REPUBLIC OF SOUTH AFRICA

NATIONAL TREASURY

Annual Report 2001/2002

Republic of South Africa

National Treasury

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2001 / 2002

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National Treasury

Annual Report

2001 / 2002

Mr T Manuel
Minister of Finance

Report of the Director-General of the National Treasury
for the period 1st April 2001 to 31st March 2002

I have the honour to submit the annual report of the National Treasury.

M Ramos
Director-General

Contents

Introduction

Ensuring efficient and sustainable management of public finances lies at the heart of the Government's efforts to promote economic development, good governance and rising living standards within communities across South Africa.

The second annual report of the new National Treasury is an exciting opportunity at which we may present our activities and achievements over 2001/2002. The year has been challenging yet fruitful. Facing demanding responsibilities, the eight divisions of the National Treasury have accredited themselves well over the period. Striving for excellence, we believe that the changes in the way that public finances are managed will stand us in good stead as we work together to deliver better services to our people.

Maria Ramos
Director-General of
the National Treasury

We recognise that the Treasury is but one player within the Government team. Better service delivery depends on the whole of Government. Leading public finance management reform is not enough. Successful implementation of these reforms is a team effort and depends on the understanding and commitment of those involved.

Over the past year, the Treasury has concentrated on strengthening relationships across Government as we progress further in reforming public finance management. Working in partnership with our colleagues builds on our complementary strengths and enhances Government's efforts to deliver better services to communities.

Realising partnerships across Government is evident in many of our activities and accomplishments over the past year. Some of the highlights for the past fiscal year include:

- Introducing three-year strategic plans for Government departments in collaboration with the Department of Public Service and Administration. Strategic plans strengthen political oversight over the budget process and align spending plans with departments' strategic objectives;
- Improving the link between policy, budgeting and personnel expenditure management by Government departments;
- Shifting our focus away from micro expenditure control towards working with departments on policies that drive spending and service delivery trends;
- Engaging with national and provincial Social Welfare departments and the Taylor Commission to investigate policy and budgetary options that improve and extend coverage of income support to the poor;
- Working closely with the Departments of Health, Social Development and Education to develop Government's enhanced budgeting strategy for HIV/Aids;
- Collaborating with the integrated justice sector to target additional resources towards raising personnel numbers in support of improved court efficiency, visible policing and expanding prison capacity;
- Ensuring good, constructive working relationships with the nine provincial treasuries that, together with the National Treasury, comprise "Team Finance";

We recognise that the Treasury is but one player within the Government team. Better service delivery depends on the whole of Government.

- Training provincial chief financial officers to improve financial management and facilitate the implementation of budget reform in the provinces;

- Simplifying transfers to local government, increasing certainty and enhancing flexibility for municipalities;

- Furthering local government reforms through the piloting of reforms set out in the Municipal Finance Management Bill in 31 municipalities;

- Working with the Departments of Agriculture, and Trade and Industry to identify the source of the recent price hikes in the food and agriculture sector;

- Participating actively in regional and global institutions, including the New Partnership for Africa's Development (Nepad), the Southern African Development Community (SADC), the G20 and the G24;

- Liaising closely with the Reserve Bank on matters related to bank supervision, exchange control and financial stability;

- Piloting the Financial Intelligence Centre Bill through a rigorous parliamentary review, giving effect to Government's commitment to combating money laundering in South Africa;

- Working with the South African Revenue Service to introduce capital gains taxation, implement significant personal income tax savings for low- and middle-income earners, and develop significant tax relief measures for the small business sector;

- Switching R37-billion of non-actively trading government debt into five benchmark stocks, increasing the tradability of government debt and reducing the refinancing risk;

- Initiating a Strips (Separate Trading of Registered Interest and Principal Securities) programme with a view to encouraging active portfolio and debt management;

- Facilitating greater participation of historically disadvantaged individuals in procurement processes through implementation of the Preferential Procurement Policy Framework Act;

- Establishing the Accounting Standards Board that will develop Generally Recognised Accounting Practices (GRAP) standards for Government;

- Establishing the National Treasury internal audit committee to oversee the effectiveness of internal controls and audit functions as required by the Public Finance Management Act. The Audit Committee has been constituted to ensure the Committee's independence as contemplated by the Public Finance Management Act. The Audit Committee consists of the following members.

  (a) Mr I Sehoole (Chairperson)
  (b) Dr L Konar
  (c) Ms N Kwinana
  (d) Mr J Njeke
  (e) Mr J van Rooyen

The Audit Committee will be responsible to report to the Accounting Officer on the following matters on an annual basis:

(a) the effectiveness of the internal control systems;

(b) the effectiveness of the internal audit function;

(c) the risk areas of the institution's operations to be covered in the scope of internal and external audits;

(d) the adequacy, reliability and accuracy of the financial information provided to management and other users of such information;

(e) any accounting and auditing concerns identified as a result of internal and external audits;

(f) the institution's compliance with legal and regulatory provisions;

(g) the activities of the internal audit function, including its annual work programme, co-ordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations.

The National Treasury received an unqualified audit report for the financial year under review.

Maria Ramos
Director-General
August 2002

The Ministry

Minister Trevor Manuel presented his sixth Budget to Parliament in February last year. Over the past six years, Minister Manuel has led the South African economy through significant reform. He has been instrumental in shaping our economic policy over this period, taking into account the need to address broader social policy challenges alongside growth as an economic goal. The choices that Government has made are designed to ensure that our economy grows sustainably and that, at its core, remains the need to eradicate poverty and create a better life for all citizens.

As the head of the National Treasury, the Minister of Finance leads the National Treasury, ably supported by Deputy Minister Mandisi Mpahlwa and the Director-General of the Treasury, Maria Ramos.

Trevor Manuel
Minister of Finance

Since his appointment in 1999, Deputy Minister Mpahlwa has taken the lead in significant restructuring of both the Government Employee Pension Fund (GEPF) and the Public Investment Commissioners (PIC).

The Minister and the Deputy Minister are also responsible for the activities of Statistics South Africa and the South African Revenue Service.

A small, yet efficient Ministry staff services the offices of the Minister and Deputy Minister, ensuring that their activities and schedules are efficiently administered.

Over the past year, the Minister and Deputy Minister have also played an active role in Parliament, building closer relationships with the legislature and encouraging more effective oversight over the activities of Government. The busy parliamentary office that coordinates liaison with Parliament provides key support, particularly around the Budget.

South Africa's successful economic management has not gone unnoticed in the global arena. Both the Minister and Deputy Minister pursue an active engagement in international fora, focusing their attention on meaningful compacts on the resources and partnerships required for sustainable development.

As the special envoy of the Secretary General of the United Nations, Minister Manuel had extensive engagements with his colleagues, the Ministers of Finance of developed countries, at the Financing for Development Conference in Monterrey, Mexico. Another important opportunity arises from the fact that as of November 2001, South Africa occupies the Chair of the Development Committee, which is the policy-making committee of the World Bank. It is the Minister's intention to use this opportunity to focus the attention of the multilateral institutions on a programme of action designed to eliminate poverty.

