment;
- Improving education, training and skills development;
- Extending social security, income support and work opportunities; and
- Improved regulation of markets and public entities, and more efficient public service delivery.

In support of these national imperatives as well as the provincial development framework, the newly born concept of iKapa Elihlumayo, the Provincial Growth and Development Strategy will have to be developed further to ensure that the desired outcomes are achieved. The latter development has manifested into a number of lead strategies of which two, namely improving financial governance and a more effective interface between the provincial and local government spheres pertain to the Provincial Treasury. As change agent, it is expected to play a leading role.

The Provincial Treasury as the key driver has to promote and ensure the development of the iKapa Elihlumayo strategies by provincial departments and their subsequent implementation. The Provincial Treasury accepts its responsibility as lead department in improving financial governance to maximise returns on resources deployed and focus on their primary and complimentary efforts to realise this lead strategy. The Provincial Treasury's efforts are additionally geared towards rendering support, monitoring and evaluating the other lead strategies of provincial departments and to assist, through the budget process in integrating these with the endeavours of others within the Province, municipalities, national government and state owned enterprises.

Furthermore, the Provincial Treasury also has to take the lead to ensure that the implementation of the Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA) within the Western Cape Province will be to the best benefit of all stakeholders.

Thus, the Provincial Treasury's policy objectives, namely the formulation and implementation of fiscal policy, ensuring spending efficacy, to install and maintain fiscal discipline through proper financial governance, efficient acquisition and application of assets, effective acquisition of resources, capacity building and fostering and maintenance of intergovernmental relations have been aligned or are in process to address the above-stated priorities.

Over the new MTEF 2005 – 2007 period, the implementation of the MFMA, the exclusion of social grants from the equitable share and a new pro-poor slant to the latter, pose immense challenges for more refined strategic planning and revenue generation, particularly for the departments in the economic cluster. What we intend to do is to drive the setting of desired outcomes and performance towards these more energetically, as these have become more important than ever before.

Although it is realised that the above-mentioned pose huge challenges to the Provincial Treasury, I am confident that with a competent staff complement (including management), the right mindset and determination, the Provincial Treasury will be in good stead to deliver on these as they have done up to now.



Lynne Brown
Minister of Finance, Economic Development and Tourism

Date: 14 March 2005

Contents

Part A: Strategic Overview

Overview by the Accounting Officer	1
Vision	3
Mission	3
Values	3
Sectoral situation analysis	3
Legislative and other mandates	4
Broad policies, priorities and strategic goals	7
Information systems to monitor progress	9
Description of strategic planning process	10

Part B: Budget programme and sub-programme plans

1. Programme 1: Administration	11
2. Programme 2: Sustainable Resource Management	25
3. Programme 3: Asset and Liabilities Management	48
4. Programme 4: Financial Governance	80
5. Capital investment, maintenance and asset management plan	97
6. Co-ordination, Co-operation and Outsourcing Plans	98

Abbreviations

AG:	Auditor-General
AO:	Accounting Officer
ASB:	Accounting Standards Board
BAS:	Basic Accounting System
BBBEE:	Broad Based Black Economic Empowerment
BER:	Bureau for Economic Research
BPO:	Business Process Outsourcing
CASIDRA:	Cape Agency for Sustainable Development in Rural Areas
CFO:	Chief Financial Officer
CG:	Conditional grant
CIDB:	Construction Industry Development Programme
CPD	Corporation for Public Deposits
DBSA:	Development Bank of Southern Africa
DORA:	Division of Revenue Act
EDU:	Economic Development Unit
EPS:	Electronic Purchasing System
EPWP:	Expanded Public Works Programme
FET:	Further Education Training
FETC:	Further Education and Training Certificate
FMS:	Financial Management System
GEPF:	Government Employees Pension Fund
GRAP:	Generally Recognised Accounting Practice
HOT:	Head Official Treasury
HRD:	Human Resource Development
HRDS:	Human Resource Development Strategy
HSRC:	Human Sciences Research Council
ICS:	Improvement in Conditions of Service
ICT:	Information Communication Technology
IDIP:	Infrastructure Delivery Improvement Programme
IDP:	Integrated Development Plans
IFMS:	Integrated Financial Management System
IMLC:	Institutional Management and Labour Committee
IYM:	In-year monitoring
LOGIS:	Logistical Information System
MEC:	Member of Executive Council
MFMA:	Municipal Finance Management Act
MSP:	Master Systems Plan
MTBPS:	Medium Term Budget Policy Statement
MTEF:	Medium Term Expenditure Framework
NTR:	National Treasury Regulations
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
PGDS:	Provincial Growth and Development Summit
PGWC:	Provincial Government Western Cape
PMDS:	Performance Management Development System
PMU:	Programme Management Unit
PPP:	Public Private Partnerships
PPSC:	Provincial Portfolio Steering Committee
PT:	Provincial Treasury
REAL:	Revenue, Expenditure, Assets, Liabilities
SARS:	South African Revenue Services
SCM:	Supply Chain Management
SCOA:	Standard Chart of Accounts
SCOF:	Standing Committee on Finance
SER:	Socioeconomic Review
SETA:	Sector Education and Training Authority
SITA:	State Information Technology Agency
SMME:	Small Medium and Micro Enterprise
SMS:	Senior Management Service
SPMS:	Staff Performance Management System
TCF:	Technical Committee on Finance
TQM:	Total Quality Management
URS:	User Requirement Statement
WC-MTBPS:	Western Cape Medium Term Budget Policy Statement
WCSD:	Western Cape Supplier Database

Strategic Overview

Overview by the Accounting Officer

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

- Producing a fiscal policy framework that will describe those socioeconomic and service deliverable variables that will dictate the revenue and expenditure imperatives to be targeted;
- Improving budget management by aligning proposed allocations with the lead strategies, measuring post-budget allocation effectiveness and efficiency of resource expenditure thereby making the vision of a "Home for All" a reality;
- Vesting of proper asset management by further developing and enhancing the different stages of supply chain management (SCM) whether for goods and services, moveable or fixed assets, provincial public private partnerships (PPPs), cash management and financial system management;
- Management of liabilities by improving debtor management practices, management of creditors and dealing with budget pressures, contingencies and vis major occurrences;
- Establishing full nominal accounting compliance, producing consolidated financial statements and promoting substantive accrual based accounting standards and practices;

- Maintenance of fiscal discipline by perfecting and building on the basics in fiscal management, inclusive of promotion of efficiency in spending;
- Acquisition and managing of resources to ensure the maximising of the Province's revenue and borrowing potential, without causing net economic harm;
- Building of capacity by effective recruitment within Treasury and through financial training for all finance staff in the Province;
- By adopting a transversal approach to establish structures and procedures to ensure a seamless integration between the provincial and local government spheres, mainly pertaining to the implementation of the MFMA; and
- Establishing and maintaining financial governance by setting of norms and standards, communication channels and analysis of departmental systems, procedures and structures pertaining to risk management and internal control and by expanding internal audit services.

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



JC Stegmann (Dr)

Date: 15 March 2005

Vision

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

Mission

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

Values

The Provincial Treasury cherishes the following values:

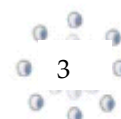
- To give effect to the Public Service Code of Conduct.
- To be of service, to empower people.
- To be an employment equity employer.
- To be aware of, and to cultivate respect for our country's heterogeneity.
- To benefit all people in the Western Cape.

Sectoral situation analysis

The Provincial Treasury, the department of the Premier and the departments of Local Government and Community Safety together form the integrated co-operative governance sector. It is the responsibility of the Provincial Treasury to support the Premier of the Western Cape to achieve the legislative mandates in terms of Section 125 of the Constitution, 1996 (Act 108 of 1996) and allocate resources for this purpose. Successful synergy between the first three departments are of utmost importance to ensure sound relationships between all three spheres of government. This approach is intended to benefit the Western Cape Province and all the people living within its boundaries directly and indirectly.

Summary of service delivery environment and challenges

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



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

The aim of financial governance is to shift the focus from more nominal compliance with financial legislation to normative and quantifiable service delivery aspects as well. These challenges therefore place more pressure on innovative measures that are to be instituted between government and its social partners, as government on its own cannot achieve all the desired socioeconomic objectives.

Summary of organisational environment and challenges

The organisational structure is a dynamic one as it has rise to attainment of Treasury's evolving strategic goals (in content and sophistication) and has to enable Treasury to fulfil its Constitutional mandate to address the socio-economic challenges of the Province in tandem with all other departments, municipalities and other stakeholders.

A continuing challenge facing the Provincial Treasury is to recruit new appointees of the right caliber, knowledge and skill combination able to perform at the requisite higher level of the changing organisational structure. Concerted efforts are still needed to develop more innovative recruitment practices to substantially reduce the current vacancy rate of about 34 per cent.

Legislative and other mandates

- **Annual Division of Revenue Act**
To provide for the equitable division of revenue raised nationally, inclusive of conditional grants, amongst the three spheres of government and matters incidental thereto.
- **Basic Conditions of Employment Act, 1997 (Act 75 of 1997)**
To provide regulatory prescripts, in addition to the Public Service Act, 1994 and the Public Service Regulations, 2001, regarding the conditions of employment of staff in the Treasury.
- **Borrowing Powers of Provincial Government Act, 1996 (Act 48 of 1996)**
To provide norms and conditions which the Treasury must adhere to in negotiating loans for the Provincial Government.
- **Employment Equity Act, 1998 (Act 55 of 1998)**
To regulate the processes and procedures of the Treasury in achieving a diverse and competent workforce broadly representative of the demographics of the Western Cape and eliminating unfair discrimination in employment towards implementing employment equity.

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

To define the role of the Minister of Finance and Economic Development and that of the Treasury as representatives of the Provincial Government, in promoting co-operation between other spheres of government on fiscal, budgetary and financial matters; to provide insight into the prescribed processes for the determination of the equitable share and allocation of revenue raised nationally and for matters in connection therewith.
- **Labour Relations Act, 1995 (Act 66 of 1995)**

To regulate and guide the Treasury in recognising and fulfilling its role in effecting labour harmony and the democratisation of the workplace.
- **Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA)**

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.
- **Occupational Health and Safety Act, 1993 (Act 85 of 1993)**

To provide for the health and safety of persons at work and for the health and safety of persons in connection with the use of plant and machinery; the protection of persons other than persons at work against hazards to health and safety arising out of or in connection with the activities of person at work; to establish an advisory council for occupational health and safety; and to provide for matters connected therewith.
- **Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000)**

To provide the Treasury with a regulatory framework enabling and assisting departments and potential historically disadvantaged individuals (HDIs) in the sustainable development and implementation of a preferential procurement system.
- **Promotion of Access to Information Act, 2000 (Act 2 of 2000)**

To give effect to the constitutional right of access to any information held by the State and any information that is held by another person and that is required for the exercise or protection of any rights; and to provide for matters connected therewith.
- **Promotion of Administrative Justice Act, 2000 (Act 3 of 2000)**

To give effect to the right to administrative action that is lawful, reasonable and procedurally fair and to the right to 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 the exercise of their power 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. To fulfil all Treasury responsibilities with respect to other departments and public entities.
- **Public Service Act, 1994 (Act 103 of 1994)**

To provide for the organisation and administration of the Treasury and for human resource management which includes the regulation of conditions of employment, terms of office, discipline, retirement and discharge of staff members of the Treasury and matters connected therewith.
- **Skills Development Act, 1998 (Act 97 of 1998)**

To provide an institutional framework to devise and implement national, sector and workplace strategies to develop and improve the skills of the South African workforce; to integrate those strategies within the National Qualification Framework contemplated in the South African Qualification Authority Act, 1995; to provide for learnerships that lead to recognised occupational qualifications; to provide for the financing of skills development by means of a levy-grant scheme and a National Skills Fund; to provide for and regulate employment services; and to provide for matters connected therewith.
- **Skills Development Levy Act, 1999 (Act 9 of 1999)**

To provide for the imposition of a skills development levy; and for matters connected therewith.
- **Western Cape Direct Charges Act, 2000 (Act 6 of 2000)**

To provide for the withdrawal of State moneys from the Western Cape Provincial Revenue Fund, as a direct charge, in accordance with the Constitution of the Republic of South Africa, 1999 (Act 108 of 1996), the Constitution of the Western Cape, 1997 (Act 1 of 1998) and the Public Finance Management Act, 1999 (Act 1 of 1999), and for matters incidental thereof.
- **Western Cape Gambling and Racing Law, 1996 (Law 4 of 1996)**

To provide regulatory prescripts to support the responsible Minister in ensuring sound financial administration and management and matters incidental thereto by the Western Cape Gambling and Racing Board.

- **Western Cape Law on the Powers and Privileges of the Provincial Legislature Amendment Act, 1998 (Law 3 of 1998)**

To provide the Treasury with regulatory prescripts in assisting the Legislature when necessary, in meeting their financial responsibilities as set out in legislation.

- **Western Cape Provincial Tender Board Law, 1994 (Law 8 of 1994)**

Although this Law has been revoked, a number of period contracts concluded under this Law and its regulations, are still valid and have to be administered in terms of this legislation.

Broad policies, priorities and strategic goals

Broad policies

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

Priorities

- Ensure the existence of an appropriate and dynamic financial legislative framework through determining and implementing financial norms and standards.
- Render a fully compliant internal audit service to all departments and thereby ensuring that governance, risk management and control processes are adequate in their effort to meet the iKapa Elihlumayo goals.
- Assessment of provincial department's measurable information to ensure alignment of their objectives towards the desired outcomes of the Province. The strategy is to increasingly move towards an outcome based budget allocation.
- Design of analytical instruments to assess the qualitative impact of provincial service delivery on provincial socio-economic variables.
- Concerted efforts in pursuit of other sources of revenue to further increase the Province's leverage in terms of economic development.
- Gradually fulfilling the envisaged role of the Provincial Treasury in terms of the Municipal Finance Management Act, 2003 (MFMA).
- Ensure that financial reporting is a full and true reflection of the financial position of the Province.

- Identify and develop strategic sourcing methodologies in those industries where the bulk of the provincial procurement budget is spent and develop effective standardised supply chain management processes to ensure satisfactory delivery of goods and services, inclusive of a well functioning supply chain management system within all departments.
- Develop, together with the relevant departments a more effective and efficient fixed asset management and delivery systems.
- Build the necessary capacity in the Provincial Treasury to eventually take over all public private partnerships (PPPs) related responsibilities from the National Treasury.
- Optimise liquidity in the Provincial Revenue Fund to ensure maximum return within acceptable levels of risk.
- In support of sound financial management, fully implement and optimally manage all financial systems on behalf of provincial departments and to give input into the new national Integrated Financial Management System.
- Properly manage the supply chain management process within the Provincial Treasury itself.
- The establishment of a fully functional research library as a source of information needed to align the operations of the Provincial Treasury in such a way that the goals of iKapa Elihlumayo will be met.

Strategic goals

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

1. To render secretarial, administrative and office support services to the Minister, linking Treasury, the Department of Economic Development, and the Provincial Parliament, enabling the Minister to realise her priorities.
2. To render strategic support and conduct overall planning.
3. To develop a diverse and high-level performing organisation.
4. To deliver financial management (inclusive of risk management and internal control), supply chain management and specialised auxiliary services for the Treasury.
5. To conduct macroeconomic analysis and render policy advice, i.e. to determine and analyse key economic variables, their interrelation and relevance to the budget, the potential for growth and development and the interaction with governmental and revenue patterns, alternative budgeting and other revenue and expenditure scenarios on selected key economic growth and development indicators.
6. To enable the provincial government to finance its service delivery obligations.
7. To promote effective financial resource allocation.
8. To ensure efficient budget management.
9. To facilitate the effective and efficient management of physical and financial assets and to elicit sustainable PPP projects.

10. To facilitate the effective and efficient management of liabilities.
11. To provide for the oversight and management of existing financial systems and the transition to the Integrated Financial Management System enhancing compliance with the PFMA and other relevant legislation.
12. To ensure that financial reporting is a full and true reflection of the financial position of the Province.
13. To develop, implement and monitor compliance of financial norms and standards and to ensure effective communication and information management.
14. To facilitate the establishment of risk management capacity and financial governance systems in the Provincial Government.
15. To perform internal audit services on a risk-analysis basis.

Generic strategic goal for all Programme Support components: To facilitate the efficient and coordinated administration and management of the programme.

Information systems to monitor progress

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

- **Financial Information Systems**

- Transaction processing system

The Provincial Treasury makes use of the Basic Accounting System (BAS), Personnel and Salary System (PERSAL), Logistical Information System (LOGIS), Loss Control and the Nominated Accounts Payment System (NAPS) for its transaction processing.

- Accounting information system

Although it has been around a long time, the Province has only been on it for the past year, but BAS is essentially used as the accounting information system. As it is fairly reliable the speed of transaction and interoperability with LOGIS, leaves much to be desired.

- Internal audit system

Pro-audit is mainly used as the internal audit information system. It is a fairly new system and a history has not yet been developed to enable advanced reports.

- **Operational Information Systems**

The three systems in use in the Provincial Treasury that can be classified as operational information systems are the loss control system, Vulindlela (a management information system) and the daily file system.

- **Information Reporting Systems**

The Provincial Treasury utilises BAS, Vulindlela, loss control, LOGIS (balanced score card) and PERSAL as electronic information reporting systems. In addition, the Provincial Treasury also uses the In-year-monitoring system to not only present to programme managers a report on their respective expenditure and revenue performance levels as well as projections for the remaining period, but also to comply to the PFMA by submitting to National Treasury the monthly state of revenue and expenditure for the Provincial Treasury, as a whole, during a financial year.

Description of strategic planning process

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

- Senior management was requested to identify the main focus areas of the Provincial Treasury. Evolving from this, broad strategies were identified. By using this together with the current strategic plan, restructuring initiatives and prescribed formats senior management had to compile a new five year strategic and performance plan as well as an annual performance plan for the Treasury with the officials of Financial Management providing secretarial support during the process.
- Meaningful consultation sessions per component were held in an endeavour to ensure full understanding and buy-in of the new five-year strategic and performance plan as well as an annual performance plan.

Budget programme and sub-programme plans

1. Programme 1: Administration

AIM: To provide and maintain high quality support services to the Minister and the Provincial Treasury pertaining to sound financial administration, supply chain management, auxiliary services, human resource management and administration.

1.1 Office of the Provincial Minister	To render secretarial, administrative and office support services and to act as linkage between Treasury, the Department of Economic Development, and the Provincial Parliament enabling the minister to realise her treasury and economic development priorities.
1.2 Management Services	To render strategic support and conduct overall planning.
1.3 Corporate Services	To develop a diverse and high level performing organisation.
1.4 Financial Management (Office of the CFO)	To deliver financial management (inclusive of risk management and internal control), supply chain management (SCM) and specialised auxiliary services for the Treasury.

1.1 Situation analysis

Office of the Provincial Minister

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

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

The key challenges are the further development of secretarial, administrative and office support services and the strengthening of the linkage with the Treasury, the Department of Economic Development and Tourism, and the Provincial Parliament to enable the Minister to realise both her treasury and economic development responsibilities.

Short-term: One of the biggest challenges facing the office of the Minister is capacity building and further challenges include training and reskilling of current staff.

Otherwise, the monitoring and tracking of documentation sent to both departments for the Minister's reply and response.

Long-term: To maintain a coherent and focused team and to strengthen relationships with the Department of Economic Development and Tourism.

Management Services

This new sub-programme is in time intended to provide strategic and communication support to the accounting officer and to the Treasury as a whole.

Corporate Services

An appraisal of the existing services and performance covering the 2004/05 financial year highlighted the following key areas:

- The structure and work process for all the HR functions have been refined resulting in greater attention being paid to compliance, training (e.g. phase one of Learnership completed) and division of responsibilities.
- An integrated performance management system is in place [Staff Performance Management System (SPMS) and Performance Management Development System (PMDS)].
- HR processes were aligned with the employment equity plan resulting in improvements towards achievement of targets.
- HR institutional and operational risks have been identified and shall be prioritised.