Visits abroad undertaken by Mr T A Manuel, Minister of Finance, during the 2001/02 financial year

26 April – 02 May 2001:	Spring Meetings of the IMF/World Bank in Washington.
23 May – 01 June 2001:	Official visit to Portugal and Spain for Annual Meetings of the African Development Bank.
19 – 22 June 2001:	Official visit to Sweden to address conference on Making Globalisation Work for the Poor – the European Contribution, hosted by the Swedish Government.

09 – 10 August 2001:	Visit to Malawi to attend SADC Finance Ministers meeting.
15 – 21 November 2001:	Visit to Ottawa, Canada, to attend G20 and Development Committee meetings and New York, USA, for official meetings with investors.
04 – 07 December 2001:	Visit to Germany to address Daimler Chrysler Africa Day investment seminar.
12 – 17 January 2002:	Visit to New York, USA, to attend the 4th Preparatory Committee of the International Conference on Financing for Development.
29 January – 06 February 2002:	Visit to New York, USA, to attend the Annual Meeting of the World Economic Forum.

Visits abroad undertaken by Mr Mandisi Mpahlwa, Deputy Minister of Finance, during the 2001/02 financial year

Mandisi Mpahlwa
Deputy Minister of Finance

06 May 2001 – 11 May 2001: UN	Visit to Algiers, Algeria, to attend the Economic Commission for Africa (ECA) meeting of the African Finance and Development Ministers.
11 May 2001 – 13 May 2001:	Visit to Paris, France, to attend bilateral meetings including the Organisation for Economic Co-operation and Development OECD Round Table.
13 May 2001 – 21 May 2001:	Visit to Brussels, Belgium, to attend the 3rd UN Conference on Least Developed Countries (LDCs).
18 July 2001 – 22 July 2001:	Visit to Uganda: Accompanied the President to the Smart Partnership Conference.
12 Sept. 2001 – 15 Sept 2001:	Visit Blantyre, Malawi, to attend the SADC Finance and Foreign Affairs Conference.

13 October – 17 October 2001: Visit to Amsterdam, Netherlands, to attend the 2nd Big Table meeting – discussing Transformation of Africa's Development & Relations with its external Partners.

18 Nov. 2001 – 23 Nov. 2001: Visit to Chile to attend a joint meeting of Chile & South African Foreign Affairs & Finance Ministers – organised by the South African Institute of International Affairs (SAIIA).

11 January – 15 January 2002: Visit to Blantyre, Malawi. Accompanied the President to attend the Extraordinary SADC Heads of States Summit.

27 February – 02 March 2002: Visit to Paris, France, to attend the Organisation for Economic Co-operation and Development (OECD) Round Table meeting.

03 March – 09 March 2002: Visit to Addis Ababa, Ethiopia, to attend the 3rd African Development Forum (ADF) conference.

Vision, Mission and Values

Vision

The National Treasury aims to promote economic development, good governance, social progress and rising living standards through accountable, economic, efficient, equitable and sustainable management of public finance.

Mission and objectives

- **Advance economic growth and income redistribution;**
- **Prepare a sound and sustainable National Budget and equitable division of resources between the three spheres of Government;**
- **Equitably and efficiently raise fiscal revenue while enhancing the efficiency and competitiveness of the South African economy;**
- **Manage Government's financial assets and liabilities soundly; and**
- **Promote transparency and enforce effective financial management.**

Values

- **Account to the nation through public and parliamentary processes;**
- **Discharge responsibilities professionally and with humility;**
- **Adhere to the highest standards of financial management and fiscal discipline;**
- **Deliver excellent service through teamwork, sound planning and enthusiastic and committed implementation, striving to improve performance;**
- **Respect staff and invest in them as a valued asset;**
- **Act transparently, with integrity, respect, fairness and objectivity; and**
- **Honour the faith of the South African public.**

Minister's statement of policy and commitment

As custodian of the nation's finances, the National Treasury ensures effective and prudent budgeting, within the framework of sustainable policies. The National Budget, and our performance against it, is the litmus test for our achievements. This role requires us to work with line departments, helping them to jointly meet government's goals through policy choices and trade-offs in the budgeting and financial management processes. The challenge is to meet our operational and development goals while keeping our finances sound and sustainable.

As an emerging economy with so much potential, operating in the complex global economy, we face major challenges. We need to create jobs and opportunities that enable our people to overcome the burdens of poverty; we must enhance economic growth, providing the means to respond to people's basic needs; and we must do all of this within our resource constraints.

For this reason, we have carefully positioned Government's fiscal and policy approach since 1994 to build confidence in the South African economy, create incentives for investors and taxpayers, and to address the very real needs of our population. We continue our efforts to ensure Government uses its resources well and accountably. The Public Finance Management Act established a framework that benchmarks public management at new levels, setting and enforcing high standards, and making government more accountable and transparent. Multi-year budgeting is now part and parcel of the way Government functions in the national and provincial spheres. We are now moving toward applying these approaches to local government, thereby adding a critical dimension to its efficacy as the sphere closest to people and which is charged with major basic service delivery responsibilities.

The fiscal prudence of the past few years has put us in a position now to focus – from a firmer foundation than would have been possible before – on the expansion of services. The 2001 and 2002 Budgets therefore showed marked increases in spending on infrastructure, health, education and municipal services. On-going tax relief – made possible by the fiscal approach and the vastly improved efficiency of the South African Revenue Service – should increase the economic momentum. This augurs well for public finance and meeting our economic goals.

We cannot be naïve about these prospects. The world economy is still in recession and fluid. There is still reason to be concerned about the capacity of all three spheres of government to spend effectively and in full the funds allocated to them. Capacity building therefore remains a priority. But by striking a balance between prudent financial management, the need to expand fiscally in priority areas, the need to strengthen institutional capacity and stimulating the economy through the right incentives, we could go far, building on the basis already created. The National Treasury is proud of its achievements, but not complacent about them. It continues to work very hard at positioning itself for the tasks and challenges at hand, and to streamline the path for departments, provinces and municipalities that together must get us there.

Trevor Manuel
Minister of Finance

Legislative Mandate

The National Treasury has a legislative mandate to promote the national Government's fiscal policy framework and the co-ordination of macroeconomic policy; co-ordinate intergovernmental financial and fiscal relations; manage the Budget preparation process; promote and enforce transparency and effective management in respect of revenue and expenditure, assets and liabilities of departments, public entities and constitutional institutions.

Parliamentary Services

The Minister of Finance, as a Member of Parliament, places a high premium on the Ministry's interaction with the legislature. The Ministry ensures active collaboration with members of Parliament and with the parliamentary committees on an ongoing basis. Key to this objective is the Parliamentary Office located in the Ministry.

Headed by a director, the Parliamentary Services has to foster a transparent and co-operative working environment with Parliament. It is the representative office of the Minister of Finance at Parliament and the vehicle through which financial policies and legislation are presented to Parliament for consideration and approval.

The Parliamentary Office facilitates the flow of information from the National Treasury via Cabinet to Parliament. It serves a liaison role by ensuring that parliamentary decisions are forwarded to the National Treasury and, in this way, policy drafters are kept abreast of the views of public representatives.

The Parliamentary Office is essentially a service provider to the Minister of Finance, the three departments under his executive authority (the National Treasury, the South African Revenue Service and Statistics SA) and the two chairpersons of the respective Finance Committees in Parliament.

The key functions of the Parliamentary Services include:

- Keeping the Minister informed of his parliamentary commitments;
- Ensuring that presentations and speeches are prepared;
- Accompanying the Minister and his senior officials to meetings and parliamentary sittings;
- Liaising with political parliamentary structures, for example, the Chief Whip's Office and the Office of the Leader of Government Business on behalf of the Minister;
- Providing the Minister with parliamentary procedural support;
- Facilitating the drafting of answers to questions posed to the Minister for submission to Parliament;
- Advising the parliamentary committee chairpersons on the legislative programme; and
- Ensuring that legislation is timeously placed on the committee agenda and that senior officials brief the committee to facilitate meaningful deliberations on legislation, policy documents and areas of economic interest, which the committee wishes to focus on.

Administration

Simone le Hane
Deputy Director-General
Corporate Services

Aim

To provide financial administrative and office support, legal services, information technology, communication and human resource services to the National Treasury.

Main activities

Programme One is managed by the Corporate Services Division. This division is responsible for the financial management and administration within the National Treasury. It consists of four Chief Directorates: Financial Management, Human Resources Management, Legal Services and Communication and Information Technology. This division provides the backbone support-service operations to the core business of the National Treasury.

Outputs and service delivery trends

Some of the key outputs of this division included the refurbishment of the second building that houses the Treasury, at 240 Vermeulen Street, Pretoria. After the hugely successful refurbishment and move to the trend-setting building at 40 Church Square, which houses more of the Treasury's core business divisions, the completion of the 240 Vermeulen Street building is awaited with much anticipation.

Another important area of success was the movement towards modern procurement practices, delivering another unqualified audit report and the ongoing restructuring of the department. The Legal Services Chief Directorate delivered services on a number of essential matters for the Treasury on a wide range of policy issues.

The implementation of the Public Finance Management Act was a key priority for the National Treasury Financial Administration Directorate. It has made significant progress with the establishment of an outsourced internal audit function. A comprehensive risk assessment exercise has been concluded and the development of a fraud-prevention plan and strategy to control and monitor the risks identified is under way. In addition, an interim financial manual was developed and departmental prescripts are continuously being reviewed and enhanced to be in line with best practices.

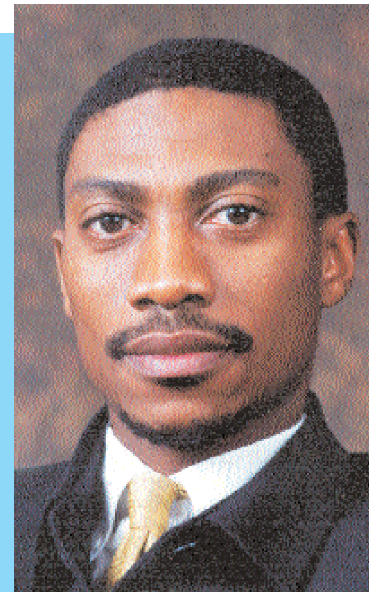
The procurement unit drafted an Accounting Officers Procurement Procedures Manual that contains departmental procurement procedures. The unit also established an Accredited Procurement Unit and assisted with the procurement of the services of a Chief Financial Officer. Preferential Procurement Regulations were issued in August 2001. Seventy-four percent of the purchases made by the National Treasury during the 2001/2002 financial year were from black empowerment enterprises and small, medium and micro enterprises (SMMEs).

A Director for Security and Facilities Management was appointed to develop this important area of the support services within the National Treasury. An advanced electronic security system was installed at the 40 Church Square building. The system is state-of-the-art and can perform various security functions including combating crime within the vicinity through the closed circuit television (CCTV) system. A similar security system is planned for the 240 Vermeulen Street building, which is currently being renovated. This unit also has responsibility for facilities management.

The rollout of the National Treasury's structure and the ongoing restructuring process has been the main business of the human resources function. At the heart of the work has been the placing of the support functions for the National Treasury's core business at the centre of human resource planning. A detailed human resources feature is presented later in this report.

Communication in the National Treasury has centred on the provision of a strong media-liaison service for the ministry and the department. The seven divisional managers have featured strongly in the media over this period and there are plans to continue to introduce the broader Treasury leadership to the public. Major events were the 2002 Budget in Parliament, The Medium Term Budget Policy Statement, the annual meetings of the International Monetary Fund and World Bank and the International Conference on Sustainable Development held in Mexico.

Logan Wort
Chief Director Human Resources, Communication and IT



Vuyo Kahla
Chief Director Legal Services

The use of the Treasury resource centre has also improved. Participation in the Government Communication and Information System (GCIS) cluster of government communication remains a priority. The new structure for this Chief Directorate extensively broadens the scope of its operation for the coming years.

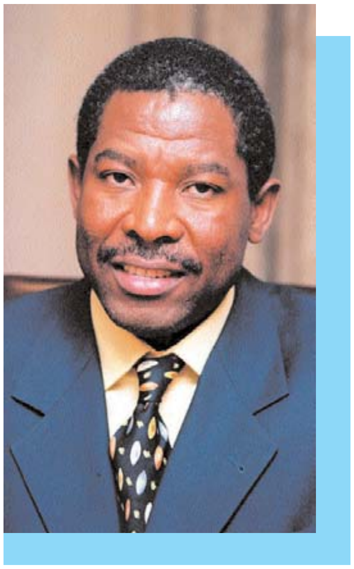
The information technology function and support has been outsourced to two contract houses, as well as the State Information Technology Agency which provides basic services like wider area network (WAN) connectivity and Internet access to the National Treasury. Comprehensive service level agreements have been entered into with all three service providers.

The IT unit plays a vital role in the daily running of the work systems at the Treasury and has been involved in a number of important projects. These projects include assisting the Intergovernmental Relations team with the implementation of a local government budget database and the Asset and Liability Management team with the implementation of a debt-management database.

The National Treasury legal team plays a crucial role in a multiplicity of legislation and regulations with which the department engages annually. During the past financial year this team has been actively giving legal opinion to the Minister of Finance on bank mergers, a World Bank Municipal Finance Management Technical Assistance Programme loan and the negotiation and conclusion of the Saambou transaction, ensuring that, from a legal perspective, the Government's exposure was properly secured.