Reducing the current (2004/05) vacancy rate to an internal benchmark of 15% remains one of the biggest challenges for the component. Achievement of diversity through optimal recruitment and placement of staff remains a key priority in line with Provincial and National directives. An integrated HRD strategy that will align all capacity and learning interventions has been prioritised. Special efforts have been engaged to refine and advance the Component's systems, processes and procedures to attain operational efficiency.

Key challenges over the strategic period entail the following:

- One of the major challenges facing this component is to adequately respond to the rapid changing and complex environment (HR and organisational environment), which is highly competitive and aggressive.
- Well defined performance measures as well as the alignment of post levels to work complexity will ensure quality and accuracy in processes and procedures.
- Another key challenge is to implement effective recruitment and retention processes to maintain a vacancy rate below the 15 percent internal benchmark and to reduce the high staff turnover.
- A good communication and information infrastructure needs to be implemented for this component to function effectively and efficiently.
- Finally, this component aims to maintain the building of a learning organisation and to create an esprit de corps.

Financial Management (Office of the CFO)

This sub-programme has become operative during 2003/04 although it is still going through a developmental process to attain its objectives within the Provincial Treasury and become fully functional.

Management Accounting will ensure the attainment of relevant statutory obligations of the Provincial Treasury within the prescribed time limits regarding the compilation of its budgets and the monitoring of expenditure during current years with a high level of accuracy while Financial Accounting is ultimately responsible for all financial transactions in the Provincial Treasury and is in the process of developing improved management in respect of all financial transactions.

The introduction of new SCM legislation resulted in the abolishment of the Provincial Tender Board in December 2003 and the creation of SCM units within each department. Newly established departmental bid committees and SCM prescripts necessitated a total new approach to procurement within the Provincial Treasury. Additional functions vested within the SCM unit resulted in a study being undertaken by Organisational Development for job evaluation purposes. This study was necessary to ensure service delivery of an acceptable norm.

Registry is operational within the Provincial Treasury but document control is not up to standard. Although not fully operational the information centre is in an advanced stage of development. The remaining auxiliary services are functioning at an acceptable level and areas of concern are receiving attention.

Internal control ensured that financial procedures within Provincial Treasury functioned in accordance with financial prescripts. It also ensured that gaps identified were addressed, that proper investigation methods were used for loss control and that relevant financial instructions were issued.

The Provincial Treasury obtained an unqualified Auditor-general report for the 2003/04 financial year and delivered the financial statements and the annual report in the three official languages of the Province. For the future Financial Management intends to reduce the number of audit queries and ensure that previous years are not repeated again.

Some of the key challenges of Financial Management are to streamline budget management by ensuring that the expenditure variance remains within a 2% margin of the Provincial Treasury's allocation within the next three years and to timely provide high-level information. This component aims to develop and improve management measures in respect of assets, bids/consultants and contract management as well as to encourage pro-active control measures in respect of departmental facilities.

Another identified challenge facing this component is to create a new filing and document tracking system with the assistance of a private service provider. A challenge for Internal Control is to reduce the Provincial Treasury's risk profile by establishing proper risk management strategies. Financial Management is busy with concerted efforts to develop the skills base within the component. Finally, Financial Management should improve communication and co-ordination internally and with other components within Provincial Treasury.

1.2 Policies, priorities and strategic objectives

Office of the Provincial Minister

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

Management Services

The coordination and evaluation of the activities of the Treasury in time in pursuit of its overall priorities, strategic goals and strategic objectives. Communication will also shift from Norms and Standards to this sub-programme.

Corporate Services

To support the key challenges for Corporate Services the following priorities have been identified:

- Build high-level skills and competencies to deal with the changing environment and function.
- Implement quality improvement and enhance efficiency through regular reviews of processes, systems and procedures.
- Develop, implement and maintain effective inclusive HR communication strategy.
- Implement and maintain an electronic human resource record management system.
- Develop, implement and maintain clear staff performance measures and standards.
- Facilitate organisational structure reviews and implement decisions thereof.
- Implement measures to enhance and optimise appointment processes.
- Implement measures to attract and retain scarce skills.
- Implement measures to address and manage audit and risk reviews.
- Develop strategies to enhance cohesion and a shared corporate culture.

Financial Management (Office of the CFO)

Following from the situation analysis this sub-programme is in the process to further develop its services to adequately deal with its challenges in support of the key strategic objectives of the Treasury.

The following priorities have been identified:

- Combination of registry, document control and tracking.
- Improved accounts control for payments and postings.
- Provide and develop SCM databases for stock, IT equipment, stores, assets and BBBEE purposes.
- Develop risk management strategies.
- Specific focus on physical security inclusive of a more efficient and a results' conducive physical working environment.

Strategic Objectives linked to Programme 1

Strategic goal 1: To render secretarial, administrative and office support services to the Minister, linking Treasury, the Department of Economic Development, and the Provincial Parliament, enabling the Minister to realise her priorities.

Office of the Provincial Minister, Strategic objectives:

1. Ensure the rendering of secretarial, administrative and office support services.
2. Act as linkage between the Treasury and the Department of Economic Development.
3. Ensure an efficient public profile for the Minister.
4. Enable Minister to realise both her treasury and economic development responsibilities.

Strategic goal 2: To render strategic support and conduct overall planning.

Management Services, Strategic objectives:

1. A well functioning and coordinated institution that delivers on its responsibilities.

Strategic goal 3: To develop a diverse and high-level performing organisation.

Corporate Services, Strategic objectives:

1. Creating a diverse transformed environment by building capacity and a high performing workforce through an embedded performance management system and an effective communication process to ensure good governance and risk management.

Strategic goal 4: To deliver financial management (inclusive of risk management and internal control), supply chain management and specialised auxiliary services for the Treasury.

Financial Management, Strategic objectives:

1. Good budget management to remain within prescribed budget limits.
2. Timely and accurate reflection of the status of Provincial Treasury's ledger accounts.
3. Effective supply chain management services.
4. Proper internal control measures and risk management in the Provincial Treasury.
5. Determine and maintain good administrative standards.

1.3 Analysis of constraints and measures planned to overcome them

Office of the Provincial Minister

A major constraint is the lack of clearly defined roles and co-ordinated efforts in the day-to-day running of the office.

To overcome these constraints the applicable staff members will be sensitised on their different roles with emphasis on co-ordination of functions and effective communication within the component.

Management Services

As this is a newly reported sub-programme, the main constraint will be to appoint personnel with the appropriate skills levels, knowledge and experience.

Corporate Services

External constraints involve the following:

- Highly competitive environment and demand for professional skills.
- Highly regulated environment.
- Socioeconomic factors.
- Lack of prepared potential candidates for the complex world of HR work.

Internal constraints involve the following:

- High turnover rate.
- Limited knowledge and application of human resource processes.
- Ineffective communication.
- Operating capacity inadequate for the complexity of the human resource function.
- Slow and unproductive processes.

The above mentioned constraints will be addressed through the implementation of effective and efficient recruitment and acquisition processes, the development and implementation of human capital investment programmes, the development of an integrated communication system and the optimisation of capacity with clearly defined roles and accountability.

Financial Management (Office of the CFO)

System problems on LOGIS leads to frustrating problems with procurement and payment of goods and services.

Compliance procedures used when performing inspections by Internal Control are many times cumbersome, outdated and vague.

Delays in rectifying records leads to a situation where payments and ledger control within Financial Accounting are not at the required level.

Reduced budget allocations for the MTEF will result in stricter budget control.

The following corrective measures will be put in place:

- Closer liaison with Financial Systems could alleviate the LOGIS system problems.
- Internal control should revise and improve compliance procedures.
- CFO to assist with training and focused guidance.
- Budget control measure will have to be sharpened within Financial Management and the different components within Provincial Treasury.

1.4 Description of planned quality improvement measures

Office of the Provincial Minister

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

Management Services

This newly established sub-programme is under development.

Corporate Services

The Provincial Treasury has positioned itself and will be marketed as an employer of choice with a strong focus on learning and development, conducive working environment, broad exposure to the unique and diverse nature of work and the building of a dynamic team.

Strengthen capacity by appointing suitably skilled staff, offering job specific training and ensuring that effective staff retention measures are in place.

Financial Management (Office of the CFO)

Greater focus will be placed on skills development within Financial Management to ensure a higher level of professional support services and attain the set objectives linked to this sub-programme.

1.5 Specification of measurable objectives and performance indicators

Table 1.1: Sub-programme 1.1: Office of the Provincial Minister

Measurable Objective	Performance Measure	Actual 2003/04	Base year 2004/05 (estimate)	Year 1 2005/06 (budget)	Year 2 2006/07	Year 3 2007/08
1.1 Smooth and effective functioning of the Minister's office.	Percentage satisfaction by the Minister.	60%	60%	90%	95%	99%
	Days turnaround time on documents submitted to the Minister.	7 days	7 days	6 days	5 days	4 days
1.2 Fulfillment of Minister's legislative and political functions.	Good integration with departmental function.	Not applicable.	50	65	75	98
2.1 Strengthen linkage between Treasury, Economic Development and Provincial Parliament.	Establish a sound relationship and communication link.	Not applicable.	68%	72%	80%	95%
3.1 Ensure good public profile for Minister.	Improve public image.	Not applicable.	70%	85%	90%	95%
4.1 Enable Minister realises both her Treasury and Economic Development responsibilities.	Provincial state of affairs in good shape.	Not applicable.	60%	75%	88%	97%

Table 1.2: Sub-programme 1.2: Management Services

Measurable Objective	Performance Measure	Actual 2003/04	Base year 2004/05 (estimate)	Year 1 2005/06 (budget)	Year 2 2006/07	Year 3 2007/08
1.1 Ensure good strategic support to the HoD and his management team.	Percentage satisfaction.	Not applicable.	Not applicable.	75%	85%	95%

Measurable Objective	Performance Measure	Actual 2003/04	Base year 2004/05 (estimate)	Year 1 2005/06 (budget)	Year 2 2006/07	Year 3 2007/08
1.2 Conduct overall planning to ensure that remaining management functions are conducted on such a level that the department delivers on its responsibilities.	Percentage of planning mechanisms resulting in the right deliverables.	Not applicable.	Not applicable.	75%	85%	95%

Table 1.3: Sub-programme 1.3: Corporate Services

Measurable Objective	Performance Measure	Actual 2003/04	Base year 2004/05 (estimate)	Year 1 2005/06 (budget)	Year 2 2006/07	Year 3 2007/08
1.1 Ensure an optimal staff establishment.	Implement effective and efficient recruitment and acquisition processes.	37% vacancy rate.	37% vacancy rate.	Reduce vacancy rate to 15%.	Reduce vacancy rate to 10%.	Reduce vacancy rate to 8%.
2.1 Establishing a high level workforce.	Reinforce and develop human capital investment programmes.	Not applicable.	Skill profiles and priorities identified.	60% achieved.	80% achieved.	100% achieved.
		Not applicable.	Skills development programmes implemented.	Roll-out of skills programme.	80% achieved.	100% achieved.
3.1 Promote good governance and a sound-working environment.	Facilitate communication and accessibility of all applicable policies, processes and procedures on human resource matters.	Non-existent.	Develop an intranet site of all policies and prescripts.	100% activated.	100% maintenance.	100% maintenance.
	Management of workplace relations.	Re-establishment of IMLC.	Established Institutional management and Labour Committee operational.	100% operational and maintenance.	100% maintenance.	100% maintenance.

Measurable Objective	Performance Measure	Actual 2003/04	Base year 2004/05 (estimate)	Year 1 2005/06 (budget)	Year 2 2006/07	Year 3 2007/08
4.1 Promote embedded Performance Management.	Implementation and management of an integrated Staff Performance Management System.	Developing a SPMS policy unique to PT circumstances. Work-shopping the developed SPMS to all employees and managers.	Performance feedback and assessments concluded. Facilitate interventions towards a performance culture.	Maintain processes to measure, reward and manage performance. Engage line managers and staff on performance processes.	100% maintenance. 100% achieved.	100% maintenance. 100% achieved.
5.1 Ensure effective and sustainable corporate communication processes.	Develop an integrated communication strategy.	Not applicable.	Identify communication priorities.	Implement communication programmes.	100% maintenance.	100% maintenance.
6.1 Ensure an established, diverse and integrated workforce and environment.	Promote Transformation and Human Rights ethos.	Developing of transformation initiatives unique to PT.	Mainstream transformation programmes.	Review and monitor progress. Facilitate strategies for managing diversity in the workplace. Develop and partly implement strategies for managing HIV/AIDS in the workplace.	80% achieved 80% achieved. 80% achieved.	100% achieved 100% achieved. 100% achieved.
7.1 Deliver an effective and efficient operational function.	Strengthen capacity in core HR functions and broaden competencies.	Review of HR function.	Develop a quality improvement and skills improvement programme.	Implement programme.	100% improved.	100% maintenance.
8.1 Ensure good governance and risk management.	Implement the internal audit recommendations of the identified areas of risk.	Not applicable.	50% of risk areas addressed.	60% of risk areas addressed.	80% of risk areas addressed.	100% of risk areas addressed.

Table 1.4: Sub-programme 1.4: Financial Management (Office of the CFO)

Measurable Objective	Performance Measure	Actual 2003/04	Base year 2004/05 (estimate)	Year 1 2005/06 (budget)	Year 2 2006/07	Year 3 2007/08
1.1 Efficient and effective planning and budget management.	Percentage variance between actual and approved budget.	37%	5%	4%	3%	2%
1.2 Effective application of resources in realising strategic goals.	Percentage expenditure in line with detailed budget per sub-programme.	70%	80%	90%	93%	96%
2.1 Ledger accounts that accurately reflects the financial position of the Provincial Treasury.	Number of days for clearing of ledger control accounts.	90	70	60	45	30
	Number of days to complete reconciliations after month close.	180	60	30	20	15
	Number of management information tools to reflect the Provincial Treasury's records.	Not applicable.	10	12	14	14
3.1 Efficient and effective supply chain management services.	Percentage of bids successfully administered to contract phase.	60%	80%	80%	85%	90%
	Compliance with conditions of contract.	100%	100%	90%	95%	98%
	Assets accurately recorded on inventory in terms of accrual accounting.	50%	60%	70%	80%	90%
4.1 Financial inspections to improve internal control.	Number of inspections successfully completed.	3	10	12	8	8
	Percentage improvement in the quality of inspection reports.	40%	60%	70%	80%	90%
4.2 Communicating guidelines on compliance with prescripts.	Review guidelines on compliance with prescripts.	Annually	Annually	Annually	Annually	Annually

Measurable Objective	Performance Measure	Actual 2003/04	Base year 2004/05 (estimate)	Year 1 2005/06 (budget)	Year 2 2006/07	Year 3 2007/08
4.3 Improved Provincial Treasury's risk profile.	Developmental level of risk profile.	10%	30%	50%	70%	90%
	Percentage checking of high risk per component.	10%	20%	30%	50%	70%
5.1 Compliance with financial prescripts pertaining to management accounting.	Percentage compliance with regard to quality output and timeliness.	85%	90%	90%	92%	95%
5.2 Efficient control over debtors and creditors.	Days to follow-up debtors.	180	60	30 day cycles.	30 day cycles.	30 day cycles.
	Days to pay creditors.	50	35	<30 days	<30 days	<30 days
5.3 Efficient system management (Syscon).	Regular maintenance checks on BAS.	60 days	45 days	Monthly	Monthly	Monthly
	Regular maintenance checks on LOGIS.			Quarterly	Quarterly	Quarterly
5.4 High quality delivery of auxiliary services.	Establish measures for a vehicle fleet that will cater for the changing needs of the Provincial Treasury.	80%	80%	80%	90%	95%
	Good operative document control.	Not applicable.	Not applicable.	75%	85%	95%
	Percentage of high quality and timely delivery of all other auxiliary services.	80%	85%	90%	94%	98%
5.5 Good communication and co-ordination within the sections of Financial Management and other components within Provincial Treasury.	Number of staff members trained in customer care.	0	0	20	20	20
	Number of staff members trained in communication skills and group dynamics.	0	0	15	15	15

Measurable Objective	Performance Measure	Actual 2003/04	Base year 2004/05 (estimate)	Year 1 2005/06 (budget)	Year 2 2006/07	Year 3 2007/08
5.6 Ensure a full complement of competent staff.	Ensure low vacancy rate.	36%	45%	<5%	<5%	<5%
	Review of identified staff suitably trained.	Quarterly	Quarterly	Quarterly	Bi-annually	Bi-annually
5.7 Proper high level management information timeously.	Determine information needs on Directorate's meeting.	Monthly	Monthly	Monthly	Monthly	Monthly
	Percentage of measures in place to have information available.	50%	60%	70%	80%	90%

1.6 Reconciliation of budget with plan

Table 1.6: Programme 1: Administration budget by sub-programme (R'000)

Programme 1: Administration										
Sub-programme	Year – 2 2002/03 (actual)	Year – 1 2003/04 (actual)	Base year 2004/05 (estimate)	Average annual change (%)	Year 1 2005/06 (MTEF projection)	Year 2 2006/07 (MTEF projection)	Year 3 2007/08 (MTEF projection)	Year 4 2008/09 (MTEF projection)	Year 5 2009/10 (MTEF projection)	Average annual change (%)
Office of the Provincial Minister	2,837	3,015	3,056	3.79	3,501	3,679	3,863	4,056	4,259	6.86
Management Services				0.00	2,535	2,664	2,797	2,937	3,084	0.00
Corporate Services	1,761	4,681	5,872	82.61	7,617	7,706	7,791	8,181	8,590	7.90
Financial Management	16,208	12,491	12,678	-11.56	12,631	13,244	15,025	15,776	16,565	5.49
Total	20,806	20,187	21,606	1.90	26,284	27,293	29,476	30,950	32,497	8.51

The average increase in the spending trends of almost 2% for the financial years 2002/03 to 2004/05 of this programme can mainly be contributed to the increase in expenditure under the sub-programme: Human Resource Management, which is related to increased expenditure on personnel and recruitment costs. Furthermore, inflation adjustments over the MTEF are the main cause for the average increase with the exception of the sub-programme: Management for which a provision for a strategic planning unit was made in the Office of the Accounting Officer as from 2005/06.

2. Programme 2: Sustainable Resource Management

AIM: To provide professional advice and support on provincial and local government economic analysis, fiscal policy, public finance development and management of the annual provincial budget process and assist and monitor local government budgets.

There are five sub-programmes, namely:

2.1 Programme Support	To facilitate the efficient and coordinated administration and management of the programme.
2.2 Economic Analysis	To conduct macroeconomic analysis and render policy advice, i.e. to determine and analyse key economic variables, their interrelation and relevance to the budget (provincial and municipal), the potential for growth and development and the interaction with governmental and revenue patterns, alternative budgeting and other revenue and expenditure scenarios on selected key economic growth and development indicators. Assess and advise on IDPs (socio-economic part) and its relevance to municipal budgets.
2.3 Fiscal Policy	To enable the provincial government to finance its service delivery obligations, determine the overall financing envelope for the MTEF including administering the medium term revenue planning process, assessing and optimising national revenue, ensure effective and efficient development of provincial revenue including the assessment of revenue trends and the compilation and submission of revenue reports. Assess the viability of municipal revenue budgets. To advise the responsible minister on gambling and racing related matters and provide and administer the required financial support functions inclusive of management of transfer payments to the Western Cape Gambling and Racing Board.