Legal Services also drafted the terms of reference of the Commission of Inquiry into the Rapid Depreciation of the Exchange Rate of the Rand and Related Matters. This Chief Directorate represented the National Treasury in the legal negotiations and drafting of the loan transaction documents for the US$1,5-billion Syndicated Loan Agreement in August 2001.

Economic Planning and Budget Management



Lesetja Kganyago
Deputy Director-General
Economic Policy and
International Financial Relations

Aim

To provide advice and professional support to the Minister of Finance on economic and fiscal policy, co-ordinate the annual Budget process and liaise with other departments, provinces and financial institutions on fiscal and financial development.

Main activities

Organised into four divisions – the Budget Office, Public Finance, Intergovernmental Relations, and Economic Policy and International Financial Relations – the programme spans considerable responsibilities at the hub of the National Treasury. Divisional teams are output driven and committed to hard work, tight deadlines and high professional standards.

Outputs and service delivery trends

Budget Office: The Budget Office focuses on co-ordinating the annual Budget process and producing the National Budget that the Minister of Finance tables in Parliament in February each year.

A central tool of Government, the Budget facilitates the alignment of economic policy with sectoral policies, spending plans and programmes. The annual Budget process sets the overall expenditure, revenue and borrowing requirements of Government, allocates resources to political priorities in an intergovernmental system and plays a key role in improving the efficiency and effectiveness of spending at a micro level.

Andrew Donaldson
Deputy Director-General
Budget Office

Since 1996 significant strides in budget reform have transformed the way in which public finances are allocated. The introduction of three-year budgeting, the annual Medium Term Budget Policy Statement, the provincial equitable share and conditional grants, and new budget formats containing information about departmental strategic objectives and outputs all play a role in improving democratic accountability in the allocation and use of resources.

During 2001/2002 divisional efforts concentrated on strengthening political oversight over the budget process; aligning spending plans with departmental strategic plans; introducing output performance measures and service-delivery indicators as a means of monitoring the effectiveness of spending; and providing qualitative assistance to departments in the procurement of public-private partnerships.

The main reform introduced last year was the integration of strategic planning into the budget process. Strategic planning and medium-term budgeting are interdependent. For the first time national and provincial departments were asked to develop and table in Parliament departmental strategic plans for 2002 to 2004 in line with their three-year budget allocations.

The Budget Office, together with the Department of Public Service and Administration, plays a key role in guiding departments in their strategic planning processes. Planning guides the Budget process as it establishes key objectives and strategies that frame departmental activities and enhances the link between expenditure programmes and the delivery of services. Strategic plans aligned to budgets and service delivery therefore enhance budgeting in the public service.

These reforms, together with changes to the budget process and budget documentation, have introduced new processes, systems, information and methods of management into the public service. The National Treasury continues to develop closer working relationships between its budget teams and departments, understanding that changes are a team effort and that their success depends on the understanding and commitment of those involved.

Chief Director Aijaz Ahmad (front left) and his Public-Private Partnerships team

Over the past year much work has gone into consolidating reforms at the national and provincial level. Targeted support to departments complements the user-friendlier version of the annual Budget Guidelines that was circulated to departments. The guidelines emphasised the link between departments' own planning processes and multi-year budgets.

On the fiscal front the 2001 Budget signalled a shift towards a more growth-oriented fiscal stance. This entailed a moderate expansion of the deficit, substantial increases in infrastructure allocations and significant personal-tax relief targeted mainly at middle- and lower-income workers. The 2002 Budget extended the growth-orientated fiscal stance, providing for real increases in spending and further cuts in taxes to boost economic growth.

Investing in growth requires investment in infrastructure, capacity and skills. In support of this goal, the key strategic thrust of the 2001 and 2002 Budgets was to target significant resources for investing in new infrastructure and the maintenance and rehabilitation of existing assets. Continued emphasis on infrastructure development will facilitate community development and job-creation, enhancing economic growth over the medium term.

While capital spending has improved over the past year, there is a lag between the announcement of budgetary allocations for infrastructure and the implementation of capital projects at all levels of Government. Recent reviews of infrastructure spending indicate that lags between the announcement of budgetary allocations for infrastructure and implementation of projects point to integration problems in the process of planning, budgeting, execution and reporting.

Cognisant of these challenges, the Budget Office has enhanced its capacity to support an expanding public-infrastructure allocation. This unit will develop criteria to assess infrastructure investments, support departments and provinces to accelerate the pace of delivery and provide a framework for the monitoring and evaluation of infrastructure projects.

Departments, provinces, municipalities and public entities are also making increasing use of public-private partnership (PPP) arrangements to deliver on infrastructure and service commitments, with PPP-facilitated infrastructure expenditure projected to rise substantially over the 2002 medium-term expenditure period.

The Public-Private Partnership Unit within the Treasury oversees compliance of these PPP arrangements with Treasury regulations and provides specialised technical assistance to national and provincial departments wishing to procure services and infrastructure through the private sector.

The unit has an average active portfolio of 35 projects at any given time. These cover a variety of sectors, including health, education, facilities management, information technology, fleet management, tourism, roads, rail and bus transport.

The Treasury has also focused on improving the link between policy, budgeting and personnel management, given the extent that public resources are directed towards personnel expenditure. The Budget Office has done considerable work on medical aid benefits, pension reforms and performance-related pay systems. In addition, the Treasury supports the Department of Public Service and Administration in discussions related to public-service salary negotiations.

In the public finance statistics arena, priority was given to rolling out implementation of the IMF's Government Finance Statistics Classification System throughout Government. Over the past year the Public Finance Statistics Unit has worked closely with national and provincial Treasury teams and departments, providing relevant training on the new systems and facilitating better expenditure information management – a key fundamental of budgeting.

Budgeting is not only about managing domestic resources – it also involves co-ordination of donor assistance programmes. South Africa receives almost R800-million a year in international development assistance. Over the past year the International Development Co-operation Unit within the Budget Office facilitated the negotiation of new development co-operation strategies with the European Union, the United Nations Development Programme, Germany, France, Ireland, Belgium, Denmark and Flanders. The co-operation strategy with Canada was extended for a further five years. These strategies were concluded in line with South Africa's development priorities and strategies. During the year the team also finalised development of systems to monitor donor-assisted projects, improving Treasury oversight and management of international development assistance to South Africa.

Public Finance

The Public Finance teams are the Treasury's key players in the detailed interactions with the policy and Budget teams of all 27 national departments. Better budgeting at the national level depends largely on these teams developing good, co-operative relationships with their line department colleagues, enhancing policy and expenditure management and oversight at the national level.

The responsibilities of the division are organised into four teams that span the range of Government services and functions:

- Social Services liaises with the Departments of Health; Education; Social Development; Arts, Culture, Science and Technology; and Sports and Recreation;

- Economic Services works with the Departments of Agriculture and Land Affairs, Environmental Affairs and Tourism, Communications, Labour, Minerals and Energy, Public Works, Transport, Trade and Industry, and Water Affairs and Forestry;

- Protection Services deals with the Departments of Defence, Safety and Security, Justice and Constitutional Development, Correctional Services, the Independent Complaints Directorate and the Secret Services; and

- Administrative Services includes Parliament, the Presidency, and the Departments of Home Affairs, Foreign Affairs, Provincial and Local Government, Government Communication and Information System, National Treasury, Public Enterprises, Public Service and Administration, the Public Service Commission, the South African Management and Development Institute and Statistics South Africa.

Improving the extent and quality of budget documentation

The National Treasury has made significant strides in extending the scope and quality of information on Government's spending plans that are tabled in Parliament and made available to the public.

The compendium of annual budgetary documentation is considerable, yet user-friendly, enhancing transparency of the Budget. It includes:

- The Budget Review, which accompanies the presentation to Parliament of the annual Budget speech by the Minister of Finance. The Review provides an overview of the economic outlook, fiscal policy, revenue issues, financing strategy, expenditure plans and developments in provincial and local government finances. Annexures to the Review include a glossary of economic and financial terms, a statistical appendix, details of the tax proposals, an overview of Government financial accounts, an explanatory memorandum on the division of revenue and a concise summary of the Budget proposals;

- The People's Guide which presents the key features of the annual Budget in simple and accessible terms and is reprinted in four languages in a range of newspapers and publications on Budget day;

- The Division of Revenue Bill, the Appropriation Bill and legislation that amends the Taxation and Revenue Acts before Parliament. These are the legislative tools that the Minister of Finance tables in the National Assembly at the time of the Budget and through which the executive seeks Parliamentary authority for its spending and revenue plans for the forthcoming year;

- The Estimates of National Expenditure which elaborates on the national spending plans, detailing the objectives of each Government department, three-year spending estimates, programmes, outputs and a set of service delivery indicators;

  The new format of the Estimates aims to strengthen the accountability of Government and to enable Budget allocations to be assessed alongside policy developments and output measures;

- The Estimate of Revenue that sets out revenue projections before and after tax proposals. It is enacted through taxation and revenue law amendment Acts;

- The Intergovernmental Review that is produced by the Intergovernmental Relations division in August each year. The Review undertakes detailed analysis of provincial and local government finance and service delivery trends;

- The Adjustments Budget, which sets out the in-year adjustments to the main February budget, is tabled in Parliament in October each year;

- The Medium Term Budget Policy Statement, which tables Government's medium-term macroeconomic and fiscal policy and its broad policy and spending priorities over the next three year period in early November, four months before the detailed Budget is presented to Parliament.

Work in this division has changed significantly following implementation of the Public Finance Management Act two years ago. No longer focused on micro control of departmental spending, the new regulations give accounting officers significantly enhanced flexibility to deliver services efficiently, within a framework of sound financial management.

These reforms place the Treasury spending teams at the centre of policy and budgetary debate across Government. While expenditure monitoring is still a key function, the teams now focus more on the policies that drive spending and service delivery trends.

Over the past year the Social Services team enhanced its capacity to engage in social development and health policy and budgetary debates, given Government's strengthened commitment to reducing poverty and vulnerability among communities.

Chief Director John Kruger (back row, second right) and the Social Services team

The team focused its attention largely on social-security grant policies and spending trends. Social assistance is an effective mechanism against poverty, providing income support to more than four million South Africans every month.

In the face of considerable pressure to raise and extend the coverage of social assistance provision to the poor, the Government constituted the Taylor Comprehensive Social Security Committee to investigate policy options for sustainable and affordable provision of social security, including social assistance, retirement and health provision.

The Treasury participated actively in the committee's deliberations over the past year as proposals on strengthening social assistance presented considerable fiscal implications. In particular, the Treasury's engagement has focused on the necessity for assessing the budgetary implications and sustainability of the current framework and the potential for further extension of the social assistance safety net.

Of key concern is the need to rehabilitate the current social-grant administration and management system at both national and provincial levels and to ensure the effective implementation of current policies and targets before directing efforts at extension of coverage.

Increasing income support to the poor facilitates interventions that address the impact of communicable diseases across South Africa, particularly HIV/Aids, tuberculosis and malaria. The spread of communicable diseases poses significant challenges to all, but those that live in conditions of poverty are most vulnerable.

Taking a proactive approach, the Treasury worked closely with the Department of Health in developing the Government's enhanced budgeting strategy for HIV/Aids. The strategy was developed by the Department of Health in collaboration with the Departments of Social Development and Education and the National Treasury to accompany and provide impetus to the national HIV/Aids strategic plan.

Collaborative work on the strategy contributed to the Government's escalation of funding to programmes that strengthen the national HIV/Aids programmes in the 2002 Budget. Additional resources were directed towards preventative interventions in schools and communities and particularly towards hospital treatment and community-care programmes.

Last year the Economic Services Team worked closely with the Departments of Labour and Communications on restructuring processes regarding the Unemployment Insurance Fund and the South African Post Office.

Chief Director Leslie Magagula (front row, centre) and his Economic Services team

Unemployment benefits form a key part of Government's social-security net, providing short-term income replacement in the case of unemployment, short-term sickness, maternity, death or adoption of a child. The Minister of Labour recently tabled legislation aimed at restructuring the Unemployment Insurance Fund, targeting benefits more effectively at the poor and extending the coverage of the scheme. These measures are aimed at improving the financial viability of the fund.

The Treasury engaged in extensive negotiations with the Department of Labour regarding budgetary support for the restructuring process for the Unemployment Insurance Fund. The 2002 Budget allocates a further R775-million to the Department of Labour for the restructuring of the fund over the next three years. Government anticipates that the fund will become self-financing in 2005.

The 2002 Budget also directs support to the South African Post Office to facilitate further restructuring over the next three years. The high cost of postal infrastructure and service rollout to underserviced areas has contributed to the further weakening of the financial position of the Post Office, despite the appointment of a strategic management partner to facilitate restructuring.

The Treasury is engaging with the Department of Communications and the Post Office on a turnaround strategy that involves a separation of the Post Bank as a free-standing business unit, personnel restructuring, new approaches to rural- and small-town service provision and a thorough overhaul of management and financial systems.

The Economic Services Team has also been involved in policy formulation with the Department of Minerals and Energy Affairs on Electricity Distribution Industry Restructuring and the Minerals Development Bill. On the transport front, the team has had significant interaction with the Department of Transport regarding the affordability and targeting of public-transport subsidies. Increased funding for the rehabilitation of road and rail networks as well as refurbishment of the South African Rail Commuter Corporation rolling stock have also been high on the agenda.

The Protection Services Team has been instrumental in the policy and funding debates and activities of the integrated justice sector cluster review team. The team – comprising the Departments of Safety and Security, Justice and Constitutional Development, Correctional Services and the National Treasury – is focused on raising spending capacity and ensuring quality in the integrated justice system.