<p>2.4 Budget Management</p>	<p>To promote performance monitoring and effective financial resource allocation planning.</p> <p>To manage the annual fiscal policy process, i.e. consolidate, prepare and compile the annual Western Cape Medium-Term Budget Policy Statement (WC-MTBPS) and provide advice, drive the MTEF and annual budget process and determine annual budget allocations per function including resource shifts between spheres of government and departments.</p> <p>To promote integration and synergy of budget priorities between departments and governments, assess and ensure effective expenditure including the costing of new policy proposals and determining its relative priority.</p> <p>To introduce measures to close the gaps between macroeconomic variables and policy priorities, budget trends, spending trends, strategies, development plans and service delivery indicators.</p> <p>To assess the link between IDPs and the resultant municipal budgets</p> <p>To promote alignment between municipalities and the provincial departments of the budget processes, integrated development plans and budgets of municipalities with provincial budget process, budgets and departmental strategic plans.</p>
<p>2.5 Public Finance, consisting of two elements, being: Provincial Government</p>	<p>To technically prepare the annual budget for tabling, inclusive of data base, formats, programme structures, consolidation and publication.</p> <p>To ensure budget implementation, inclusive of monitoring, trend analysis, interpretation, reporting, intervention, exercising fiscal discipline as well as promoting and enforcing effective management of expenditure.</p>

2.5 Public Finance, consisting of two elements, being: Provincial Government <i>(continued)</i>	To manage the adjustments budget, inclusive of process, database, formats, programme structures, allocations, consolidation and publication. To promote improved service delivery and customer care. To provide policy advice.
Local Government	To monitor the monthly outcome of municipal budgets and reports, inclusive process, financial problem resolution, interventions and adjustments budgets. To advise on municipal expenditure budgets (technical), the establishment of municipal entities, applications for municipal police service and the transfer of functions to municipalities. To provide a centralised capacity to facilitate the implementation of the Local government: Municipal Finance Management Act, 2003 (Act 56 of 2003) during the 2005/06 financial year. To promote improved service delivery and customer care. To provide policy advice, inclusive of technical assistance and financial training.

2.1 Situation analysis

Following the national process of aligning the programme structures of provincial treasuries, Programme 2 is divided into the following five sub-programmes some consisting of a further breakdown into elements.

Economic Analysis (EA)

The Macroeconomic Analysis (now known as Economic Analysis) unit was set up two years ago to determine the macroeconomic and socio-economic environment within which the provincial budget is formulated and implemented, the latter contributing towards the achievement of iKapa Elihlumayo.

The first two years were spent recruiting economically trained personnel, a scarce resource, contracting academic researchers and developing its analytical instruments. The key challenges over the next three years will be the commissioning and of appropriate analytical and economic policy research.

Fiscal Policy

Resource Acquisition (now known as Fiscal Policy) was established in the 2003/04 financial year to enable the provincial government to finance its service delivery obligations in a sustainable and equitable manner.

Key challenges over the MTEF include concerted efforts in pursuit of other sources of revenue, and to finalise processes surrounding the imposition of provincial fuel and bed levies.

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

The year 2005/06 will be spent building capacity to fully take up its responsibilities from 1 April 2006. This applies to both sub-programmes (Fiscal Policy and Economic Analysis).

Western Cape Gambling and Racing Board

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

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

Clearly defined lines of communication exist between the accounting officer, the Minister and the accounting authority (of the Board). The Board itself acts as the accounting authority, but has delegated most of its powers to the Chief Executive Officer of the Board. In general, accountability arrangements

for all the relevant functionaries are strictly in line with that prescribed by the Public Finance Management Act, 1999 (Act 1 of 1999).

Budget Management

The Budget Office (now known as Budget Management) was established during the 2003/04 financial year with the aim of making resource allocation recommendations in the annual Medium-Term Budget Policy Statement (MTBPS) and the annual main budget for the Province. Economists have been appointed during the 2004/05 financial year and are responsible for the assessment of core departments' performance related information and responsible for making recommendations in order to ensure the alignment of departmental objectives and outcomes of the Province. The key challenge will be to build on these assessments and to move towards an outcome-based allocation process resulting in more sustainable results.

Proposed fiscal and allocative policies, priorities and objectives will be included in the annual MTBPS and allocations will be based on the conclusions of the latter policy statement.

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

The phased implementation of the MFMA brings about the extension to the establishment of the Budget Management office in order to fulfill its responsibility towards the MFMA from 1 April 2006, in time for the assessment of the 2006/07 municipal budgets. Economists for the municipal function within the Budget Management office will be responsible for the assessment, on a municipal level and provincial level, of budgets and performance related information. They will also be responsible for guiding role-players on the integration of the municipal budgets with provincial budgets.

Once established, a separate budget co-ordination team will be responsible for the integration of budgetary processes between municipalities and provincial government.

Public Finance

Public Finance as a sub-programme is further divided into two elements, distinguishing between provincial government and local government. The sub-programme serves as the key link between the Provincial Treasury and the budget teams of both provincial departments and municipalities to promote and enforce effective expenditure management, inclusive of in-year monitoring and co-operative relationships.

Services delivered are mainly driven by legislation and entail key activities such as the development and sophistication of in-year expenditure monitoring, which includes reporting, identification and appropriate

interventions relating to under spending, overspending, spending risks/pressures, the quantifying thereof and budget adjustment proposals.

In the provincial context the Public Finance Management Act, 1999 (Act 1 of 1999) assumes a phased approach towards improving the quality of financial management. Implementation in the first phase focused mainly on the basics, like the institutionalisation of in-year expenditure monitoring systems the progress of which had been phenomenal and exceeded all expectations. Since, sub-programme activities have progressed beyond the basics and are now focusing on substantive matters such as the effectiveness and efficiency of budget programmes of provincial departments.

In the municipal context the Local Government: Municipal Financial Management Act, 2003(Act 56 of 2003) became effective 1 July 2004 with a phased implementation and compliance approach based on the capacity of municipalities and that of provincial treasuries. This sub-programme, under the guidance of the National Treasury, has been actively involved with the implementation process.

Furthermore, in relation to the municipal/provincial interface the sub-programme has undertaken pioneering research and has compiled a situation analysis on functions allegedly rendered by municipalities on behalf of the Province and or visa versa to ultimately resolve on the vesting of the affected functions and the most appropriate mechanisms of transfer.

An appraisal of existing services and performance highlighted the following:

- An assessment of the draft annual Budget 2005 contributed towards ensuring that the distributions of budget allocations within the vote is aligned with policy priorities and credible.
- Nationally prescribed In-Year Monitoring (IYM) reporting information has been augmented with deepened analytical and explanatory narrative reports to encourage the development of interpretive skills in the Treasury and provincial departments and to promote and enforce effective management of expenditure.
- The Expenditure Review 2004 - Working Paper, an internal working document, is an accessible resource on the spending of provincial departments and has been an invaluable instrument in informing the budget allocation process.
- Similarly the Local Government Review 2004 - Working Paper, *inter alia*, revealed the difficulties with regard to intergovernmental fiscal relations.

Key challenges facing the Public Finance sub-programme in collaboration with other sub-programmes over the strategic plan period entail the following:

- Supporting the National Treasury in unfolding the process of collecting and aggregating non-financial information, the development and introduction of quarterly performance reports integrated with the current financial reporting and the institutionalisation thereof.

- Build analytical capacity both in the Provincial Treasury and provincial departments to gain a deepened understanding from a service delivery perspective of what expenditure performance and budget allocations actually mean. Responses thereto will translate into improved expenditure management because of early detection of issues requiring appropriate intervention.
- Improvement of financial management in the public sector through continued support of budget reforms related to strategic and performance plans, annual reports, budget statement formats and improving the measurability of objectives, etc.
- In a function/ economic classification context:
 - Education – Monitoring of compensation of employees.
 - Health – Monitoring of programmes 2, 3 and 4.
 - Social services – Monitoring of social security grants and the roll-out of the South African Social Security Agency, Act (Act 9 of 2004).
 - Transfer payments – Monitor that gains are affected to the extent that receiving entities provide greater efficiency, economy and efficacy than would be possible in the transferring department.
- A competent Provincial Treasury able to fulfill its responsibilities in terms of the Local Government: Municipal Financial Management Act, 2003 (Act 56 of 2003).
- Optimal placement of functions between the provincial and local spheres of government.

2.2 Policies, priorities and strategic objectives

Apart from the specific objectives and priorities, which will be discussed below, two generalised goals will be pursued and they are:

- To foster professionalism in attitudes, values, ethics, management and supervision, coaching, mentoring and career development.
- To create synergy and integration within and between components.

In aligning its daily operations and activities with the achievement of the iKapa Elihlumayo lead strategies this programme has redirected its strategic objectives, within the relevant Sub-programmes, as follows:

Economic Analysis

- To conduct macroeconomic analysis and render policy advice, i.e. to determine and analyse key economic variables, their interrelation and relevance to the budget, the potential for growth and development and the interaction with governmental and revenue patterns, alternative budgeting and other revenue and expenditure scenarios on selected key economic growth and development indicators.

Fiscal Policy

- The Fiscal Policy unit's primary objective is to enable the provincial government to finance its service delivery obligations. In doing so the component has identified a number of strategic objectives.

Budget Management

- Through a range of consultations and discussions, iKapa Elihlumayo was born, and this was further concretised by the agreements taken at the Provincial Growth and Development Summit. The eight lead strategies as per iKapa Elihlumayo are currently being development and are full implementation is expected in the coming year. The WC-MTBPS of 2006/7 will begin to shed light on the progress that will have been made and identify any challenges that are anticipated.

Public Finance

- The Local Government: Municipal Financial Management Act, 2003 (Act 56 of 2003) in relation to the responsibilities of provincial treasuries takes effect 1 July 2005. Readiness to accept the responsibilities relating to the said legislation is a key priority.
- Facilitation of the provincial position on the placement of functions between the provincial and local spheres of government.
- Evolvement of the In-year monitoring expenditure reports into performance reports that contain financial and non-financial information.

Strategic objectives linked to Programme 2

Generic strategic goal: To facilitate the efficient and coordinated administration and management of the programme.

Programme Support, Strategic objectives:

1. Rendering administrative support services to ensure the effective operational management of the unit.
2. Capacitate and train administrative support and line function staff.
3. Support and promote BBBEE initiatives through administrative functions.

Strategic goal 5: To conduct macroeconomic analysis and render policy advice, i.e. to determine and analyse key economic variables, their interrelation and relevance to the budget, the potential for growth and development and the interaction with governmental and revenue patterns, alternative budgeting and other revenue and expenditure scenarios on selected key economic growth and development indicators.

Economic Analysis, Strategic objectives:

1. Describe the Western Cape economy by determining and analysing key provincial and, where possible, district economic variables and their interrelation.
2. Determine the sources, potential and constraints for enhanced growth and development in the Western Cape, as framed within iKapa Elihlumayo.
3. Assess the impact of various budget (municipal and provincial) policy objectives on selected economic variables, providing a link between the macro, meso and municipal spheres.
4. Provide technical assistance and training in the application of macroeconomic analysis.
5. Disseminate information to other government and external key stakeholders in the provincial economy and labour market to foster understanding of economic variables and promote steps to enhance economic growth and reduce inequalities.

Strategic goal 6: To enable the provincial government to finance its service delivery obligations.

Fiscal Policy, Strategic objectives:

1. Administer the medium-term revenue planning process.
2. Assess and optimise both the vertical and horizontal (equitable shares and conditional grants) from national.
3. Assess and optimise the Western Cape's present own revenue base.
4. Ensure effective and efficient management of debtors.
5. Ensure effective and efficient development of provincial own revenue, whether user charges or provincial taxes, levies and duties.
6. Ensure effective and efficient development of the Western Cape's borrowing capacity.
7. Administer gambling and racing matters.
8. Assess revenue trends, compile and submit revenue reports.
9. Determine an overall financing envelope for MTEF.
10. To assess viability of municipal revenue budgets.

Strategic goal 7: To promote effective financial resource allocation.

Budget Management, Strategic objectives:

1. To promote and facilitate performance monitoring in provincial departments and municipalities and should be done in conjunction with similar processes undertaken by the Department of the Premier, Department of Local Government and Housing and the National Treasury.

Strategic goal 8: To ensure efficient budget management.

Public Finance, Strategic objectives:

1. Provide policy advice, effective technical and strategic support and a change agent service to provincial departments and municipalities.
2. Improve input-output sequencing of information and the quality of the latter within the budget processes.
3. Develop the effectiveness of in-year expenditure monitoring systems towards monitoring financial and non-financial performance indicators.
4. Strengthen the institutional capacity, inclusive of professionalism, skills, knowledge, motivation, attitudes, integration, and values.
5. Develop intra Provincial Treasury, intra provincial, inter provincial and government coordinating structures and systems.
6. Facilitate the optimal vesting of functions between the provincial and local spheres of government.
7. Deepen the analysis of budget votes, i.e. in content and profile.

2.3 Analysis of constraints and measures planned to overcome them

A constraint that applies to all sub-programmes is the non-existence of proper bridges and structures with the thirty municipalities and the lack of sufficient knowledge of the local government sphere. This would require extraordinary measures to successfully and cooperatively drive the implementation and evolution of the MFMA.

Economic Analysis

The major constraints that Economic Analysis will face over the next few years are the lack of analytical capacity, the paucity of data and the absence of an interpretative framework to order and channel socioeconomic data into the budget process.

Consolidating and expanding the network of academic researchers as well as a capacity building programme for permanent staff will address the lack of capacity.

Fiscal Policy

The major constraints facing this unit are:

- Capacity constraints within the department ranging from high vacancy rates to limited analytical and technical capacity.
- Inter and intra departmental silos within the Province.
- The paradigm shift in respect of Financing for Development and the need to generate innovative financing solutions, contributing towards growth and development in the Province.
- Unchartered process for the imposition of a provincial fuel and bed levy. Thoroughly researched and consulted proposals to assist with the approval process.
- Departmental co-operation to ensure effective focus on efficient debt collection. Quarterly assessment and reporting on the state of debtors and fostering co-operation with departments primarily through CFO structure interactions.

Measures taken to overcome the above stated constraints are:

- Concerted efforts have been made to address the capacity constraints currently experienced in the department, key capacity building foci have been identified:
 - Utilising a Revenue Economist position on the Fiscal Policy unit structure as an internship or Revenue Researcher position as part of the Provincial Treasury's nascent internship programme.
 - Ensuring that the Fiscal Policy unit personnel undertake appropriate training that enhances their exposure to the latest developments in intergovernmental revenue and taxation management.
- Developing robust engagement and interaction on provincial revenue and taxation management within the Technical Committee of Finance Revenue and Taxation Working Group.
- Inter and intra departmental relationships will be forged, in particular with senior managers within departments to ensure cooperation and the timeous delivery of information, working together to attain iKapa Elihlumayo goals.
- Develop internal revenue and taxation analytical capacity and contribute towards a larger pool of provincial revenue and taxation analysts.
- Raise awareness of leveraging technical expertise and capacity through a broader network, extending and deepening the Fiscal Policy unit's output reach and transferring knowledge base and skills into the public sector.

Budget Management

The major constraints that the Budget Management unit will be facing over the strategic period are:

- The lack of specific skills in areas such as costing, performance measurement, strategic planning, econometric modeling, etc.
- The quality of departmental strategic plans and IDPs and linkages of this information with outcomes of the Government.
- Incompletely developed lead strategies.
- Late submission of budget related information.

Appropriate skills will be built as the appointees go through the budgetary processes. Also where necessary, analytical capacity will be addressed by recruiting a network of academic researchers as well as a capacity building programme for permanent staff. Measurable information in departmental strategic plans will be improved through specific interventions by the Provincial Treasury in departments. As the analytical ability of treasury staff improves, the improved knowledge will be filtered through to departments by means of interaction with departmental personnel and associated budget reforms.

Public Finance

A policy intervention which will directly influence the sub-programme's performance and put pressure on its resources is the roll-out of the Local Government: Municipal Financial Management Act, 2003(Act 56 of 2003) and the additional responsibilities to be assigned in terms thereof. It is envisaged that the post of Senior Manager Local Government Finance will be filled by 1 April 2005. Linked hereto is the creation and suitable filling of posts to support the senior manager prior to 1 July 2005. Process to achieve the latter is in progress.

Limited skills and knowledge levels of existing staff in municipal financial matters is a constraining factor in relation to the implementation of the Local Government: Municipal Financial Management Act, 2003(Act 56 of 2003). However, the available staff will be participating in the training programmes offered by the National Treasury.

The introduction of performance reports in the in-year monitoring system may place an additional burden on existing staff and job evaluation process needs to be instituted to determine the impact thereof.

2.4 Description of planned quality improvement measures

Economic Analysis

Since this component was only established in 2003/04, the cycle of quality improvement measures started in 2004/05. The key improvement that EA will constantly pursue is the alignment of departmental activities to the socioeconomic goals of iKapa Elihlumayo. Refining the reporting

requirements and resource allocation process of the annual budget process will pursue this alignment. Related operational improvements may include:

- Improved coordination of researchers through peer review and more intensive oversight.
- Development of more targeted briefs for researchers.
- Acquire and obtain reliable sources of data for further research.
- Improve relationship with external and internal stakeholders to work towards a common goal (improved service delivery and economic growth).

Fiscal Policy

The Fiscal Policy unit aims to forge partnerships, which will:

- Broaden ownership of revenue collection and management across key partners, ensuring a deepening and expansion of the revenue envelope financing iKapa Elihlumayo.
- Raise awareness of the paradigm shift in respect of financing for development and the need to generate innovative financing solutions, contributing towards growth and development in the Province.
- Lever technical expertise and capacity through a broader network, extending and deepening the Fiscal Policy Unit's output reach and transferring knowledge base and skills into the public sector.
- Strengthening and deepening the iKapa Elihlumayo revenue partnership, centering on:
 - Improved linkages between the Fiscal Policy unit, Budget Management, Economic Analysis and Public Finance expenditure analysts, thereby streamlining departmental revenue and expenditure analysis and advice.
 - Robust interaction and liaison with those departments that collect revenue on behalf of the Province, namely, the Departments of Transport & Public Works, Health, Education, Economic Development, Social Services & Poverty Alleviation as well as the Western Cape Gambling and Racing board.
 - Enhanced engagement within the intergovernmental system, building dialogue and debate at a horizontal level between provinces, and at the vertical level between provinces and the national and local spheres.
- In addition, increased revenue flows enabling systematic lessening of socioeconomic disparities as a desired end result.

Budget Management

The Budget Management unit continuously strives towards a better-integrated and better-informed process of allocations to departments. These improvements will be addressed through budget reforms that will be communicated to role players by means of budget circulars.

Public Finance

Public Finance aims to:

- Encourage the development of human capital through, inter alia, the internal bursary scheme and accredited training offered by the National Treasury in connection with municipal financial management.
- Create partnerships and networks that will strengthen the links between various components within the Provincial Treasury, provincial departments, municipalities and national counterparts that will improve expenditure analysis.
- Interact regularly and robustly with departments on their in-year monitoring expenditure reports.
- Build relationships between the Provincial Treasury and municipalities one-on-one and through intergovernmental relation structures.
- Build the analytical capacity in the Provincial Treasury and extend that to the offices of chief financial officers in provincial departments.
- Do field trips to do site monitoring.
- Institutionalise the principles/objectives of iKapa Elihlumayo.

2.5 Specification of measurable objectives and performance indicators

Table 2.1: Sub-programme 2.1: Programme Support

Measurable objective	Performance measure	Year-1 2003/04 (actual)	Base year 2004/05 (estimate)	Year 1 2005/06 (target)	Year 2 2006/07 (target)	Year 3 2007/08 (target)
1.1 Smooth and effective functioning of the component.	Percentage compliance with rules and regulations.	Not applicable.	Not applicable.	100% compliance.	100% compliance.	100% compliance.
	Percentage compliance to acceptable norms/ standards of service delivery.	Not applicable.	Not applicable.	70% achieved.	100% achieved.	100% achieved.
	Hours turn around time for management of operational finances, human resources and logistical issues.	Not applicable.	48 hours.	48 hours.	24 hours.	24 hours.