As crime prevention and response are personnel-intensive activities, the Treasury has worked closely with these departments to target additional resources necessary to raise personnel numbers in support of improved court efficiency and increased visible policing through the sector policing initiative. Another key focal policy concern has been expanding prison capacity through affordable models.

Chief Director Eileen Meyer (front row, second right) and her Technical Assistance Team

Over the past year the Administrative Services Team has worked closely with the Departments of Home Affairs and Foreign Affairs in particular. The Department of Home Affairs has undertaken a thorough strategic-planning and budgeting review with the assistance of the Department of Public Service and Administration. The Treasury's interaction has focused on targeting funding towards critical-systems development, including rewriting the population register, upgrading the movement-control system and implementing a document-management system that will enhance service delivery.

The team also has significant interaction with the Department of Foreign Affairs, given the impact of depreciation of the rand on the foreign relations component of the department's budget. The Treasury has also been at the forefront of negotiations on the foreign-service dispensation, in collaboration with the South African Revenue Service and the Department of Public Service and Administration.

Intergovernmental Relations

Ismail Momoniat
Deputy Director-General
Intergovernmental Relations

The Intergovernmental Relations Division co-ordinates fiscal relations between the national, provincial and local government spheres – a key role in South Africa's nascent intergovernmental fiscal system.

The 2002 Budget reflects the continuing evolution of our intergovernmental system. The initial challenge was the implementation of three-year budgets by the provincial governments, followed by financial management reforms underpinned by the Public Finance Management Act. A key challenge going forward is to institute similar reforms in the local government sphere.

Intergovernmental Relations plays a pivotal role, given that provinces and local governments are responsible for delivering social and municipal services to communities. The team manages the intergovernmental fiscal-relations framework; analyses and ensures oversight of provincial and local government budgets and intergovernmental grants; and implements financial management reforms at the provincial and local level.

Much of the team's time is taken up with developing good, constructive working relationships with the nine provincial treasuries that guide the interactions of the

Minister of Finance and his provincial colleagues. Ensuring constructive debate at the technical level in the Technical Committee for Finance and the sectoral technical committees facilitates more robust interaction at political forums such as the Budget Council, Budget Forum and the sectoral MinMecs in the health, education and social development sectors.

The division is also the implementing agency for Programme Seven – provincial and local government transfers. The team ensured the accurate and timely transfer of R4,2-billion to provincial and local government last year. It is particularly diligent about monitoring compliance with the provisions of the Public Finance Management Act and the Division of Revenue Act that relate to fiscal transfers, specifically to conditional grants administered by the National Treasury.

Chief Director Jan Hattingh (front row, second left) and his Provincial Budget Analysis team

Over the past year substantial work went into preparing legislation to enhance provincial fiscal capacity through increased taxation powers. The recently enacted Provincial Tax Regulation Process Act (No. 53 of 2001) provides for an expansion of provincial taxation powers. It also defines procedures by which the power of provinces to impose taxes is regulated. This includes a thorough review of provincial tax proposals by the Minister of Finance and the National Treasury to ensure that such taxes are consistent with national economic policy.

The team has also been involved in investigations on the feasibility of provincial borrowing. Last year it initiated a second consultative phase to develop a borrowing framework that considers the full range of provincial capacities and borrowing options. This process should take about two years.

The past financial year saw the introduction of a significantly improved Division of Revenue Act, with streamlined reporting requirements that are aligned to the Public Finance Management Act. The draft Bill was tabled ahead of the 2002 Budget, facilitating public comment and deliberations before the finalisation of the division of revenue. The early publication of the division of revenue, setting out three-year allocations for conditional grants to provinces and local government, enhances forward planning and is expected to contribute to improved service delivery.

The 2001 Intergovernmental Fiscal Review was published in October last year. It contains detailed analyses of provincial- and local-government financial and fiscal trends. The Review also includes non-financial information on service delivery. Although largely preliminary, the information enables Parliament, policy-makers and the general public to assess the progress of policy implementation in provinces and local government. Such information may help shape future policy and identify areas that require improvement.

The provincial section of the division is working closely with the Budget Office and the Public Finance Management Act Unit in the Treasury to facilitate implementation of the Public Finance Management Act and budget reform in the provinces. The section co-ordinates the provincial network of chief financial officers through sector workshops that aim to improve financial management in the provinces through peer learning and other activities.

In local government, successful completion of the re-demarcation process, which saw a reduction in the number of municipalities from 843 to 284, presents a unique opportunity for the introduction of budget- and financial-management reforms at the local level. Starting with the 2001 Budget, national Government published three-year allocations for local government to allow municipalities to begin preparing three-year rolling budgets. This will strengthen forward planning and enhance service delivery.

The 2002 Budget saw a further simplification of transfers to local government, increasing certainty and greater flexibility for municipalities. In particular, infrastructure and capacity-building grants will be consolidated into two separate streams. Over the past year the division actively pursued the review of capital grants and proposals for their consolidation into a single municipal infrastructure grant in collaboration with the Department of Provincial and Local Government and sectoral departments. The grant will be finalised in 2002/2003.

Following intensive consultation and drafting over the past two years, parliamentary hearings on the Municipal Finance Management Bill commenced in February 2002. The Bill takes local government reforms further, covering general budgeting processes and formats, the modernisation of financial management and the role and responsibilities of national government. The reforms aim to enhance local service delivery through ensuring a sound financial base and proving transparent, accurate and timeous information to decision-makers.

In advance of the enactment of the Bill, testing in pilot municipalities has been initiated prior to phased extension to all municipalities over the next three years. Currently 31 municipalities have begun implementing the finance and budget reforms including generally accepted municipal accounting practices (GAMAP) and the completion of new budget formats. Implementation of reforms is enhanced through the Financial Management Conditional Grant, managed by the National Treasury.

Over the past year the Intergovernmental Relations Division reviewed and expanded its local government monitoring activities to improve the performance of its mandate, to allow for a review of the efficacy of recent policy and legislation on municipal borrowing and to identify areas of future support to municipalities. The key activities undertaken include:

- An expansion of the monitoring of transfers to local goverment by national departments. Transfers to municipalities were punished on a three-year indicative basis, by municipalities, to improve the transparency and predictability of financial flows, contributing to improved integration of municipal planning and budgeting. Significant increases in allocations to local goverment will continue to necessitate a more rigorous monitoring process to ensure effective use of funding;

- The procedures for the quarterly monitoring of municipal debt were intensively reviewed, and key changes to the monitoring framework are being introduced in the 2002/2003 financial year. The review has allowed the monitoring of municipal debt to focus on the efficacy of recent national policy in this respect; and

- The capture and monitoring of municipal budgets has been significantly reviewed and expanded to respond to emerging changes in municipal finance management practices and the requirements of proposed legislation. The new system of budget monitoring will allow for a more strategic and interactive budget review process in future. Economic policy and international financial relations

The Economic Policy and International Financial Relations Division undertakes policy analysis and engages in consultation and collaborative work in the areas of macroeconomics, international economics, taxation and financial regulation.