Measurable objective	Performance measure	Year-1 2003/04 (actual)	Base year 2004/05 (estimate)	Year 1 2005/06 (target)	Year 2 2006/07 (target)	Year 3 2007/08 (target)
2.1 Trained and capacitated administrative support and line function staff.	Number of vacant posts filled.	Not applicable.	Not applicable.	50% achieved.	100% achieved.	100% achieved.
	Percentage of staff complement trained according to IDPs.	Not applicable.	Not applicable.	50% achieved.	100% achieved.	100% achieved.
3.1 Achievement of iKapa Elihlumayo goals.	Percentage support and promotion of goals in work environment.	Not applicable.	Not applicable.	100% support achieved.	100% support achieved.	100% support achieved.
	Percentage procurement in terms of BBBEE.	Not applicable.	Not applicable.	40%	50%	60%

Table 2.2: Sub-programme 2.2: Economic Analysis

Measurable objective	Performance measure	Year-1 2003/04 (actual)	Base year 2004/05 (estimate)	Year 1 2005/06 (target)	Year 2 2006/07 (target)	Year 3 2007/08 (target)
1.1 Describe the provincial economy.	Timely published PER&O before budget.	Forerunner, the SER, published.	Publication delayed to March 2005.	PER&O published.	PER&O published.	PER&O published.
2.1 Determine the sources, potential and constraints for enhanced growth and development in the Western Cape.	Timely published PER&O before budget.	Forerunner, the SER, published.	Publication delayed to March 2005.	PER&O published.	PER&O published.	PER&O published.
3.1 Assess the impact of various budget policy objectives on selected economic variables.	Alignment of departmental activities to iKapa Elihlumayo.	Not applicable.	Not applicable.	PER&O framing Budget 2005.	PER&O framing Budget 2006.	PER&O framing Budget 2007.
4.1 Provide technical assistance and training.	Planning social dialogue events.	Not applicable.	Publication delayed to March 2005.	Social dialogues.	Social dialogues.	Social dialogues.

Measurable objective	Performance measure	Year-1 2003/04 (actual)	Base year 2004/05 (estimate)	Year 1 2005/06 (target)	Year 2 2006/07 (target)	Year 3 2007/08 (target)
5.1 Disseminating information to other stakeholders in the provincial economy and labour market.	Publishing of PER&O.	Not applicable.	Publication delayed to March 2005.	PER&O published.	PER&O published.	PER&O published.
	Engaging in social dialogues.	Not applicable.	Publication delayed to March 2005.	Social dialogues.	Social dialogues.	Social dialogues.
	Hosting events launch and media briefing.	Not applicable.	Publication delayed to March 2005.	Social dialogues.	Social dialogues.	Social dialogues.
	Producing iKapa Elihlumayo quarterly bulletin.	Not applicable.	4 Publications.	4 Publications.	4 Publications.	4 Publications.
	Developing iKapa Elihlumayo web-page.	Not applicable.	Not applicable.	50% completed.	100% completed.	100% completed.
5.2 Assessing socio-economic relevance of municipal IDPs.	IDPs that reflect the true socioeconomic needs in each municipality.	Nil	Nil	Nil	40%	60%

Table 2.3: Sub-programme 2.3: Fiscal Policy

Measurable objective	Performance measure	Year-1 2003/04 (actual)	Base year 2004/05 (estimate)	Year 1 2005/06 (target)	Year 2 2006/07 (target)	Year 3 2007/08 (target)
1.1 Robust participation on the TCF, PES and CG working groups.	Position papers, policy briefs, reports and memos.	100%	100%	100%	Optimised transfers from National government.	Optimised transfers from National government.
2.1 Analytical position paper analysing PES and CG transfers.	Timeous submission of informative and accurate reports to HoPT and MEC.	Not applicable.	Quarterly reports. Memos.	Quarterly reports. Memos.	Quarterly and monthly reports. Memos.	Quarterly and monthly reports. Memos.
2.2 Framework position paper with respect to the Fiscal Governance Model.	Position papers, policy briefs, reports and memos.	Not applicable.	Proposals submitted and accepted.	Final report.	Study complete.	Study complete.

Measurable objective	Performance measure	Year-1 2003/04 (actual)	Base year 2004/05 (estimate)	Year 1 2005/06 (target)	Year 2 2006/07 (target)	Year 3 2007/08 (target)
3.1 Analytical provincial own revenue position papers.	Semi-final own revenue paper and quarterly reports timeously submitted.	Not applicable.	Semi-final own revenue paper (inclusive of reports and memos).	Final own revenue paper (inclusive of reports and memos).	Final own revenue paper (inclusive of reports and memos).	Final own revenue paper (inclusive of reports and memos).
4.1 Analysis of debtor reports.	Detailed analysis of debtors.	Not applicable.	Final report on analysis of debtors.	Continuous	Continuous	Continuous
4.2 Quarterly IYM debtors reports.	Quarterly reports.	Not applicable.	4 Quarterly reports on debtors.	Continuous	Continuous	Continuous
5.1 Initiation and completion of revenue estimation model process.	Accurate own revenue forecasting.	Not applicable.	Revenue estimation model.	Initiation of model and develop adaptation.	Model complete.	Model complete.
6.1 Presentation of fuel levy proposal to the various stakeholders.	Implementation of fuel levy 06/07.	Not applicable.	Not applicable.	Finalisation of fuel levy process.	Implementation of the fuel levy.	Continued implementation of fuel levy.
6.2 Approval of the fuel levy by National Treasury and provincial legislature.	Implementation of fuel levy 06/07.	Research into feasibility of fuel levy.	Approval of fuel levy by provincial legislature.	Approval of fuel levy by NT.	Implementation of the fuel levy (revenue R300 m).	Continued use of fuel levy as revenue source.
6.3 Research into the feasibility of the bed levy.	Implementation of bed levy.	Not applicable.	Commencement of bed levy feasibility study.	Continuation of bed levy feasibility study.	Continuation of bed levy feasibility study.	Implementation of the bed levy.
6.4 Proceed to cancel the present Bed levy tender and initiate a process.	Cancellation of present bed levy tender.	Not applicable.	Cancellation of present bed levy tender.	Cancellation of present bed levy tender.	Not applicable.	Not applicable.

Measurable objective	Performance measure	Year-1 2003/04 (actual)	Base year 2004/05 (estimate)	Year 1 2005/06 (target)	Year 2 2006/07 (target)	Year 3 2007/08 (target)
6.5 Exploring new potential tax sources.	Identification of viable revenue sources. Discussions with departments on viability.	Not applicable.	Decide on final basket of potential taxes.	Start process of implementation.	Implementation.	Implementation.
7.1 Liaison with gambling board including monthly engagements.	Smooth and efficient running of the Western Cape Gambling and Racing Board.	Database compiled.	Analyse trends.	Access measures to increase own revenue.	Implement potential revenue raising measures.	Assess revenue trends and take "action".
7.2 Liaison with SCOF, HOT, and MEC regarding the Western Cape Gambling and Racing Board.	Smooth and efficient running of the Western Cape Gambling and Racing Board.	Database compiled.	Analyse trends.	Access measures to increase own revenue.	Implement potential revenue raising measures.	Assess revenue trends and take "action".
8.1 Monthly and quarterly IYM revenue reports.	Advanced analysis of own revenue.	Not applicable.	IYM reports.	Continuous	Continuous	Continuous
9.1 Liability statements (guarantees and loans).	Contingent liability statement.	Not applicable.	Finalisation of the Contingent liability statement.	Not applicable.	Not applicable.	Not applicable.
10.1 Assess viability of municipal revenue budgets to ensure sustainability.	Effective lines of communications and unified actions.	Nil	Nil	60% acceptance by councils.	80% acceptance by councils.	80% acceptance by councils.

Table 2.4: Sub-programme 2.4: Budget Management

Measurable objective	Performance measure	Year-1 2003/04 (actual)	Base year 2004/05 (estimate)	Year 1 2005/06 (target)	Year 2 2006/07 (target)	Year 3 2007/08 (target)
1.1 Compile annual medium-term budget policy objectives targeted to reduce socio-economic disparities, achieve synergy, improve financial management of resources and promote integrated governance.	Submission of provincial medium-term budget policy statement to the Executive and Provincial Parliament.	WC-MTBPS accepted by executive and tabled during November 2003. The Efficacy Review 2003 was also internally published.	WC-MTBPS 2005 – 2008 accepted by executive and tabled during November 2004. The SDR 2004 (working paper) was also internally published.	WC-MTBPS 2006 - 2009.	WC-MTBPS 2007 - 2010.	WC-MTBPS 2007 - 2010.
	Meeting of all due dates and timely corrective measures.	Due dates met in relation to time schedule.	100% compliance.	100% compliance.	100% compliance.	100% compliance.
1.2 Proposing of allocations per function to ensure realisation of policy priorities.	Tabling of allocations to the Executive.	Allocations in line with iKapa Elihlumayo policy objectives accepted by executive during December (pre-final allocations) and February (Final allocations).	Allocations in line with iKapa Elihlumayo policy objectives accepted by executive during December (pre-final allocations) and February (Final allocations).	Outcome based allocations (70% phased in).	Outcome based allocations (100% phased in).	Outcome based allocations (100% phased in).
	Ensure budget allocations are in line with policy goals.	Allocations aligned with the WCFP 2004 –2007.	Allocations aligned with the WC-MTBPS 2005 – 2008.	Allocations aligned with the WC-MTBPS 2006 – 2009.	Allocations aligned with the WC-MTBPS 2007 – 2010.	Allocations aligned with the WC-MTBPS 2007 – 2010.
	Meeting of all due dates and timely corrective measures.	Due dates met in relation to time schedule.	Due dates met in relation to time schedule.	100% compliance.	100% compliance.	100% compliance.

Measurable objective	Performance measure	Year-1 2003/04 (actual)	Base year 2004/05 (estimate)	Year 1 2005/06 (target)	Year 2 2006/07 (target)	Year 3 2007/08 (target)
1.3 Establishment of managerial and coordinating intergovernmental structures related to financial matters.	Percentage development to establish a fully functional structure.	Not applicable.	50% functional.	70% functional.	100% functional.	100% functional.
1.4 Organise, facilitate and report on regular assessments of departments' and municipalities' performance.	Quarterly assessment meetings are organised, conducted and reported on.	Not applicable.	Not applicable.	Four quarterly reports.	Four quarterly reports.	Four quarterly reports.

Table 2.5: Sub-programme 2.5: Public Finance

Measurable objective	Performance measure	Year-1 2003/04 (actual)	Base year 2004/05 (estimate)	Year 1 2005/06 (target)	Year 2 2006/07 (target)	Year 3 2007/08 (target)
Provincial Government Finance						
1.1 Budget in line with national and provincial priority goals.	Provincial benchmark exercise.	1 assessment.	1 assessment.	1 assessment.	1 assessment.	1 assessment.
	Bilateral medium term expenditure committee hearings.	2 assessments.	2 assessments.	2 assessments.	2 assessments.	2 assessments.
2.1 Credible budgets	Bilateral medium term expenditure committee hearings.	14 reports.	14 reports.	13 reports.	13 reports.	13 reports.
	Expenditure Review.	1 review.	1 review.	1 review.	1 review.	1 review.
2.2 Tabling of the annual budget.	Submission of budget documentation in line with prescribed formats and timelines to the Provincial Parliament.	February	February	February	February	February
2.3 Tabling of the adjustments budget.	Submission of budget documentation in line with prescribed formats and timelines to the Provincial Parliament.	November	November	November	November	November

Measurable objective	Performance measure	Year-1 2003/04 (actual)	Base year 2004/05 (estimate)	Year 1 2005/06 (target)	Year 2 2006/07 (target)	Year 3 2007/08 (target)	
Provincial Government Finance							
3.1 Effective and quality in-year monitoring of expenditure.	Prescribed reporting i.t.o. both sections 32 and 40 of PFMA.	14 reports x 4.	14 reports x 4.	13 reports x 4.	14 reports x 4.	14 reports x 4.	
	Non-prescribed reporting in development.	14 analytical reports x 4.	14 analytical reports x 4.	13 analytical reports x 4.	13 analytical reports x 4.	13 analytical reports x 4.	
		Not applicable.	Not applicable.	Pilot	13 performance reports x 4.	13 performance reports x 4.	
	Developed efficiency indicators/ratios.	Not applicable.	Not applicable.	Indicators/ratios for Education, Health, Social services and poverty alleviation, Transport and public works.	Indicators/ratios for Agriculture, Housing and local government, Environmental affairs and development planning.		
	Functional database.	Maintenance of database with financial information.	Maintenance of database with financial information.	Maintenance of database with financial information.	Maintenance of database with financial information.	Maintenance of database with financial information.	Maintenance of database with financial information.
		Not applicable.	Not applicable.	Develop database with non-financial information. Phase 1.	Develop database with non-financial information. Phase 2.	Develop database with non-financial information. Phase 3.	

Measurable objective	Performance measure	Year-1 2003/04 (actual)	Base year 2004/05 (estimate)	Year 1 2005/06 (target)	Year 2 2006/07 (target)	Year 3 2007/08 (target)
Local Government Finance						
4.1 Implementation of the Local government: Municipal Finance Management Act, 2003.	Readiness to perform the provincial treasury responsibilities.	Not applicable.	Not applicable.	Central.	Partly central.	Desen- tralisised.
	Assist with monitoring nominal and substantive compliance in accordance with National Treasury guidelines.	Not applicable.	Not applicable.	24-30	24-30	24-30
5.1 Functional intra and inter governmental coordinating structures and institutions (forums) that relate to planning and financial matters.	Percentage development to establish fully functional structures.	20% functional Municipal budgeting and Technical forum.	50% functional Municipal budgeting and Technical forum.	70% functional Municipal budgeting and Technical forum.	80% functional Municipal budgeting and Technical forum.	100% functional Municipal budgeting and Technical forum.
		Not applicable.	Not applicable.	20% functional Municipal CFO forum.	50% functional Municipal CFO forum.	70% functional Municipal CFO forum.
6.1 Facilitated vesting of functions between provincial and local government.	Appropriate authorisation.	28 functions w.r.t. information collection.				
		Not applicable.	28 functions w.r.t. situation analysis.			
		Not applicable.	Not applicable.	28 functions w.r.t. position statement.		
		Not applicable.	Not applicable.	Not applicable	28 functions w.r.t. transfer monitoring.	-

Measurable objective	Performance measure	Year-1 2003/04 (actual)	Base year 2004/05 (estimate)	Year 1 2005/06 (target)	Year 2 2006/07 (target)	Year 3 2007/08 (target)
7.1 Effective monitoring of monthly outcome of municipal budgets.	Prescribed reporting.	Not applicable.	Not applicable.	24-30 municipality reports x 9.	24-30 municipality reports x 12.	24-30 municipality reports x 12.
7.2 Determine extent to which municipal budgets are aligned with broad national and provincial priorities.	Analysis of municipal budgets.	Not applicable.	Not applicable.	24-30 budgets.	24-30 budgets.	24-30 budgets.
	Local Government Review.	1 review.	1 review.	1review.	1 review.	1 review.

2.6 Reconciliation of budget with plan

Table 2.6: Programme 2: Sustainable Resource Management budget by sub-programme (R'000)

Programme 2: Sustainable Resource Management										
Sub-programme	Year – 2 2002/03 (actual)	Year – 1 2003/04 (actual)	Base year 2004/05 (estimate)	Average annual change (%)	Year 1 2005/06 (MTEF projection)	Year 2 2006/07 (MTEF projection)	Year 3 2007/08 (MTEF projection)	Year 4 2008/09 (MTEF projection)	Year 5 2009/10 (MTEF projection)	Average annual change (%)
Programme Support					2,041	2,145	2,253	2,366	2,484	0.00
Economic Analysis		1,755	1,686	0.00	2,671	3,821	3,829	4,020	4,221	20.15
Fiscal Policy	5,973	6,942	2,525	-34.98	4,141	4,353	4,571	4,800	5,040	14.82
Budget Management	2,198	1,725	2,699	10.81	3,329	5,527	5,437	5,709	5,994	17.30
Public Finance	4,336	4,015	5,021	7.61	5,677	12,838	11,972	12,571	13,199	21.33
Total	12,507	14,437	11,931	-2.33	17,859	28,684	28,062	29,465	30,938	20.99

For the financial years 2002/03 to 2004/05 the average spending trend indicated a decline of over 2%. This is mainly due to the Western Cape Gambling and Racing Board not requiring any transfer payments for 2004/05 as a result of increased own revenues. The substantial increase (21%) at sub-programme: Public Finance (Local Government) is indicative of the establishment and expansion of this function. Over the MTEF the development and building of local government finance capacity is further confirmed with an average increase of almost 21%.

3. Programme 3: Asset and Liabilities Management

AIM: To provide policy direction, facilitating the effective and efficient management of physical and financial assets, PPPs and liabilities.

There are four sub-programmes:

3.1 Programme Support	To facilitate the efficient and coordinated administration and management of the programme.
3.2 Asset Management	To facilitate the effective and efficient management of physical and financial assets and to elicit sustainable PPP projects.
3.3 Liabilities Management	To facilitate the effective and efficient management of liabilities.
3.4 Supporting and Interlinked Financial Systems	To provide for the oversight and management of existing financial systems and the transition to the Integrated Financial Management System enhancing compliance with the PFMA and other relevant legislation.

3.1 Situation analysis

Programme Support

This unit will only be established and capacitated during the 2005/06 financial year and will be mainly responsible for administrative support regarding the human resources and financial, logistical and related administrative management activities of the relevant programme.

Asset Management

Financial Asset Management

This element of the sub-programme: Asset Management is responsible for the management and control of the Provincial Revenue Fund, consisting of the Provincial Exchequer Account, fourteen departmental banking accounts, the Provincial Parliament and one for the social security conditional grants (from 1 April 2005), known as Paymaster General Accounts. The Paymaster General Accounts of departments and the Provincial Parliament, are funded on a daily (working days) basis from the Provincial Exchequer Account in terms of daily cash flow inputs from the various departments. The social security Payment General Account is funded to a different regime according to national policy. National Treasury initiated a proposal viz. the Inter-Governmental Cash Coordination initiative, whereby the equitable share and

conditional grants earmarked for Provinces are credited directly to an account held at the Corporation for Public Deposits (CPD). Provisional indications are that all provinces will be required to form part of this mechanism by 1 April 2005. The challenges would be the smooth implementation of this mechanism and to achieve or exceed our projected budgeted interest figure.

The cash management system of the provincial banker, to which the Province has a direct link, is utilised to perform all electronic transfers. Once the daily cash flow has been finalised, any moneys, which are not immediately required to defray expenditure are invested at various financial institutions or CPD, in terms of respectively provincial and national Treasury investment policies.

During the past year, the group of banking accounts remained cash positive, capital and interest was repaid on maturity and interest on investments exceeded the appropriated budget figure in line with Treasury's conservative financing policy.

One of the main challenges is that the accounts within the provincial and local government spheres remain minimally cash positive on a daily basis and ensuring no overdrawn situation occurs at any time. A further challenge facing this sub-programme is to ensure that departments, in terms of section 40(4)(a) of the Public Finance Management Act, Act No. 1 of 1999, submit credible projections of expenditure annually.

The current bank tender expires 31 March 2007 and the challenge facing this sub-programme is the implementation process involved, should a different financial institution be the successful tenderer.

The implementation of the MFMA, with effect 1 July 2004, has added a further challenge to the current provincial cash flow framework, in that it is expected of this sub-programme to provide an advisory and monitoring role in respect of local government cash flow management. Thus far, in terms of the Act, a database of primary banking account details, contact names and details of each municipality has been established and it is envisaged that this sub-programme will play an integral role in cash flow management in the future.

Physical Asset Management

This element, previously known as Supply Chain Management (SCM), consists of two sections namely, Movable Assets (Goods and Services) and Immovable Assets.

Movable Assets (Goods and Services)

SCM is an integral part of financial management and seeks to address the gap between the traditional methods of procuring goods and services, the control thereof and obsolescence planning.

During the 2004/05 financial year the sub-programme was responsible to:

- Implement SCM within the Provincial Government.

- Prepare departments to take over procurement related functions after the abolishment of the Tender Board.
- Assist departments with the establishment of SCM units.
- Integrate the interim website for the advertising of provincial tenders with the Cape Gateway portal.
- Maintain the Western Cape Supplier Database in conjunction with Unicity.
- Develop further Provincial Treasury instructions and SCM practice notes.
- Establish and implement the SCM forum.
- Engage departments with regard to the implementation of an asset register per department.

Departments rely on the Moveable Assets' section to:

- Provide strategic direction for SCM.
- Develop best practices to reduce procurement unit costs.
- Facilitate the arrangement of transversal contracts to ensure uniformity and to take full advantage of economies of scale.
- Develop the necessary norms and standards to facilitate efficient physical asset management.
- To build capacity within the respective SCM units.

Main challenges facing this section are to:

- Minimise procurement related costs.
- Attain the objectives and efficiencies as mooted by the national SCM policy framework in both the provincial and local government spheres. With respect to the latter, implementation is only due to start on 1 July 2005. In the Province we specifically need to move beyond the elementary to higher levels of the implementation process.
- Develop skillful SCM practitioners at provincial and local level.
- Obtain buy-in from departments and municipalities to promote and implement BBBEE.
- Monitor departments', public entities' and municipalities' adherence to SCM norms and standards.
- Develop and implement a complaints and appeal mechanism for the Province.
- Introduce/implement the regulatory framework on SCM in municipalities.
- Implement the SCM module of the Integrated Financial Management System (IFMS).

Immovable Assets

There are clear indications that despite increased budget allocations, actual spending on infrastructure is less efficient due to systemic problems. Departments within the Province need to be adequately equipped to address the current delivery challenges. Current hockey-stick spending patterns affect the sustainability of the construction industry and government's developmental objectives.

Land and buildings of government structures are valuable assets that should be optimally utilised, to undo the inherited negative legacies and create an integrated society within which every individual is empowered to live and participate on an equal footing.

During the 2004/05 financial year the section was responsible to:

- Promote good governance and socioeconomic outcomes.
- Support the new framework "toolkit" for best practice guidelines.
- Monitor reports on spending on infrastructure projects.
- Facilitate Provincial Programme Steering Committee (PPSC).
- Engage with Public Works on specific areas indicated in the White Paper on Property Management.
- Conduct assessment of the shifting of the budget from Public Works to Health and Education and issue guidelines to improve efficiency and accountability.
- Facilitate refinement processes on infrastructure reporting.
- Evaluate processes and submissions for property disposal, acquisitions, transfers and donations.

Departments rely on the Immovable section to:

- Provide strategic direction to the management and implementation of immovable asset management.
- Develop best practice guidelines on infrastructure procurement and delivery management.
- Provide guidance to the management and implementation of the Infrastructure Delivery Improvement Programme (IDIP).
- Co-ordinate and promote alignment of IDIP activities.
- Develop the necessary norms and standards to facilitate efficient immovable asset management.
- Assist in capacity building.

Main challenges facing this section include:

- Develop skillful property management practitioners.
- Inconsistent and time consuming procurement procedures.
- Lack of co-coordinated and structured management processes of infrastructure projects.
- Inadequate feasibility studies.
- Capacitation shortages.

- Inadequate forward planning of infrastructure projects.
- Unsatisfactory contract administration.
- Budget and time over runs on infrastructure projects.
- Delayed completion and unsatisfactory quality control.
- Insufficiency of project plans (poor delivery and slow spending).
- Promote utilisation of projects function cost spend on BAS system.
- Inability to obtain acceptable reasons on deviation for infrastructure projects.
- Attainment of socioeconomic objectives.
- Lack of appropriate management systems.

Public Private Partnerships (PPP)

The PPP unit provides a means by which effective PPP deal flow can be co-ordinated within the province. It plays an active role to streamline and dedicate the flow of funds that originates from different departments. Knowledge and information exchange across the Western Cape provincial departments and public entities are facilitated through the maintenance of close working relationships with the procuring department, across the full range of PPP procurement activity.

Departments are the key drivers of the PPP projects and retain responsibility for progressing with the projects in terms of the PPP regulations and remain accountable for service delivery and infrastructure procurement.

The Municipal Finance Management Act (MFMA) became effective 1 July 2004. It aims to modernise municipalities' budget and financial management practices and maximise their capacity to deliver services. The Act focuses on outputs, outcomes and measurable objectives, and includes a clear framework for municipal PPPs. National Treasury is responsible for the regulatory framework for municipal PPPs. Similarly to national and provincial PPPs, municipal PPPs are required to provide value for money, present an appropriate allocation of risks between the contracting parties and be affordable in terms of current and projected budgets.

Achievements of the sub-programme during the 2004/05 financial year:

- The Provincial Government is currently engaged in a number of partnerships, which varies in scope, nature and levels of private sector participation. Service delivery via the Public Private Partnership mechanism varies across departments and featured projects primarily in the toll road, eco-tourism and health sectors. The operational aspects of projects being advanced in the health services involve the delivery of support or ancillary services associated with facilities by the private sector. The PT PPP Unit facilitated and provided assistance and support to departments at the various stages of the PPP procurement process of the following projects: Lentegour Rehabilitation Hospital; Swellendam Hospital; and Hermanus Hospital.

- The current environment on the PPP initiative was assessed through a 360° questionnaire and the concept diffused by way of a PPP circular. Structured and loosely structured interviews were held to get direct feedback from accounting officers and project managers.
- Fiscal constraints, the importance of education and timeous and effective delivery of classrooms/schools, have prompted the Provincial Treasury to influence the building of schools via the PPP mechanism. It has drafted and submitted a pre-feasibility guideline document to Transport and Public Works for discussion and met with senior officials from the latter department and Education on the subject and advised National Treasury of intent.

Although the PPP unit programme falls within the Asset Management sub-programme, it is proposed that this unit falls under the proposed new Directorate of Fixed Assets in order to complement the delivery between these components.

The Provincial Treasury is in the process to build the full range of functional and developmental technical skills necessary to eventually take over all public private partnership (PPP) functional and assessment related responsibilities from the National Treasury. A skills gap analysis of the local unit was done to identify the full range of skills required to ultimately acquire accreditation to grant formal Treasury approval. The Provincial Treasury also facilitated the National Treasury capacity survey project, which will serve as the basis for a capacity building strategy.

In its quest to strengthen capacity, health PPP workshops were attended and unit staff actively participated as a team member in the drafting of the eco-tourism toolkit. Unit staff also functioned as a member on the bid evaluation committee for the evaluation of the eco-tourism consultants.

Unit staff also provided post implementation assistance on the Chapman's Peak Toll Road and provided technical, functional and strategic support on the signing off on the Second Amending Agreement of the Chapman's Peak project.

The legal and regulatory environment for PPPs has evolved over time with the following new additions to the existing legislation tailored to the provision of PPPs: The Standardised Public Partnership Provisions; Public Private Partnership Manual and Code of Good Practice for Black Economic Empowerment (BEE) in Public-Private Partnerships.

Key challenges facing the PPP unit are:

- Lack of capacity and skills required for PPP implementation.
- Creation of an optimal structure of the PT PPP unit to align with National Treasury new reporting structures and to supplement the Infrastructure component.
- Reluctance to participate in implementing programmes due to PPP inherent constraints and uncertainties on roles and responsibilities.

- Identification of new PPP opportunities within the unutilised provincial property portfolio.

Liabilities Management

To date no request has existed for the procurement of loans/guarantees. It is envisaged however that should the need arise in the future, this sub-programme will be responsible for the administration and monitoring thereof.

The main challenges will be to establish a credible and sound database of all loans/guarantees that are to be negotiated, ensure the timeous repayment thereof and the effective monitoring of such loans/guarantees.

Supporting and Interlinked Financial Systems

This sub-programme is responsible to provide for the oversight and management of existing financial systems and the transition to the integrated financial management system enhancing compliance with the PFMA and other relevant legislation in all provincial departments (including Provincial Parliament). The current systems being maintained include the Basic Accounting System (BAS), Logistical Information System (LOGIS) and Personnel and Salary Administration System (PERSAL).

PERSAL and BAS have been implemented at all provincial departments, and LOGIS at 62 institutions (9 departments, 7 provincial institutions and 46 health institutions). The sub-programme is also responsible for the rendering of user support and training to core and non-core users in excess of 7 000.

In addition a BAS: payment advice unique to the Western Cape and a PERSAL/BAS: reconciliation tool was developed and implemented. As from 1 April 2004, financial systems manage the State Information Technology Agency (SITA) costs relating to transversal systems (BAS, LOGIS and PERSAL), which previously was under control of the Office of the Premier.

After continuous pressure on National Treasury to address the extremely high SITA costs for transversal systems, the cost was substantially reduced by 52% on average. It was also possible to terminate all Metanet packages utilised to capture FMS data six months ahead of schedule resulting in an annual saving of R196 251,00.

During the past year LOGIS was rolled out to 7 of the aforementioned 46 health institutions. Training was presented to 2 000 users covering all systems as well as user support to 8 000 users. Out of 324 operational LOGIS institutions countrywide, National Treasury awarded 4 out of the top 5 annual performers to the Western Cape, only the fourth position being awarded to another province.

Key challenges facing this sub-programme are:

- Ensuring adequate up-time and transaction volume processing ability for BAS and LOGIS, particularly at historically high transaction periods.
- Ensuring that SITA costs are kept within affordable limits and where possible implement processes and procedures to further reduce costs.
- Re-skilling and training of 7 000 core and non-core users, the provision of an effective technical and user support to these users and the implementation of LOGIS at the remaining 5 departments and 4 health institutions by 1 April 2006.
- Preparation for and migration from LOGIS to the new envisaged Integrated Supply Chain Management module within the next two years and the migration from PERSAL and BAS to the IFMS within the next five years.
- Full interoperability of LOGIS with BAS as well as proper interface of other systems into BAS.

3.2 Policies, priorities and strategic objectives

Activities in this programme are governed by operational policies, which are designed to ensure that they are effective, efficient, economical and financially sound.

Among the key policies are:

- Asset management policies, which establish rules for monitoring, setting standards and best practice of financial assets; physical asset management (movable assets, immovable assets) and public private partnerships.
- Policies on liabilities, which establish the necessary structures to service loans and guarantees
- Supporting and Interlinked Financial Management Systems (IFMS), covering such areas as the management and implementation of existing financial systems and the transition to the IFMS.

Asset and liability management is of fundamental importance in the realisation of the iKapa Elihlumayo – the Growing Cape – goals as well as gearing the Western Cape for the presentation of the 2010 Soccer World Cup Bid. This has created five key priorities for this programme, which are:

- Financial asset management.
- Physical asset management: movable assets (goods and services) and immovable assets. The Municipal Finance Management Act, 2003 (Act 56 of 2003) in relation to SCM takes effect 1 July 2005. The SCM directorate's readiness to take on this responsibility is key priority.
- Public Private Partnerships (PPPs).
- Liabilities Management.
- Supporting and Interlinked Financial Systems.

Strategic Objectives linked to Programme 3

Generic strategic goal: To facilitate the efficient and coordinated administration and management of the programme.

Programme support, Strategic objectives:

1. Render administrative support services to ensure the effective and efficient operational management of the programme.
2. Capacitate and train administrative support to fulfill line function responsibilities.
3. Support and promote iKapa Elihlumayo goals.

Strategic goal 9: To facilitate the effective and efficient management of physical and financial assets and to elicit sustainable PPP projects.

Asset Management, Strategic objectives:

Financial Asset Management

1. Ensure effective control and management of the Provincial Revenue Fund.
2. Render effective technical, strategic support and training to Provincial Departments and Local Government where applicable.
3. Compliance with the PFMA, MFMA, accounting policies, regulations and guidelines.

Physical Asset Management

Movable Assets (Goods and Services)

1. Develop and implement provincial treasury instructions and guidelines to ensure effective supply chain management of goods and services.
2. Provide strategic leadership and guidance in the supply chain management of goods and services.
3. Strengthen and render effective, technical and strategic support to departments, public entities, municipalities and municipal entities.
4. Monitor compliance with legislative framework.

Immovable Assets

1. Develop and implement provincial treasury instructions and guidelines to ensure for the effective and efficient management of immovable assets.
2. Provide strategic leadership and guidance in immovable assets.
3. Strengthen and render effective, technical and strategic support to departments, public entities, municipalities and municipal entities.
4. Address capacitation and training needs.
5. Monitor compliance within legislative framework.
6. Establish Infrastructure Programme Units.

Public Private Partnerships (PPPs)

1. Build the necessary capacity in the Provincial Treasury to take over all PPP assessment related responsibilities from the National Treasury.
2. Assess PPP projects in progress; monitor and enforce compliance with legislation.
3. Facilitate and provide developmental technical assistance and support to departments on all PPP projects in progress.
4. Identify new PPP opportunities.
5. Develop and sustain an ongoing monitoring and evaluation system for concluded PPPs.

Strategic goal 10: To facilitate the effective and efficient management of liabilities.

Liabilities Management, Strategic objectives:

1. Establish and ensure implementation of policies for effective management of assets and liabilities.
2. Render effective technical, strategic support and training to departments.
3. To strengthen and provide technical and strategic support for the institutional capacity of Provincial and Local Government.
4. Monitor compliance with the PFMA, MFMA and associated regulations.
5. Establishment of the necessary structures to service loans and guarantees.

Strategic goal 11: To provide for the oversight and management of existing financial systems and the transition to the Integrated Financial Management System enhancing compliance with the PFMA and other relevant legislation.

Supporting and Interlinked Financial System, Strategic objectives:

1. To provide for the management and implementation of existing financial systems and the transition to the IFMS enhancing compliance with PFMA and other relevant legislation.
2. Monitor and report on financial management system's performance and compliance in terms of the requirements of PFMA, related legislation and Provincial Treasury objectives.
3. Render effective technical, strategic support and training to departments.
4. Monitor and verify monthly SITA costs relating to transversal financial systems ensuring optimal management of cost drivers.

3.3 Analysis of constraints and measures planned to overcome them

Asset Management

Financial Asset Management

A major constraint is that if departmental projections are not credible i.e. more funds are expended than actually projected, an overdrawn situation could occur. In contrast, if projections are inflated, it may necessitate borrowing funds in the form of bridging finance from the Corporation for Public Deposits or utilising overdraft facilities from the provincial banker at higher interest rates.

To address this constraint, departments will be encouraged to utilise previous expenditure trends, outstanding commitments and new projects etc. when compiling and submitting their annual projections to the Provincial Treasury. Remedial measures will include the monthly monitoring of projections versus actual drawings and the reporting thereon. A request will be made to departments to make prior arrangements with the Provincial Treasury in the event of expected variances and to revise such projections on a quarterly basis.

Another constraint faced by this component is the lack of capacity to take over the responsibility in respect of bank accounts control, cash flow analysis and withdrawals relating to municipalities as required in the MFMA. The restructuring of the department will address this issue.

Physical Asset Management

Movable Assets (Goods and Services)

The existing level of expertise in SCM units is not at an acceptable standard. To this end, the Provincial Treasury will as far as possible assist departments with capacity building. Ad hoc courses for SCM practitioners at departments have already been arranged as an interim measure. National Treasury in consultation with the provincial treasuries are in the process to request proposals to recruit service providers to develop courses on SCM. The idea would be to accredit and validate these service providers' material for possible presentation of courses to SCM practitioners in the province. The Provincial Treasury in addition, will provide support to departments, its bid committees and SCM units by way of advise and guidance on SCM related matters.

A further constraint is the lack of an integrated SCM system, and decision by National Treasury to put a moratorium on the acquisition of any interim system, resulting in the delay in the pursuance of best practices. The Provincial Treasury as part of the Technical Committee on Finance (TCF) workgroup is involved in the process of finalising the requirements for an IFMS, for the government as a whole.

The existing structure is not viable for the environment to be served by the directorate. The directorate will need to be restructured to accommodate the relevant SCM functions, as well as the additional responsibilities to be initiated with the implementation of the MFMA. The MFMA: SCM implementation might be hampered in the 2005/06 financial year due to insufficient funds to appoint personnel.

The current staff complement in the directorate will not be sufficient for both the provincial and local government. The directorate is currently in the process of recruiting to fill all existing vacancies.

Immovable Assets

The challenges faced by the section are the lack of skillful immovable asset practitioners. As this section is still developing, personnel job descriptions are still being aligned to the objectives set by the section. Equipping these personnel will take place over time according to an agreed development plan.

The time consuming process currently in existence for the timeous awarding of contracts poses a major constraint to departments. An assessment of the existing procedures will have to be undertaken to identify systemic problems and address them accordingly.

The inadequacy of proper feasibility studies is a major concern for Provincial Treasury as the question often asked; do we spend our funds wisely? The Provincial Portfolio Steering Committee (PPSC) will play an integral role in managing the Infrastructure Development Improvement Programme (IDIP) in the Province. The recommended work processes described in the IDIP will contribute to a more coordinated and structured management process for infrastructure delivery. The IDIP "toolkit" as well as the PPP guidelines provide guidance to compile proper feasibility studies. Coupled with the capacitation plan for competent people in relevant positions and with the above guidelines, will address these constraints.

Finally, sound project management principles need to be adhered to, to combat the problems of budget cost and time overruns.

Public Private Partnerships (PPPs)

One of the major constraints facing this section is the lack of capacity and skills required for PPP implementation. This can be addressed by filling vacancies, addressing the skills gaps through training and ensuring that the right skills are in the right place to manage the partnerships.

Another constraint is that PPP contracts are complex, long-term arrangements with significant costs.

Departments' reluctance to pursue the PPP option, high risk factors, scarcity of well-resourced partners, and massive investment requirements result in the slow progress of awarding contracts need to dispel resistance through training, seminars, workshops, specialised conferences, newsletters, and websites.

The lack of spatially integrated provincial infrastructure PPP projects poses another constraint and can be resolved by the integration of identified assets in the provincial property portfolio earmarked for PPP projects with the Provincial Strategic Infrastructure Plan; the Provincial Spatial Development Framework and the Growth and Development Framework.

Liabilities Management

A possible constraint is that insufficient funds are available to service loans/guarantees. New revenue streams thus require development by Resource Management. The repayment of these loans/guarantees will have to be included in departmental cash flow projections in terms of Section 40(4)(a) of the PFMA to ensure improved cash flow planning.

Supporting and Interlinked Financial Systems

The main risk with regard to the utilisation of the online systems (BAS and PERSAL) is the lack of skills and competencies. This will be addressed on a continuous basis by means of training, re-training and assistance. Additional to this, is the limited capacity of the network to accommodate the high volume of data. This will be addressed by the daily monitoring of the network in co-operation with the Center for e-Innovation (CeI) and SITA and where required the upgrade of the infrastructure.

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

Additional to this is the lack of funds, incapacity of the network and insufficiently skilled staff to roll-out LOGIS to the remaining 9 institutions. This will be addressed by the filling of vacant posts with skilled and competent officials, testing and upgrading of the network where required and the negotiation for additional funds.

A risk that impacts on all three transversal systems is the possible upgrades by SITA resulting in increased SITA costs. This will be addressed on a continuous basis with National Treasury to assist in minimising costs to an absolute minimum and/or where necessary, negotiate for additional funds.

3.4 Description of planned quality improvement measures

The following quality improvement measures have been envisaged:

Asset Management

Financial Asset Management

- To further enhance cash flow management, the current 2% deviation between the funding and the actual expenditure flowing through the departmental banking accounts be further decreased.
- The limitation of PERSAL supplementary runs from four to three per month will further enhance cash flow management.
- Payments in general, will be executed in terms of a payment schedule issued by the Provincial Treasury, in co-operation with departments.
- The implementation of the Inter-Governmental Cash Co-ordination initiative effective 1 April 2005 will transfer investment risk to the Corporation for Public Deposits.

Physical Asset Management

Movable Assets (Goods and Services)

- Refinement of best procurement strategies to minimise procurement related costs.
- Use of service level agreements to elevate contract management and mitigate risk for government.
- Introduction of a mechanism to adequately address concerns from the public with regard to the awarding of bids.
- Introduction of the SCM forum where SCM related information are shared amongst municipalities/municipal entities.
- Implementation of monitoring/compliance procedures to address any non-compliance with minimum norms and standards.
- Restructuring of SCM component to address the additional responsibilities of Local and Provincial Government.
- Uniformity with norms and standards within Provincial Government, Public Entities and Municipalities.
- Timeous filling of vacancies with competent personnel.
- Introduction of an information brochure and newsletter on SCM.
- Implementation of the envisaged IFMS.

Immovable Assets

- A "Toolkit for Infrastructure Delivery Management" (Toolkit) to support public sector officials to improve delivery of the infrastructure programmes and projects has been rolled out in the Department of

Education and will be rolled out to Public Works during the 2005/06 financial year. The key strategy of the roll-out programme is to facilitate the development of appropriate capacity in each department as well as rectify inadequate monitoring and reporting on infrastructure projects.