The Macroeconomic Policy Unit represents the National Treasury in several domestic and international bodies and standing committees, including Nedlac, the Common Monetary Area

Commission, the Policy Board and Financial Markets Advisory Board to the Minister of Finance, the SADC Macroeconomic Sub-committee and the inflation-targeting technical committee.

The unit's focus over the past few years has been the development and implementation of inflation targeting for South Africa, in collaboration with the South African Reserve Bank.

Events over the past year led to engagements in a number of activities aimed at analysing pricing behaviour in South Africa. The first involved a joint exercise with the Departments of Agriculture and Trade and Industry to identify the sources of the recent price hikes in the food and agricultural sectors. The analysis was undertaken in support of possible policy interventions in these sectors that would facilitate price stability and, in particular, inflation targeting. Nedlac engagement on welfare responses to the food price hikes informed part of this work.

Members of the Macroeconomic Policy Unit

Cognisant of the fact that inflation management is not the sole responsibility of monetary policy, the team is engaging in a more detailed, collaborative analysis of the regulated and administered-services sector. The aim is to develop a more appropriate regulatory framework to improve efficiencies in the sector over the medium to long term.

While inflation targeting and the pricing environment have been the core focus over the past year, the unit continues to do work on a wider range of policy issues, including:

- Investigating and encouraging competition and appropriate price-setting behaviour across key sectors of the economy using the banking sector as a starting point.
- Understanding the link between financial market development and the real economy;
- Unpacking the impact of the rand depreciation on international trade and domestic prices;
- Maintaining and further developing consistent short-term inflation forecasting models to inform timeous policy responses and as an input into macroeconomic models; and
- Identifying factors that increase efficiencies in the labour market.

The International Economics Unit has focused itself on three key areas: shaping the international development architecture and agenda; integrating African economies and integrating South Africa with the world economy.

Trade policy analysis has focused on trade in services and, in particular, on the development of a South African position on financial services for World Trade Organisation (WTO) negotiations in this area. The unit continues to monitor changes in the external tariff structure and the impact of bilateral trade agreements on South African trade. It has also completed a comprehensive analysis of the impact of the exchange rate and price competitiveness on export performance.

Chief Director Christopher Loewald (front row, centre) and his International Financial Relations team

There has been ongoing analysis in the areas of capital flows and financial market integration. The unit is responsible for advising on exchange-control policy and capital account liberalisation. A major focus has been on the upcoming transition from exchange controls to prudential regulation of the foreign investments of institutional investors. Another area of focus has been on making South African financial markets more attractive and better equipped to serve the capital raising needs of the continent.

Regional policy reform also remains a key focus of the National Treasury, with the team facilitating the signing of the Memorandum of Understanding on macroeconomic convergence by regional finance ministers in August 2001. The design of regional surveillance mechanisms forms part of the SADC macroeconomic convergence programme. An investment Memorandum of Understanding is expected to be completed early next year, and in the Southern African Customs Union (SACU), the new revenue-sharing agreement is likely to be implemented in 2003/2004.

International Economics continues to be the major National Treasury contributor to Nepad, with extensive work completed on a capital flows initiative. New positions were created to boost the capacity of the unit to formulate and deliver economic policy and development advice and ideas for Nepad, as well as the African Union (AU). Outputs relating to the AU include proposals on monetary policies and the institutional framework.

The Finance Ministry plays an active role in global financial institutions, as chair of the World Bank's Development Committee, and recently as Special Envoy of the United Nations Secretary General to the Financing for Development Conference in Monterrey, Mexico. Other areas of involvement in international financial policy include the reform of the international financial architecture in the G20 and the G24, extension of the Highly Indebted Poor Countries (HIPC) debt initiative to cover exogenous shocks, appropriate exchange rate policy and in the Commonwealth.

The Financial Regulation Unit is mainly responsible for advising the Minister of Finance on financial regulatory and supervisory policy issues and on the regulatory architecture of the financial system. The unit has lead responsibility for liaison between the Treasury and the Reserve Bank on matters related to bank supervision, exchange control, financial stability and the national payments system. It is also responsible for liaison between the Treasury and the Financial Services Board, which supervises the non-banking financial-services sector under the policy direction of the Minister of Finance.

The Treasury has recognised the importance of maintaining a high level of financial regulation and supervision to ensure that our financial system remains sound, robust and generally well regulated, and is not prone to major vulnerabilities that could endanger macroeconomic stability. It has accordingly increased the size of the unit.

In furthering the Government's commitment to combating money laundering in South Africa and to prevent our country becoming a conduit for this illegal activity, the unit piloted the Financial Intelligence Centre Bill through a rigorous process before the Joint Parliamentary Committees of Finance and Justice. The Financial Intelligence Centre Act, 38 of 2001, establishes the Financial Intelligence Centre, which will become operational in October 2002.

The unit also has responsibility for ensuring that financial services legislation prepared by the South African Reserve Bank and Financial Services Board is in accordance with the policy objectives of the Minister of Finance.

The Taxation Policy Unit is primarily responsible for advising the Minister of Finance on tax policy issues that arise at all three levels of government. In its policy advice function to Government the unit must design tax instruments that can optimally fulfil their revenue-raising function, achieve economic and allocative functions and seek to strengthen their respective redistribution and social policy functions at the same time. Needless to say, all of this must be done in a manner which creates a basis for the general political acceptability of the selected tax instruments.

In formulating tax policy design, there is a need to match the generally accepted principles of a good tax system with the current macro-economic and fiscal policy objectives of Government. The policy advice must achieve an acceptable trade-off between competing fiscal and economic policy objectives. In designing tax policy, co-operation between the SA Revenue Service and the National Treasury is of utmost importance as is daily interaction with the corporate sector and the general tax-paying public.

Over the past year, the Tax Policy Unit and the South African Revenue Service (SARS) focused on preparations and consultations that facilitated the introduction of final legislation for the capital gains taxation (effective from 1 October 2001) and the tax treatment of company reorganisations and currency transactions.

Through an improved revenue estimation modelling, and on the back of improved revenue collections, the team has worked on designing significant personal income tax cuts, thereby raising personal disposable income for especially low and middle income earners. It has also ensured the development of significant tax relief measures for the small business sector by introducing immediate expensing provisions of the full cost of investment in manufacturing assets by qualifying small businesses.

Tax policy has continued incentivising the development of physical infrastructure or permanent structures such as transmission lines, railway lines, pipelines, including now for the first time depreciation allowances for the investment in airport hangars and runways.