- The shift of the budget away from Public Works to Health and Education will take effect from 1 April 2005. This shift should improve the management of the capital budget and minimise overruns on infrastructure budgets.
- A PPSC has also been established during 2004/05 to monitor the performance in the processes and outputs envisaged by the programme. Further guidance will be provided to the management and implementation of the IDP. The PPSC will also review and endorse Inception Reports compiled by the technical assistants appointed by the National Treasury.
- A further initiative in conjunction with Public Works will be to monitor progress in establishing a credible fixed assets register.
- Develop well-trained and skillful property management practitioners.
- Evaluate and streamline procurement procedures to alleviate bottlenecks and systemic problems.
- The establishment of an infrastructure PMU will review infrastructure programme implementation plans annually on the basis of available funding to ensure alignment with strategic plans.
- Provide guidelines and support on the compilation of departmental feasibility studies.

Public Private Partnerships (PPPs)

- The PPP unit structure will be integrated and ring-fenced with the immovable assets unit to derive greater synergy and congruence. This unit will engage in all current provincial PPP projects to broaden the knowledge of the PPP concept and build capacity through exposure.
- It will have to foster the exchange of ideas and the growth of PPP knowledge through conferences and meetings across the country. In addition, it will actively link with the National Treasury PPP unit, Provincial Treasury PPP units, departments, and private sector specialists for purposes of skills transfer and the development of best practices.
- Market the PPPs externally to promote the involvement of private sector skills, management capacity and financing in the provision of services and infrastructure procurement through the invitation of request for proposals – unlocking the potential in the Provincial property portfolio.
- Engage in discussions with core departments on problem areas around PPP projects to dispel fears and reluctance and to share experiences.

Liabilities Management

- Bridging finance, if required, could be obtained with relative ease from the CPD with a much lower interest rate than at other financial institutions. Repayment thereof is expected to be deducted from the following equitable share allocation.

Supporting and Interlinked Financial Systems

Basic Accounting System (BAS)

- The daily monitoring of the system to ensure that all exceptions are cleared timeously to prevent forced closure. To further monitor the system to ensure that the available functionalities (e.g. electronic transfers, online enquiry and debtors) are utilised to their maximum potential, to monitor and ensure that the interfacing of various sub-systems (LOGIS, PERSAL, TELKOM, MEDSAS and official banker) occurs properly five days a week and that access control and profiles are maintained.
- To further ensure that the networks (national/provincial) are maintained and where applicable, upgraded to accommodate the high volume of data and ensure an acceptable reaction time.

Personnel and Salary Administrative System (PERSAL)

- Daily monitoring of rejections, exceptions and audit reports, ensuring that departments attend to these reports.
- Ensure that PERSAL system controllers maintain and update user profiles and functionalities on a regular basis.
- Standardise the optimal use of system functionalities.
- Investigate the minimising of supplementary runs after month-end.
- Initiate a project to verify PERSAL data in accordance with established compulsory fields (in collaboration with the HR forum) utilising the electronic data verification application.
- Roll-out PERSAL share to a wider range of users and extend the audit reporting and functionalities.
- Investigate the further enhancement of BAS/PERSAL reconciliation tool.

The Logistical Information System (LOGIS)

- Investigate the possibility of obtaining the daily exception reports of all LOGIS sites to ensure the effective, efficient and economical utilisation of the system.
- The further roll-out of LOGIS to the remaining 9 institutions by 31 March 2006.
- Implement a cost-effective solution for the numbering and tracking of individual assets.
- Investigation, conversion of data, testing and implementation of the requirements (hardware, network, data, etc.) necessary to migrate from LOGIS to the new Supply Chain module of the IFMS.

Integrated Financial Management System

- As part of the Technical Committee on Finance (TCF) work group, a sub-committee of the Budget Council, which will be responsible for the finalisation of the further phases of the integrated financial management solution. Further, it is the intention of the PT to play an integral role in the planning, development, testing and implementation phases of the project.

Vulindlela (Web Based)

- The promotion, roll-out and training of the Vulindlela web based application to all departments, including regions and institutions.
- Ensure that access can be controlled on institutional level.
- Further enhancement of the application to address user requirements.

State Information Technology Agency (SITA)

- Optimally manage the cost drivers relating to the SITA accounts.

General

- Maintain and where possible further enhance the rendering of user support to users of the various systems, to enable the more effective registering of all incoming calls, monitoring of outstanding calls and determining the service delivery level. Further, to ensure an uptime of at least 97% of all financial administration and management information systems.
- Re-introduce a formal integrated training programme (covering six months) as from the first semester of 2005 as well as updating of the prospectus.
- The PT will, on assessment of systems, issue the necessary Treasury Circulars, system Circulars/Notices regarding the effective, efficient and economical utilisation of the systems in all provincial departments.

3.5 Specification of measurable objectives and performance indicators

Table 3.1: Sub-programme 3.1: Programme Support

Measurable objective	Performance measure	Year-1 2003/04 (actual)	Base year 2004/05 (estimate)	Year 1 2005/06 (target)	Year 2 2006/07 (target)	Year 3 2007/08 (target)
1.1 Smooth and effective functioning of the component.	Percentage compliance with rules and regulations.	Not applicable.	Not applicable.	100% compliance.	100% compliance.	100% compliance.
	Percentage compliance to acceptable norms/ standards of service delivery.	Not applicable.	Not applicable.	70% achieved.	100% achieved.	100% achieved.

Measurable objective	Performance measure	Year-1 2003/04 (actual)	Base year 2004/05 (estimate)	Year 1 2005/06 (target)	Year 2 2006/07 (target)	Year 3 2007/08 (target)
1.1 Smooth and effective functioning of the component. (continued)	Hours turn around time for management of operational finances, human resources and logistical issues.	Not applicable.	48 hours.	48 hours.	24 hours.	24 hours.
2.1 Trained and capacitated administrative support and line function staff.	Number of vacant posts filled.	Not applicable.	Not applicable.	50% achieved.	100% achieved.	100% achieved.
	Percentage of staff complement trained according to IDPs.	Not applicable.	Not applicable.	50% achieved.	100% achieved.	100% achieved.
3.1 Achievement of iKapa Elihlumayo goals.	Percentage support and promotion of goals in work environment.	Not applicable.	Not applicable.	100% support achieved.	100% support achieved.	100% support achieved.
	Percentage procurement in terms of BBBEE.	Not applicable.	Not applicable.	40%	50%	60%

Table 3.2: Sub-programme 3.2: Asset Management

Measurable objective	Performance measure	Year-1 2003/04 (actual)	Base year 2004/05 (estimate)	Year 1 2005/06 (target)	Year 2 2006/07 (target)	Year 3 2007/08 (target)
Financial Asset Management						
1.1 Effective managed Provincial Revenue Fund (Receipts).	The daily monitoring of all banking accounts to ensure a deviation of less than 2% between transfers and actual expenditure.	100% achieved.	100% achieved.	100% achieved.	100% achieved.	100% achieved.
	Scheduling of all payments by departments in terms of a payment schedule prescribed by the Provincial Treasury permitting payment only in 30 days from the date of invoice where possible. BAS reports to verify that departments actually adhere to this policy are envisaged.	Not applicable.	40% of target.	70% of target.	100% of target.	100% of target.

Measurable objective	Performance measure	Year-1 2003/04 (actual)	Base year 2004/05 (estimate)	Year 1 2005/06 (target)	Year 2 2006/07 (target)	Year 3 2007/08 (target)
1.1 Effective managed Provincial Revenue Fund (Receipts). <i>(continued)</i>	Investment of surplus funds at reputable financial institutions/CPD thereby ensuring a return of 5% above budgeted interest figure.	100% achieved.	100% achieved.	100% achieved.	100% achieved.	100% achieved.
	Preparation, awarding and implementation of tender for the provision of commercial banking services to this Province by 1 April 2007.	Not applicable.	Not applicable.	Not applicable.	100% preparation and awarding.	100% implementation.
2.1 Fully skilled and capacitated personnel.	Training of 150 departmental officials to familiarise such personnel with current banking procedures/policies.	Trained on an ad hoc basis.	Trained on an ad hoc basis.	25% of target market.	30% of target market.	45% of target market.
	Determining skills gap to improve capacity and address shortcomings of existing staff in the Provincial Treasury.	Underwent selective training.	Underwent selective training.	25%	50%	100%
	Training relevant personnel of 30 municipalities to ensure enhancement of cash flow management.	Not applicable.	Not applicable.	10%	30%	50%
	Fully operational helpdesk managed by skilled staff rendering service to 150 users.	100% accessibility and availability of the helpdesk on a daily basis.	100% accessibility and availability of the helpdesk on a daily basis.	100% accessibility and availability of the helpdesk on a daily basis.	100% accessibility and availability of the helpdesk on a daily basis.	100% accessibility and availability of the helpdesk on a daily basis.

Measurable objective	Performance measure	Year-1 2003/04 (actual)	Base year 2004/05 (estimate)	Year 1 2005/06 (target)	Year 2 2006/07 (target)	Year 3 2007/08 (target)
3.1 Compliance to prescripts.	Provincial Treasury to ensure accurate and timeous receipt of cash flow projections in terms of the PFMA. Monitor and supervise municipalities with regard to prescribed cash management requirements of the MFMA.	100% timeous submission and not more than 15% deviation in projections vs. transfers. Not applicable.	100% timeous submission and not more than 12% deviation in projections vs. transfers. Not applicable.	100% timeous submission and not more than 10% deviation in projections vs. transfers. 100% compliance.	100% timeous submission and not more than 8% deviation in projections vs. transfers. 100% compliance.	100% timeous submission and not more than 6% deviation in projections vs. transfers. 100% compliance.

Physical Asset Management

Movable Assets

1.1 A modernised and practical supply chain management system to promote economic development and improve efficiency.	Number of transversal contracts arranged.	2 Transversal contracts.	5 Transversal contracts.	Facilitation and management of 3 transversal contracts.	Facilitation and management of selected economies of scale transversal contracts.	Facilitation and management of selected economies of scale transversal contracts.
	Number of departments assessed.	Not applicable.	Not applicable.	30% on Education and Transport and Public Works.	70% on Education and Transport and Public Works.	70% on Health and Social Services.
	Number of commodities completed.	Not applicable.	Not applicable.	TCO on 1 commodity items within 3 departments.	TCO on 2 commodity items within 3 departments.	TCO on 3 commodity items within 3 departments.
	Number of assessment reports on renewal of EPS and WCSD.	Not applicable.	Not applicable.	Assessment report 100% complete.	Renewed contract by May 2006.	Not applicable.
	Number of officials knowledgeable in prescripts.	Not applicable.	Not applicable.	100% complete	Not applicable.	Not applicable.

Measurable objective	Performance measure	Year-1 2003/04 (actual)	Base year 2004/05 (estimate)	Year 1 2005/06 (target)	Year 2 2006/07 (target)	Year 3 2007/08 (target)
1.1 A modernised and practical supply chain management system to promote economic development and improve efficiency. <i>(continued)</i>	Percentage of elements of TQM implemented in three departments.	Not applicable.	Not applicable.	Not applicable.	Not applicable.	25% of work done.
2.1 A professional and skilled SCM cadre in Provincial Treasury.	Percentage of vacancies filled.	Not applicable.	Not applicable.	100% complete by June 05.	Not applicable.	Not applicable.
	Capacitated and restructured PT: SCM component to manage the following specific areas:	Not applicable.	Not applicable.	Not applicable.	Not applicable.	Not applicable.
	Norms and Standards.	Not applicable.	Not applicable.	50% capacitated.	100% capacitated.	Not applicable.
	Helpdesk/Call Centre/ complaints mechanism.	Not applicable.	Not applicable.	100% capacitated.	Not applicable.	Not applicable.
	Training.	Not applicable.	Not applicable.	50% capacitated.	100% capacitated.	Not applicable.
	Monitoring and compliance.	Not applicable.	Not applicable.	100% capacitated.	Not applicable.	Not applicable.
	Capacitate/co-ordinate training/re-training of 300 officials.	Not applicable.	Not applicable.	30% capacitated.	50% capacitated.	60% capacitated.
3.1 Fair, transparent, equitable, and competitive and cost effective SCM processes and procedures.	Percentage capacitated complaints mechanism in Province.	Not applicable.	Not applicable.	50% capacitated.	100% capacitated.	Not applicable.
4.1 Compliance to prescripts.	Number of departments completed compliance testing.	Not applicable.	Not applicable.	Compliance testing at 5 departments completed.	Compliance testing at 10 departments completed.	Compliance testing at 13 departments completed.

Measurable objective	Performance measure	Year-1 2003/04 (actual)	Base year 2004/05 (estimate)	Year 1 2005/06 (target)	Year 2 2006/07 (target)	Year 3 2007/08 (target)
4.2 Successful SCM module (IFMS) roll-out and implementation.	Prepare provincial departments for the implementation of IFMS.	Not applicable.	Not applicable.	Not applicable.	100% complete	Not applicable.
	Develop norms and standards on IFMS.	Not applicable.	Not applicable.	Not applicable.	100% complete.	Not applicable.
	Implement/roll-out of IFMS to provincial departments.	Not applicable.	Not applicable.	Not applicable.	Not applicable.	100% complete in departments.
4.3 Successful implementation and roll-out of MFMA: SCM in municipalities.	Number/ percentage of vacancies filled in Provincial Treasury.	Not applicable.	Not applicable.	3 posts filled.	4 posts filled.	100% complete.
	Number of SCM units in municipalities and municipal entities established with the percentage of set criteria.	Not applicable.	Not applicable.	15 units met 25% of criteria.	15 units met 25% of criteria.	15 units met 50% of criteria.
	Number of municipalities within which SCM have been implemented.	Not applicable.	Not applicable.	SCM implemented in 20 municipalities.	SCM implemented in 25 municipalities.	SCM implemented in 30 municipalities.
	Percentage of target population trained.	Not applicable.	Not applicable.	20% of target population trained.	30% target population trained.	45% target population trained.
	Number of municipalities having access to WCSD.	Not applicable.	Not applicable.	Implementation of WCSD in 1 municipalities.	Implementation of WCSD in 5 municipalities.	Implementation of WCSD in 10 additional municipalities.

Physical asset management

Immovable Assets

1.1 Develop and implement Provincial Treasury instructions for the effective and efficient management of immovable assets.	Completion of Provincial Treasury Instructions developed for immovable asset registers, acquisitions, disposals, transfers and donations.	Not applicable.	Not applicable.	100 % completed.	100 % completed.	100 % completed.
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Measurable objective	Performance measure	Year-1 2003/04 (actual)	Base year 2004/05 (estimate)	Year 1 2005/06 (target)	Year 2 2006/07 (target)	Year 3 2007/08 (target)
1.1 Develop and implement Provincial Treasury instructions for the effective and efficient management of immovable assets. <i>(continued)</i>	Number of workshops conducted on PT instruction on immovable assets.	Not applicable.	Not applicable.	2 workshops conducted on PT instructions on immovable assets.	1 workshop conducted on PT instructions for immovable assets.	1 workshop conducted on PT instructions for immovable assets.
2.1 Effective and efficient management of infrastructure delivery.	The percentage of project plans reviewed of R1 million and greater.	Not applicable.	Not applicable.	100% project plans reviewed.	100% project plans reviewed.	100% project plans reviewed.
	Number of infrastructure reports compiled and compliant to IDIP/ NT Guidelines.	Not applicable.	Not applicable.	10 infrastructure reports for the year.	10 infrastructure reports for the year.	10 infrastructure reports for the year.
3.1 Credible immovable Asset Registers.	Percentage of relevant information pertaining to acquisitions, disposals, transfers, donations verified and accounted for on asset register.	Not applicable.	Not applicable.	100% information verified with relevant documentation.	100% information verified with relevant documentation.	100% information verified with relevant documentation.
3.2 Cost effective leasing of immovable property.	Percentage of non-market-related rentals identified and addressed with Public Works.	Not applicable.	Not applicable.	100% non-market related rentals identified and addressed.	100% non-market related rentals identified and addressed.	100% non-market related rentals identified and addressed.
	Address outstanding debtors of 90 days and over with Public Works.	Not applicable.	Not applicable.	100% of outstanding debtors identified and corrective actions taken.	100% of outstanding debtors identified and corrective actions taken.	100% of outstanding debtors identified and corrective actions taken.
4.1 Fully capacitated and functional immovable asset management unit.	Percentage of vacancies filled.	Not applicable.	Not applicable.	50% vacancies filled.	100% vacancies filled.	100% vacancies filled.
	Percentage of specialists trained.	Not applicable.	Not applicable.	50% staff adequately trained.	100% staff adequately trained.	100% staff adequately trained.

Measurable objective	Performance measure	Year-1 2003/04 (actual)	Base year 2004/05 (estimate)	Year 1 2005/06 (target)	Year 2 2006/07 (target)	Year 3 2007/08 (target)
5.1 To manage an efficient and effective unutilised Provincial Property Portfolio.	Updated database of unutilised immovable assets.	Not applicable.	Not applicable.	100% achieved.	100% achieved.	100% achieved.
	Promotion of property developmental options identified in conjunction with Public Works and private sector.	Not applicable.	Not applicable.	Identification of one property for potential development.	Identification of two (2) properties for potential development.	Identification of two (2) properties for potential development.
	Monitoring of Public Works's disposal plan of obsolete/ redundant immovable assets.	Not applicable.	Not applicable.	50% initiate/ action according to Public Works disposal list.	70% initiate/ action according to Public Works disposal list.	100% initiate/ action according to Public Works disposal list.
6.1 Successful implementation of the Infrastructure Delivery Improvement Plan (IDIP).	% IDIP implemented in participating departments.	Not applicable.	Not applicable.	50% implemented in Education department.	100% completed in Education. 50% implemented in Public Works (PW).	100% completed in Public Works.
	Number of reports from technical assistants timeously reviewed and endorsed by Provincial Treasury:	Not applicable.	Not applicable.	100% of deliverables for Education endorsed by PT.	100% of deliverables for Public Works endorsed by PT.	Not applicable.
	Inception report.	Not applicable.	Not applicable.	Completed by: 31/10/05.	Endorsed and reviewed by Public Works by 31/03/06.	Maintenance against plan.
	Capacitation plan.	Not applicable.	Not applicable.	31/01/05	31/05/06 (PW)	
	Delivery management system report.	Not applicable.	Not applicable.	30/04/05	28/02/07 (PW)	
	Infrastructure Plan.	Not applicable.	Not applicable.	31/05/05	31/03/07	

Measurable objective	Performance measure	Year-1 2003/04 (actual)	Base year 2004/05 (estimate)	Year 1 2005/06 (target)	Year 2 2006/07 (target)	Year 3 2007/08 (target)
6.1 Successful implementation of the Infrastructure Delivery Improvement Plan (IDIP). <i>(continued)</i>	Implementation Plan.	Not applicable.	Not applicable.	30/06/05	Not applicable.	30/06/07
	Contracting Arrangement Plan (SLA).	Not applicable.	Not applicable.	31/07/05	Not applicable.	31/08/07
	Number of meetings held for the year.	Not applicable.	Not applicable.	10 meetings held for the year.	10 meetings held for the year.	10 meetings held for the year.
Public Private Partnerships						
1.1 Capacitated PT structures to catalyse the PPP drive.	Percentage of vacancies filled.	33% capacitated.	33% capacitated.	100% functional.	100% functional.	100% functional.
	Percentage of specialists trained.	33% training achieved.	33% training achieved.	60% training achieved.	100% training achieved.	100% training achieved.
	Restructure unit.	Not applicable.	Not applicable.	50% according to revised plan.	70% according to revised plan.	100% according to revised plan.
2.1 Facilitate, promote and support and in liaison with accounting officers implement PPP projects.	Monitor the application of the PPP processes.	Advise and provide input on revised feasibility study of Hermanus and Swellendam Hospitals Co location projects, Eerste River Hospital Facility Management project, Conradie Hospital Replacement project.	Advise and provide input on feasibility study and/or RFQ/RFP stages of Hermanus and Swellendam Hospitals Co location projects and Conradie Hospital Replacement project.	100% response to all PPP project requests pertaining to the PPP process, received.	100% response to all PPP project requests pertaining to the PPP process, received.	100% response to all PPP project requests pertaining to the PPP process, received.

Measurable objective	Performance measure	Year-1 2003/04 (actual)	Base year 2004/05 (estimate)	Year 1 2005/06 (target)	Year 2 2006/07 (target)	Year 3 2007/08 (target)
2.1 Facilitate, promote and support and in liaison with accounting officers implement PPP projects. <i>(continued)</i>	Financially and contractually viable PPP projects.	Not applicable.	Support approval for transaction advisor on Swellendam PPP projects and Conradie Hospital Replacement project	Support or reject approval of feasibility proposals for affordability, value for money and risk transfer perspectives for Eerste River Hospital. Support/-reject procurement process for proposals on Lenteguur, Swellendam and Hermanus Hospital PPP projects. Support/ reject TAIM application for PPP agreement on Lenteguur Hospital PPP and Western Cape Nature Conservation Board PPP projects.	As identified and appropriate.	As identified and appropriate.

Measurable objective	Performance measure	Year-1 2003/04 (actual)	Base year 2004/05 (estimate)	Year 1 2005/06 (target)	Year 2 2006/07 (target)	Year 3 2007/08 (target)
3.1 Facilitate PPP school project.	Develop pre-feasibility guideline on school PPP project.	Not applicable.	Project identified and advised on pre feasibility study.	100% completion by 30 June 2005.	Not applicable.	Not applicable.
	Project registration.	Not applicable.	Not applicable.	Registered by 31 July 2005.	Not applicable.	Not applicable.
	Completion of feasibility study.	Not applicable.	Not applicable.	Not applicable.	Completed by 31 December 2006.	Support or reject identified and appropriate proposal sub-missions.
4.1 New PPP projects identified.	Identification of new PPP project from unutilised Provincial property portfolio.	Not applicable.	Not applicable.	1 New project identified.	1 New project identified.	1 New project identified.

Table 3.3: Sub-programme 3.3: Liabilities Management

Measurable objective	Performance measure	Year-1 2003/04 (actual)	Base year 2004/05 (estimate)	Year 1 2005/06 (target)	Year 2 2006/07 (target)	Year 3 2007/08 (target)
1.1 Effective managed Provincial Revenue Fund (loan book).	Percentage achieved w.r.t provision for necessary funds to service loan agreements and / or guarantees.	Not applicable.	Not applicable.	Not applicable.	Not applicable.	20% achieved.
	Percentage achieved w.r.t. meeting of all due dates for repayment of loans and / or guarantees.	Not applicable.	Not applicable.	Not applicable.	Not applicable.	100% achieved.
	Percentage achieved w.r.t. refinement of cash flow to include such loan and/or guarantee repayments.	Not applicable.	Not applicable.	Not applicable.	Not applicable.	100% achieved.

Measurable objective	Performance measure	Year-1 2003/04 (actual)	Base year 2004/05 (estimate)	Year 1 2005/06 (target)	Year 2 2006/07 (target)	Year 3 2007/08 (target)
3.1 To strengthen and provide technical and strategic support for the institutional capacity of provincial and local government to ensure capacity with regard to liabilities management.	Percentage achieved w.r.t. appointment of suitably qualified personnel and build capacity amongst existing staff.	Not applicable.	Not applicable.	Not applicable.	50% achieved.	100% achieved.
	Percentage achieved regarding assistance and / or establishment of suitable monitoring mechanisms for loans and for guarantees.	Not applicable.	Not applicable.	Not applicable.	50% compliance.	100% compliance.
4.1 Compliance to prescripts.	Percentage achieved i.t.o. all loans and / or guarantees that are administered and repaid strictly in terms of relevant legislation.	Not applicable.	Not applicable.	Not applicable.	100% compliance.	100% compliance.
	Percentage accuracy of reporting in terms of annual financial statements of all loans and / or guarantees.	Not applicable.	Not applicable.	Not applicable.	100% achieved.	100% achieved.
5.1 Establish the necessary structures to ensure accurate reporting and servicing capabilities in respect of liabilities.	Percentage achieved i.t.o. creation and implementation of suitable mechanisms to facilitate accurate reporting, monitoring, administering and repayment of loans and/or guarantees.	Not applicable.	Not applicable.	Not applicable.	50% achieved.	100% achieved.

Table 3.4: Sub-programme 3.4: Supporting and Interlinked Financial Systems

Measurable objective	Performance measure	Year-1 2003/04 (actual)	Base year 2004/05 (estimate)	Year 1 2005/06 (target)	Year 2 2006/07 (target)	Year 3 2007/08 (target)
1.1 Effectively, efficiently and economically implemented and managed financial systems.	The daily monitoring of the existing systems to ensure that all exceptions, rejections and audit reports are cleared within 7 days.	As part of the TCF workgroup on a new Integrated Financial Management System, a position paper was completed by 31 December 2003.	Obtain approval from the TCF and Budget Council for phase 2 of the project.	100% compliance.	100% compliance.	100% compliance.
	The proper interfaces between sub-systems and BAS achieved.	Not applicable.	90% achieved.	100% achieved.	100% achieved.	100% achieved.
	Logistical information system (LOGIS) fully rolled out to the remaining 9 Institutions (5 Departments and 4 Health Institutions) and integrated into the supply chain management system with fully capacitated personnel.	21 sites successfully implemented.	7 sites successfully implemented.	9 institutions fully implemented.	Not applicable.	Not applicable.
	The roll out of Vulindlela (WEB application) to all departments, regions and institutions to ensure the availability of updated management information.	Not applicable.	Not applicable.	100 % completion of the application to all 14 head office components of departments as well as 40 regional/ district offices.	100 % completion of the application to all provincial institutions.	Not applicable.

Measurable objective	Performance measure	Year-1 2003/04 (actual)	Base year 2004/05 (estimate)	Year 1 2005/06 (target)	Year 2 2006/07 (target)	Year 3 2007/08 (target)
1.2 The smooth and cost-effective transition to the Integrated Financial Management Systems (IFMS).	Provincial Treasury to play an integral role in planning, development, testing and implementation phases.	The compilation of user requirements for the IFMS.	Attendance of quarterly national workgroup on the IFMS.	On completion of phase 2 of the project, proceed with the planning, development and testing phases of the project.	The development and testing of the SCM module of IFMS and the further planning of the remaining modules.	Implementation phase of the SCM module and development of the remaining IFMS modules.
	Data preparation and implementation of the various IFMS modules.	Not applicable.	Not applicable.	Not applicable.	Not applicable.	100% achievement of the data preparation of the 71 current Logis sites as well as the 3 Central Hospitals and commencement of the migration to the new SCM module of IFMS. Possible re-training of 2000 core and non-core users depending on the complexity of the proposed application.
2.1 Availability stability and accessibility of existing financial systems.	Availability and stability of existing financial systems to ensure an up-time of at least 95%.	97% up-time.	96% up-time.	95% up-time.	95% up-time.	95% up-time.

Measurable objective	Performance measure	Year-1 2003/04 (actual)	Base year 2004/05 (estimate)	Year 1 2005/06 (target)	Year 2 2006/07 (target)	Year 3 2007/08 (target)
2.2 System functionalities comply to norms and standards.	Needs assessment conducted and enhancements effected.	User requirements timeously addressed and implemented.	User requirements timeously addressed and implemented.	All user requirements submitted to National Treasury and rolled out within 2 weeks after release.	All user requirements submitted to National Treasury and rolled out within 2 weeks after release.	All user requirements submitted to National Treasury and rolled out within 2 weeks after release.
3.1 Fully skilled and capacitated system users.	Fully operational helpdesk managed by skilled staff rendering service to 7000 users.	100% accessibility and availability of the helpdesk on a daily basis.	100% accessibility and availability of the helpdesk on a daily basis	100% accessibility and availability of the helpdesk on a daily basis.	100% accessibility and availability of the helpdesk on a daily basis.	100% accessibility and availability of the helpdesk on a daily basis.
	Percentage officials appropriately trained on the various financial systems of a target market of 7000.	1346 LOGIS and 1600 BAS users trained.	50% of target market.	70% of target market.	90% of target market.	90% of target market.
4.1 A cost effective system.	Percentage deviation between actual expenditure and approved budget pertaining to SITA accounts.	Not applicable.	Expenditure within approved budget.	No more than 2% deviation between actual expenditure and approved budget.	No more than 2% deviation between actual expenditure and approved budget.	No more than 2% deviation between actual expenditure and approved budget.

3.6 Reconciliation of budget with plan

Table 3.6: Programme 3: Asset and Liabilities Management budget by sub-programme (R'000)

Programme 3: Asset and Liability Management										
Sub-programme	Year – 2 2002/03 (actual)	Year – 1 2003/04 (actual)	Base year 2004/05 (estimate)	Average annual change (%)	Year 1 2005/06 (MTEF pro- jection)	Year 2 2006/07 (MTEF pro- jection)	Year 3 2007/08 (MTEF pro- jection)	Year 4 2008/09 (MTEF pro- jection)	Year 5 2009/10 (MTEF pro- jection)	Average annual change (%)
Programme Support					974	1,024	1,075	1,129	1,185	0.00
Asset Management	4,481	5,599	5,653	12.32	6,538	9,151	9,289	9,753	10,241	12.62
Liabilities Management					1	1	1	1	1	0.00
Supporting and Inter-linked Financial Systems	14,467	16,335	38,983	64.15	41,644	38,608	40,538	42,565	44,693	2.77
Total	18,948	21,934	44,636	53.48	49,157	48,784	50,903	53,448	56,121	4.69

The drastic increase in the spending trends of this programme over the financial years 2002/03 to 2004/05 can mainly be contributed to a function (SITA) shift from Vote 1: Provincial Administration: Western Cape the sub-programme: Supporting and Interlinked Financial Systems. It is foreseen that spending trends of the latter sub-programme will stabilise over the MTEF. The other average increases in the sub-programmes over the MTEF period can be contributed to a combination of filling of vacant posts and inflation adjustments.

4. Programme 4: Financial Governance

AIM: To enhance performance orientated financial management.

In order for the programme to be effective in the execution of the above, it is divided into five (5) sub-programmes, namely:

4.1 Programme Support	To facilitate the efficient and coordinated administration and management of the programme.
4.2 Accounting Services	To ensure the effective implementation of accounting practices in line with Generally Recognised Accounting Practice and prepare consolidated financial statements that reflect the financial position of the Province.
4.3 Norms and Standards	To develop, implement and monitor compliance of financial norms and standards. To ensure effective communication and information management.
4.4 Risk Management	To facilitate the establishment of risk management capacity and financial governance systems in the Provincial Government.
4.5 Provincial Internal Audit	To perform risk-based internal audit services and coordinate the activities of internal audit committees.

4.1 Situation analysis

One of the strategic objectives of iKapa Elihlumayo is to improve financial governance which promotes the most effective, efficient and economic utilisation of resources in an ethical environment. This programme consists of some of the most significant drivers and enablers for financial governance improvement and gives a brief description of progress made, challenges identified and recommendations for the way forward.

The drivers for improving financial governance within this programme are Accounting Services, Norms and Standards, Risk Management and Provincial Internal Audit. The most significant enablers of establishing a culture of financial governance improvement are cooperative relationships between assurance providers, change management, capacity building,

improved oversight and accountability. The above-mentioned enablers are integrated within the operations of each sub-programme.

The situation analysis of the sub-programmes are briefly stated below:

Programme Support

This unit will only be established and capacitated during the 2005/06 financial year and will be mainly responsible for administrative support regarding the human resources and financial, logistical and related administrative management activities of the programme.

Accounting Services

The Accounting component is a key link between the Financial Accounting teams of provincial departments and the Provincial Treasury to encourage the development of sound accounting practices and ensure that financial reporting is a full reflection of the financial position of the Province. In establishing the Office of the Provincial Accountant General, Accounting will be relocated from Public Finance to Financial Governance.

Key services entail IYM of the state of book of accounts, roll-out of the Generally Recognised Accounting Practice (GRAP), consolidation of annual financial statements, further implementation and maintenance of the Standard Chart of Accounts (SCoA) and the interpretation of financial statements.

An appraisal of the existing services and performance covering the 2004/05 financial year highlighted the following key areas:

- Implementation of SCoA with effect from 1 April 2004:
- Consolidation of the 2003/04 annual financial statements.
- Analytical reports on IYM.
- Roll-out of the prescribed annual financial statement formats.
- Enhanced analysis and interpretation of annual financial statements.
- Produced a Provincial Accounting Review, 2004 as a working paper.
- Actively participated in the National Treasury's Financial Management Improvement Programme by assisting in the readiness assessment for accrual accounting.
- Facilitation of relevant training interventions and various fora meetings.
- Assisted departments with the migration from FMS to BAS and BAS to BAS (SCoA).

Key challenges over the strategic period entail the following:

- The standards of GRAP developed by the Accounting Standards Board will have to be implemented. The issued standards for departments will require facilitated implementation and proper mechanisms for the monitoring of compliance.

- In partnership with National Treasury improve annual financial statement formats and consolidation processes thereof, inclusive of municipalities.
- Further develop interpretative and analytical capacity related to annual financial statements to improve planning and financial management.
- Complete migration from trading accounts in its current format to trading entities.
- Accounting procedures to be established to close down the Western Cape Housing Development Fund and Provincial Capital Fund Ordinance, 1962 (Ordinance 3 of 1962).
- Roll-out SCoA to public entities.
- Clear old balances inherited from previous government dispensations.
- Build capacity to be able to perform the responsibilities as required in terms of the MFMA.

Norms and Standards

This sub-programme is responsible for ensuring that norms and standards within the financial legislative framework are developed, implemented and monitored for compliance in provincial departments, public entities, municipalities and municipal entities.

An appraisal of the existing services and performance covering the 2004/05 financial year highlighted the following key areas:

- Compiled and drove the programme for the 2003/04 annual reporting process.
- Progressive steps were taken to improve oversight by the executive and the provincial parliament through submissions and presentations on the content and outcome of annual reports.
- Improved analysis and assessment of normative measures questionnaires and made recommendations to heads of components in the Provincial Treasury, Accounting Officers and Accounting Authorities to address shortcomings.
- Analysis and follow-up of previous audit outcomes to prevent recurrence of reported deficiencies.
- Coordinated provincial departments' and Treasury responses, inclusive of own inputs, on PFMA, NTRs and other draft legislation.
- Assessed cabinet submissions with financial normative implications and provided comments.
- Rendered advice/comments on the interpretation of current financial legislation to departments, public entities and municipalities.
- Performed an in-depth governance and financial management analysis of Casidra.
- Actively participated in the establishment of new public entities.

- Compiled a position paper and drafted a policy on transfer payments to address identified deficiencies.
- Actively participated with drafting and implementation of the MFMA such as the development of a delegation framework for senior officials and political office bearers, monitoring of implementation requirements and provided interpretive guidance on MFMA enquiries.
- Contributed to Financial Management, 2004 working paper.

Key challenges over the strategic period entail the following:

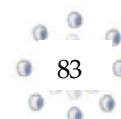
- Increasing resource capacity to verify consistency with current financial prescripts and policies within the provincial government and to be recognised as a strategic value-added partner within the Provincial Treasury to ensure integrated norms.
- Identifying and addressing critical and transversal deficiencies in norms and where applicable facilitate solutions with relevant line function Treasury units and other role players.
- Departments comply at least nominally with the relevant prescripts (regulatory framework, reporting requirements and timelines) and the challenge for this unit is that financial practitioners should further pursue substantive compliance with the PFMA, which entail the setting of benchmarks for financial management and financial functionaries standards.
- Efficiency, efficacy and economy within the business operations of departments are promoted and enforced by AOs supported by CFO offices. However, an assessment of the human resource capacity within the CFO offices confirmed an average vacancy rate of 27% with an average of 58% officials having financial related qualifications. These results pose major risks in attaining substantive compliance with the PFMA and reaping benefits from efficiency gains. Significant improvement of the results will require further analysis and innovative thinking regarding the redirection of resources to substantially strengthen and capacitate CFO support.
- Build capacity to be able to perform the responsibilities as required in terms of the MFMA.

Communication and Information Management (incorporated into Norms and Standards)

Effective communication plays a vital role in social capital building and human capital building external and internal in the Provincial Government as it informs, educates and assists with a common understanding of the need for efficiency improvements.

An appraisal of the existing services and performance covering the 2004/05 financial year highlighted the following key areas:

The communication services were split into three phases, i.e:



- Phase 1: to design and brand 'iKapa Elihlumayo' and successfully launch the Budget 2004/05 on 1 March 2004.
- Phase 2: to externalise 'iKapa Elihlumayo' to the community.
- Phase 3: to internalise the latter within the provincial government.

Phase 1:

The iKapa Elihlumayo brand was adopted by all and together with the Budget 2004/05 launched on 1 March 2004 by the erstwhile Minister responsible for Finance, now Premier. The latter was also extensively communicated in the formal media.

Phase 2:

People from 156 different towns, townships, hamlets, informal centres and villages including the two largest residential suburbs of Cape Town were exposed to the performances and distribution of comics in appropriate languages over a period of three weeks. In addition to the latter, the comic strip was also distributed to all 307 provincial libraries in three languages for further distribution. It is estimated that the external communication focus in Phase 2 has reached 580 650 households throughout the Province.

Phase 3:

An internal communication perception audit revealed major communication challenges within the organisation as there appears to be a perceived lack of communication between politicians, senior management and junior staff and the majority of staff access knowledge of government activities from the media whose selective use of information may create an inaccurate reality.

Key challenges over the strategic period entail the following:

- Continuation, expansion and further development of both the external and internal communication strategy.
- Relocate "Communication", i.e. PT communicating in one voice, Public relations and corporate communication to the management support unit under programme 1.
- Retain "Information management", i.e., E-Governance (internet and intranet) and Data management, information management and knowledge management with Financial Governance.
- Align and build current establishments to accommodate expanded scope.
- Develop and implement norms and standards when using functional databases and information system.

Risk Management

To create streamlined processes within departments that generate executive decision-making information on an integrated basis and consequent internal controls aligned to key risks, the Programme: Financial Governance was expanded with the sub-programme: Risk Management and Governance Systems with the specific mandate:

- The development of a standardised and integrated risk management methodology for the PGWC as a whole, which methodology should be:
 - Technologically based (i.e. standardised software);
 - International best practice;
 - Integrated with risk-based internal auditing;
 - Complimentary to the Internal Control units within provincial departments; and
 - Integrated with day-to-day operational management.
- The development of a financial government governance model and related norms and standards.

An appraisal of the existing services and performance covering the 2004/05 financial year highlighted the following key areas:

Development of a standardised and integrated PGWC risk management framework which will consist of the following four phases, implemented incrementally, each with its own adopted methodology/framework:

- Risk identification and inherent risk assessments;
- Process and control mapping;
- Risk response strategies; and
- Process improvement.

The first two methodologies are in the final stages of completion and will be consulted with the CFOs and AOs before final adoption. This sub-programme will facilitate the implementation of these methodologies through change management, communication, capacity building and continued monitoring and assessment initiatives.

After extensive research a Financial Government Governance model was developed and consulted with senior representatives from a number of stakeholders. The reaction in all instances was positive that this model is a first for South Africa and could assist ensuring governance excellence in an ethical environment and thereby laying the foundation for reaping the benefits both locally and internationally.

The aforementioned model has been developed into a framework.

Key challenges for this newly established unit over the strategic period would entail the following:

Ensuring that the Provincial Government governs and manages its risks appropriately, aligns its day-to-day operations with strategic objectives and has and maintains a corporate memory thereof, the challenge is that the following be adequately resourced across departments:

- Risk management methodologies and a Financial Governance Framework and training manuals.
- Training of junior, middle and senior management.
- Establishing Risk Management, inclusive of Internal Control capacity within provincial departments.

- The embedding of governance and risk management practices into normal management processes.

Provincial Internal Audit

In accordance with a three-year strategic plan that commenced on 20 February 2004, full roll-out of internal audit services to all provincial departments and Provincial Parliament and proper audit coverage will only be achievable in 2006. Once a provincial risk profile has been developed by the end of January 2005, a policy consideration will be required on the organisational fit of the Internal Audit function, i.e. centralised, shared service, decentralised, detached or a combination of these. Redirecting of resources and the provision of additional financial resources will be required at that stage to adequately and appropriately cover internal audit activities to promote efficiency. These include:

- Re-engineering the organisational fit.
- Strengthening of current internal audit activities.
- Building internal capacity to take over activities of the Internal Audit work from the current service provider, enabling the PGWC Internal Audit team to undertake 20%, 40% and then 60% of the Internal Audit work in each of the three years.

An appraisal of the existing services and performance covering the 2004/05 financial year highlighted the following key areas:

The existing internal audit unit of ten staff members compiled a macro-risk assessment for nine provincial departments, excluding Health, Social Services and Poverty Alleviation, Education and Provincial Government Western Cape (PGWC) and each AO of the relevant departments was presented with a synoptic summary of the high-risk processes identified, together with an indication of possible internal audits still to be conducted. Subsequent Service Level Agreements were concluded with each Accounting Officer and the finalised audits were consulted with the latter and also submitted to the relevant Audit Committees and the Auditor-General.

An out-sourced/co-sourced tender for an all-inclusive risk assessment and internal audit service was invited and awarded to a consortium consisting of seven internal audit firms of which five are fully Historically Disadvantaged Individuals (HDIs). In the first year (2004/05) risk assessments for all 14 Votes would be completed and by the second year (2005/06) a full internal audit service will be rendered.

At the beginning of 2004, to promote good corporate governance, separate audit committees were established for the Departments of Health, Education and Social Services and Poverty Alleviation. A Shared Services Audit Committee remained in place for the remaining eleven departments, inclusive of the Provincial Parliament. The latest (September 2004) thinking at national government level, however, is that provincial governments should only have one audit committee to ensure consistent and overarching oversight. This approach is radically different from the direction adopted by

the Provincial Government as explained above and should this approach be supported, consideration will have to be given in amalgamating the current audit committees. Such a process can only be concluded once the appropriate organisational fit of the Internal Audit function has been concluded.

Key challenges over the strategic period entail the following:

- Adequate funding and staffing of internal audit in the outer years to deliver an effective and efficient internal audit service.
- Fully functional, competent and independent Audit Committees under whose guidance and control, internal audit resorts.
- Delivering better audit outputs and outcomes that have management support, are risk-based, client focused, with balanced internal audit resources and continuous improvement of the internal audit function.
- Establishing effective linkages and co-ordination with other efforts by the Provincial Treasury and departments to raise the level of financial management within the Provincial Government.
- Internal Audit to be recognised as a value added change agent, thus forming “business partnerships” with line management, fostering a process of improvement and facilitating change.

4.2 Policies, priorities and strategic objectives

Strategic Objectives linked to Programme 4

Generic strategic goal: To facilitate the efficient and coordinated administration and management of the programme.

Programme Support, Strategic objectives:

1. Rendering administrative support services to ensure the effective operational management of the unit.
2. Capacitate and train administrative support and line function staff.
3. Support and promote BBBEE initiatives through administrative functions.

Strategic goal 12: To ensure that financial reporting is a full and true reflection of the financial position of the Province.

Accounting Services, Strategic objectives:

1. Ensure the development of accounting practices that will promote effective and efficient capturing of REAL movements/accountability.
2. Ensure integrity of financial data.

Strategic goal 13: To develop, implement and monitor compliance of financial norms and standards and to ensure effective communication and information management.

Norms and Standards, Strategic objectives:

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

Strategic goal 14: To facilitate the establishment of risk management capacity and financial governance systems in the Provincial Government.

Risk Management, Strategic objectives:

1. Develop and facilitate the implementation of effective risk management and government governance capacity within the provincial government.
2. Facilitation of residual risk assessments and the availability of a risk profile per department.
3. Consolidate inherent risk assessments, build a risk profile for the Provincial Government as a whole and ensure the development of response strategies to mitigate transversal risks.

Strategic goal 15: To perform internal audit services on a risk-analysis basis.

Provincial Internal Audit, Strategic objectives:

1. To render an effective risk based internal audit service.
2. Ensure effective audit committees.
3. Promote close cooperation and coordination between assurance providers to prevent duplication of effort.

4.3 Analysis of constraints and measures planned to overcome them

Being a newly established programme it is imperative that vacant posts are filled and staff be capacitated to ensure a stable environment within which identified objectives can be achieved. Whilst the challenges referred to in the situation analysis may reflect some constraints, the most significant constraints identified are:

Accounting Services

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

Risk Management and Provincial Internal Audit

Currently the establishment of risk management and internal audit capacity within the provincial government is being addressed on a co-sourced basis with a consortium of service providers. Being new initiatives previously not practiced within the provincial government and scarce resources in these fields, the constraint is to get buy-in and build capacity. Various initiatives have been embarked on in addressing this constraint such as the development of methodologies and frameworks, the roll-out of change management and capacity building strategies and the establishment, in conjunction with tertiary institutions and certain professional private sector institutions, of a centre of excellence.

Norms and Standards

Norms and Standards is a significant strategic partner in the development and integration of new policies and norms and the implementation and monitoring thereof. It ensures that such policies and norms are consistent with existing prescripts and integrated with other financial management disciplines. The major constraint is that the role of this sub-programme is misunderstood which leads to its ineffective utilisation and a progressive approach will be followed during this strategic period to rectify this situation. With regard to communication and information management the correct organisational placement and capacitation of this very important enabler of Financial Governance improvement will significantly improve coordination and integration of various financial management activities and initiatives within the Provincial Treasury.

4.4 Description of planned quality improvement measures

The evolvement and eventual correct organisational placement of Communication and Information Management will be getting attention over the course of 2005/06. The relocation of Accounting Services to this programme and the establishment of the latter as well as Internal Audit and Risk Management and Governance Systems will contribute to an effective and integrated Provincial Accountant General service and Financial Governance improvement.

4.5 Specification of measurable objectives and performance indicators

Table 4.1: Sub-programme 4.1: Programme Support

Measurable objective	Performance measure	Year-1 2003/04 (actual)	Base year 2004/05 (estimate)	Year 1 2005/06 (target)	Year 2 2006/07 (target)	Year 3 2007/08 (target)
1.1 Smooth and effective functioning of the component.	Percentage compliance with rules and regulations.	Not applicable.	Not applicable.	100% compliance.	100% compliance.	100% compliance.
	Percentage compliance to acceptable norms/ standards of service delivery.	Not applicable.	Not applicable.	70% achieved.	100% achieved.	100% achieved.
	Hours turn around time for management of operational finances, human resources and logistical issues.	Not applicable.	48 hours	48 hours	24 hours	24 hours
2.1 Trained and capacitated administrative support and line function staff.	Number of vacant posts filled.	Not applicable.	Not applicable.	50% achieved.	100% achieved.	100% achieved.
	Percentage of staff complement trained according to IDPs.	Not applicable.	Not applicable.	50% achieved.	100% achieved.	100% achieved.
3.1 Achievement of iKapa Elihlumayo goals.	Percentage support and promotion of goals in work environment.	Not applicable.	Not applicable.	100% support achieved.	100% support achieved.	100% support achieved.
	Percentage procurement in terms of BBBEE.	Not applicable.	Not applicable.	40%	50%	60%

Table 4.2: Sub-programme 4.2: Accounting Services

Measurable objective	Performance measure	Year-1 2003/04 (actual)	Base year 2004/05 (estimate)	Year 1 2005/06 (target)	Year 2 2006/07 (target)	Year 3 2007/08 (target)
1.1 All transactions recorded and Financial Statements in line with formats and guidelines.	Compliance with statutory due dates and timely corrective measures.	100% compliance.	100% compliance.	100% compliance.	100% compliance.	100% compliance.
	Percentage qualified Auditor-General reports.	<10% qualified.	<10% qualified.	Analyse reports of Auditor-General and take corrective steps.	Analyse reports of Auditor-General and take corrective steps.	Analyse reports of Auditor-General and take corrective steps.
	Percentage compliance with Generally Recognised Accounting Practice requirements.	100% compliance.	100% compliance.	100% compliance.	100% compliance.	100% compliance.
	Accounting procedures to be established to close down the Western Cape Housing Development Fund and Provincial Capital Fund Ordinance, 1962 (Ordinance 3 of 1962).	Accounting procedures to be established.	Accounting procedures to be established.	Accounting procedures to be established.	Finalised.	Finalised.
	Roll out Standard Chart of Accounts to public entities.	National Treasury advised of requirement of Province.	Roll-out.	Monitor.	Monitor.	Monitor.
	Clear old balances inherited from previous government dispensations.	Balances transferred to Provincial Treasury (Department U7).	Accounts on Provincial Treasury (Department U7) followed up.	Accounts on Provincial Treasury (Department U7) followed up.	Accounts on Provincial Treasury (Department U7) followed up.	Finalised.

Measurable objective	Performance measure	Year-1 2003/04 (actual)	Base year 2004/05 (estimate)	Year 1 2005/06 (target)	Year 2 2006/07 (target)	Year 3 2007/08 (target)
2.1 Financial data analysed and interpreted.	Percentage compliance with and a 18 day turn around time for Provincial Treasury's interpretive narrative responses on departmental in-year monitoring reports.	Target achieved.	Target achieved.	Target achieved.	Target achieved.	Target achieved.
	Produce an Accounting Review within deadline.	Publish November.	Publish November.	Publish November.	Publish November.	Publish November.
	Provide training on the interpretation of annual financial statements to CFOs.	Target achieved.	Target achieved.	Target achieved.	Target achieved.	Target achieved.
	Improve the disclosure of the values of PPP BEE and infrastructure transactions in terms of REAL.	Not applicable.	Not applicable.	Disclosure notes developed.	Disclosure notes introduced.	Disclosure notes assessed.
	Percentage compliance with statutory due dates and timely corrective measures.	100%	100%	100%	100%	100%

Table 4.3: Sub-programme 4.3: Norms and Standards

Measurable objective	Performance measure	Year-1 2003/04 (actual)	Base year 2004/05 (estimate)	Year 1 2005/06 (target)	Year 2 2006/07 (target)	Year 3 2007/08 (target)
1.1 Determination and implementation of financial management norms and standards to facilitate excellence in service delivery.	The assessment of both nominal and substantive compliance in departments, public entities and municipalities.	95% nominal compliance.	98% nominal compliance and 30% substantive compliance with set benchmarks.	100% nominal compliance and 45% substantive compliance with set benchmarks.	100% nominal compliance and 60% substantive compliance with set benchmarks.	100% nominal compliance and 80% substantive compliance with set benchmarks.

Measurable objective	Performance measure	Year-1 2003/04 (actual)	Base year 2004/05 (estimate)	Year 1 2005/06 (target)	Year 2 2006/07 (target)	Year 3 2007/08 (target)
1.1 Determination and implementation of financial management norms and standards to facilitate excellence in service delivery. (continued)	Percentage compliance with National Treasury guidelines on annual reports.	100% compliance.	100% compliance.	100% compliance.	100% compliance.	100% compliance.
	Compilation and issuing of generic norms and standards to address deficiencies identified in internal audit reports.	Not applicable.	15%	25%	35%	45%
2.1 Ensuring the existence of an appropriate and dynamic financial legislative framework.	The assessment and proposal of amendments to financial legislation to ensure continued relevance.	100% wrt proposed financial legislation.	100% wrt proposed financial legislation.	100% wrt proposed financial legislation and 15% wrt existing financial legislation.	100% wrt proposed financial legislation and 15% wrt existing financial legislation.	100% wrt proposed financial legislation and 15% wrt existing financial legislation.
	Compilation and maintenance of a database of all financial legislation and associated instructions and directives.	Not applicable.	60% completion.	100% completion.	Database updated.	Database updated.
2.2 Phasing in the Provincial Treasury's normative responsibilities of the Local Government: Municipal Finance Management Act, 2003.	Percentage nominal and substantive compliance by municipalities.	Nil.	Nil.	40% nominal compliance.	60% nominal compliance.	80% nominal compliance.
	Percentage nominal and substantive compliance by provincial departments.	Nil	Nil	40% nominal compliance.	60% nominal compliance.	80% nominal compliance.
	Percentage development of municipal capacity.	Nil	Nil	50% functional.	70% functional.	90% functional.

Measurable objective	Performance measure	Year-1 2003/04 (actual)	Base year 2004/05 (estimate)	Year 1 2005/06 (target)	Year 2 2006/07 (target)	Year 3 2007/08 (target)
3.1 Effective internal and external communication systems and strategies.	Number of informed citizens.	Nil	580 000 households.	700 000 households.	1 million households.	1.2 million households.
	Level of informed Provincial Government personnel.	SMS staff.	All middle management.	All staff.	All staff.	All staff.
3.2 Effective information management.	Establish Provincial Treasury database.	Nil.	Start preparation.	Implement with norms.	Updated database.	Updated database.

Table 4.4: Sub-programme 4.4: Risk Management

Measurable objective	Performance measure	Year-1 2003/04 (actual)	Base year 2004/05 (estimate)	Year 1 2005/06 (target)	Year 2 2006/07 (target)	Year 3 2007/08 (target)
1.1 Developed and implemented risk management and government governance capacity within the provincial government.	Departments have approved risk management structures.	Nil	Nil	All departments with approved structures.	All departments with approved structures and 50% capacitated.	All departments with approved structures and 100% capacitated.
	Percentage departmental risk management staff trained in RM framework and all existing tools.	Nil	Nil	70% trained in all aspects.	100% trained in all aspects.	100% trained in all aspects.
	Percentage nominal compliance by all departments with the risk management framework.	Nil	Nil	50% nominal compliance.	100% nominal compliance.	100% nominal compliance.
	Percentage nominal compliance by all departments with the government governance framework.	Nil	Nil	70% nominal compliance.	100% nominal compliance.	100% nominal compliance.
2.1 Facilitation of residual risk assessments and the availability of a risk profile per department.	Percentage risk assessments reviewed within departments.	Not applicable.	Not applicable.	100%	100%	100%

Measurable objective	Performance measure	Year-1 2003/04 (actual)	Base year 2004/05 (estimate)	Year 1 2005/06 (target)	Year 2 2006/07 (target)	Year 3 2007/08 (target)
2.1 Facilitation of residual risk assessments and the availability of a risk profile per department. (continued)	Percentage process and control maps completed per department.	Not applicable.	20% of processes mapped.	80% of processes mapped.	100% of processes mapped.	100% of processes mapped.
	Percentage accounting Officers are supplied with updated risk profiles.	Not applicable.	100% of departments	100% of departments	100% of departments	100% of departments
3.1 The provision of a consolidated risk profile for the provincial government as a whole and the ensuring of risk response strategies to mitigate transversal risks.	Existence of a consolidated risk profile for PGWC.	Nil	Nil	100% of departments included in consolidation.	100% of departments included in consolidation.	100% of departments included in consolidation.
	Transversal risks identified and allocated to transversal risk owners.	Nil	Nil	50% transversal risks allocated.	70% transversal risks allocated.	100% transversal risks allocated.

Table 4.5: Sub-programme 4.5: Provincial Internal Audit

Measurable objective	Performance measure	Year-1 2003/04 (actual)	Base year 2004/05 (estimate)	Year 1 2005/06 (target)	Year 2 2006/07 (target)	Year 3 2007/08 (target)
1.1 Risk-based internal audit services.	Performance of internal audit work as approved by the relevant Audit Committee.	100% of audit work performed as approved by Audit Committee, however limited audit coverage achieved due to function shift and allocation of IA tender.	100% of audit work performed as approved by Audit Committee.	100% of audit work performed as approved by Audit Committee.	100% of audit work performed as approved by Audit Committee.	100% of audit work performed as approved by Audit Committee.

Measurable objective	Performance measure	Year-1 2003/04 (actual)	Base year 2004/05 (estimate)	Year 1 2005/06 (target)	Year 2 2006/07 (target)	Year 3 2007/08 (target)
1.1 Risk-based internal audit services. (continued)	Percentage of audit findings accepted by management.	75% of audit findings accepted by management.	80% of audit findings accepted by management.	90% of audit findings accepted by management.	100% of audit findings accepted by management.	100% of audit findings accepted by management.
	Fully compliant external Quality Assurance Review report of the Provincial Internal Audit Function by the IIA (SA).	Nil.	Nil.	Nil.	Report submitted.	Report submitted.
1.2 Building internal capacity to take over activities of the Internal Audit work from the current service provider and re-engineering the internal audit organisational fit.	Percentage of posts filled.	38% of posts filled (Based on current structure).	38% of posts filled (Based on current structure).	50% of posts filled (Based on new organisational fit).	70% of posts filled (Based on new organisational fit).	100% of posts filled (Based on new organisational fit).
2.1 Fully functional, competent and independent Audit Committees under whose guidance and control Internal Audit resorts.	Number of audit plans approved and audit committee reports issued.	9 departments.	5 departments	All departments.	All departments.	All departments.
		All departments.	All departments.	All departments.	All departments.	All departments.
3.1 Close cooperation and coordination between all assurance providers to prevent duplication of effort.	Number of meetings and quarterly progress reports to audit committees.	3 liaison and co-ordination meetings per year.	4 liaison and co-ordination meetings per year.	10 liaison and co-ordination meetings per year.	10 liaison and co-ordination meetings per year.	10 liaison and co-ordination meetings per year.
		Nil	Nil	3 quarterly and 1 annual report.	3 quarterly and 1 annual report.	3 quarterly and 1 annual report.

4.6 Reconciliation of budget with plan

Table 4.6: Programme 4: Financial Governance budget by sub-programme (R'000)

Programme 4: Financial Governance										
Sub-programme	Year – 2 2002/03 (actual)	Year – 1 2003/04 (actual)	Base year 2004/05 (estimate)	Average annual change (%)	Year 1 2005/06 (MTEF pro- jection)	Year 2 2006/07 (MTEF pro- jection)	Year 3 2007/08 (MTEF pro- jection)	Year 4 2008/09 (MTEF pro- jection)	Year 5 2009/10 (MTEF pro- jection)	Average annual change (%)
Programme Support				0.00	1,063	1,117	1,173	1,232	1,293	0.00
Accounting Services	3,779	1,815	2,185	-23.96	2,980	3,872	3,882	4,076	4,280	14.39
Norms and Standards		1,183	5,467	0.00	6,878	8,497	8,922	9,368	9,837	12.47
Risk Management				0.00	2,547	2,677	2,811	2,952	3,099	0.00
Provincial Internal Audit	4,493	5,865	21,101	116.72	19,146	19,153	20,111	21,117	22,172	1.00
Total	8,272	8,863	28,753	86.44	32,614	35,316	36,899	38,744	40,681	7.19

The average increase in the spending trends over the financial years 2002/03 to 2004/05 for this programme is mainly due to a substantial increase (117%) in the sub-programme: Provincial Internal Audit. This increase can be ascribed to the provincial audit function being shifted from Vote 1: Provincial Administration: Western Cape to this programme. While most of the sub-programmes indicate an inflation adjustment in the average increase in the spending trends over the MTEF, a new sub-programme, namely Risk Management was established from 2005/06 and a provision was made under the sub-programme: Accounting Services for the implementation of the MFMA thereby explaining the remaining increases.

5. Capital investment, maintenance and asset management plan

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

6. Co-ordination, Co-operation and outsourcing plans

6.1 Interdepartmental linkages

Not applicable.

6.2 Local government linkages

Although the Provincial Treasury accepts its responsibilities in terms of the MFMA, but it is not foreseen that the Provincial Treasury will enter into service delivery agreements as such in the near future.

6.3 Public entities

Table 6.1: Details of public entity

Name of public entity	Main purpose of public entity	Transfers from the departmental budget		
		2005/06 MTEF R'000	2006/07 MTEF R'000	2007/08 MTEF R'000
Western Cape Gambling and Racing Board	To control all gambling, racing and activities incidental thereto in the Province.	0	0	0

The Western Cape Gambling and Racing Board's own revenues have 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.

6.4 Public, private partnerships, outsourcing etc.

The Provincial Treasury is not yet functionally responsible for any PPPs. However, with capacity building within Provincial Treasury, it is envisaged to take over all PPPs related responsibilities from National Treasury at some future date.