Effort has also gone into finalising the legislation and accompanying regulations for the strategic investment programme that grants an additional investment tax allowance for qualifying projects together with strict reporting requirements to Parliament and the Auditor-General. These requirements are being showcased by the International Monetary Fund as exemplary for the design of tax preferences.

On the indirect tax side, there was further broadening of diesel tax concessions to primary producers and offshore diesel consumers, a decrease in excise duties on soft drinks and an ongoing restructuring of ad valorem excise duties, that granted further tax relief to hard-pressed consumers. And in line with Government's commitment to reducing poverty, the 2002 Budget contains measures to reduce energy costs for the poor by introducing zero-rating of VAT on illuminating paraffin.

Over the past year, the Tax Policy Unit continued to play a leading role in co-ordinating tax policy programmes at the regional level in Southern Africa. The team has been involved in strategic policy research and development work, ongoing capacity-building workshops in tax policy and administration and procedural support to the SADC Tax Subcommittee, which it chairs. Last year, the Subcommittee finalised the Tax Memorandum of Understanding that will precede the taxation section of the SADC Finance and Investment Protocol, which is to be signed during 2004.

Asset and Liability Management

Aim

To manage the national Government's financial assets and liabilities.

Main activities

The Asset and Liability Management Division focuses on managing Government's asset and liability portfolio in a manner that ensures prudent cash management, asset restructuring and financial management. It also ensures optimal management of Government's domestic and foreign debt portfolio.

Brian Molefe
Deputy Director-General
Asset and Liability Management

The Asset Management section, which includes cash management, participates in the restructuring and financial management of the state's assets, especially Government business enterprises. This includes coordinating the borrowing activities of public entities; advising public enterprises on financial aspects of restructuring; and monitoring the corporate governance of general government bodies and public entities. The section is also responsible for compiling a database on the financial assets, liabilities of national Government and monitoring guarantees and other contingent liabilities. Further emphasis is placed on managing Government's exposure to financial risks arising from activities of general Government bodies and public entities.

The team that manages the domestic and foreign debt portfolios within acceptable risk levels is responsible for issuing Government debt in domestic as well as foreign markets to finance the budget deficit. This involves ensuring that all Government debt-related commitments are met at the most favourable terms. This branch contributes to the orderly functioning and development of the domestic debt capital market.

Outputs and service delivery trends

Over the past year, the focus of debt management has shifted from developing the capital market into active management of outstanding Government debt and its composition. This opportunity has arisen as a result of the reduction in the budget deficit and the decline in net borrowing requirement in recent years. The shift focuses attention on the reduction of borrowing costs while enhancing liquidity of Government paper in an environment of declining supply.

During 2001/2002 the division:

- Switched R37-billion of non-actively trading government stock into five benchmark stocks, increasing the tradeability of Government stock across the various debt maturities and reducing the refinancing risk.

- Improved efficiency of the Government securities market through the buyback programme. This involved retiring prior to maturity of most of the non-trading high interest ex-homeland bonds and some RSA bonds with an issue size of less than a billion rands.

- Introduced inflation-linked bonds to diversify Government's investor base and to signal confidence in Government's macroeconomic policy, while providing an objective measure of inflationary expectations and benchmarks for other issuers.

- Initiated a Strips (Separate Trading of Registered Interest and Principal Securities) programme, with a view to increasing demand for the underlying instruments and encouraging active portfolio management. This allows the holders of the Strips to trade the bond as well as the interest separately if market conditions are favourable.

- Increased borrowing in the foreign capital markets (R33,2bn) to reduce the Reserve Bank's net open foreign exchange position and ensure its elimination by the 2003/2004 fiscal year.

The Asset and Liability Management team at a team-building exercise

The continued use of provincial excess cash for short-term funding has resulted in the National Treasury not issuing any special treasury bills for the year thus contributing further to the reduction of borrowing costs.

The National Treasury's risk management framework provides a set of benchmarks or reference criteria against which the structure and evolution of the debt portfolio can be tested and understood. This framework continues to inform debt and cash management decisions as well as the implementation of the borrowing strategy.

Provision was made in the 2001 Budget for proceeds from restructuring of state-owned enterprises (SOEs) of R18-billion. Of this, only R4,3-billion was received in a special dividend from the South African Special Risks Insurance Association (SASRIA) and proceeds from the transfer of Transnet's stake in M-Cell. The expected SOE restructuring proceeds for the 2002/03 fiscal year are R12-billion.

Over the past year, the team has also concentrated on implementing an effective borrowing strategy, finalising a risk management framework and registering all purchasing and sale transactions of foreign and domestic debt. The team has also worked hard to improve investor relations and increase efficiencies in cash management.

Procurement Management and Financial Systems

Aim and main activities

The Procurement management and financial systems Division is responsible for managing and regulating supply chain management in government, implementing and maintaining standardised financial systems and promoting compliance with the Public Finance Management Act throughout the public sector.

Outputs and service delivery trends

Coen Kruger
Deputy Director-General
Specialist Functions

Over the past year, the Supply Chain/Procurement Management Unit continued to phase out the national and provincial tender boards and establish a Common Service Provider to replace the Office of the State Tender Board. Increased procurement delegations to 14 national departments enhanced the decentralisation process.

During 2002 the section also concentrated on facilitating greater participation by historically disadvantaged groups in procurement processes. Regulations in terms of the Preferential Procurement Policy Framework Act came into effect on 10 August 2001. These regulations are aimed at enhancing participation of historically disadvantaged individuals (HDIs) and certain Reconstruction and Development Programme (RDP) goals such as the promotion of SMMEs through the public-sector procurement system. The section has given extensive training to national and provincial departments to facilitate the implementation of the new regulations.

Work on a Country Procurement Assessment Review that assesses procurement practices throughout the public sector, was completed last year in collaboration with the World Bank. Furthermore, the team developed simplified and standardised tender documents and introduced an electronic tender-evaluation system in the Office of the State Tender Board, enhancing uniformity in supply chain management practices.

Another key responsibility of the Specialist Functions Division is to monitor and assess the implementation of the Public Finance Management Act of 1999. The PFMA unit conducted extensive compliance surveys covering national and provincial departments, constitutional institutions and public entities. Based on the information obtained through the surveys, progress reports were submitted to Cabinet and Scopa during September 2001 and June 2002. In instances where remedial action was required, Ministers and MECs undertook to engage with accounting officers on corrective measures that needed to be instituted.

Successful implementation of the PFMA depends largely on the level of skill and capacity that exists within national and provincial government departments. Last year, the PFMA unit commissioned the Institute for Public Finance and Auditing (IPFA) to conduct a scientific survey to assess the skills level of finance practitioners in senior management, middle management and lower grades in the public service. The survey results informed the Framework for Future Training in Governmental Financial Management. In addition, a Validation Board was established to exercise qualitative control over, and to accredit training material presented by, external service providers. The board accredits courses that are consistent with the Government's training priorities and which are of an acceptable standard. To date the board has accredited 11 courses.

Maintenance and enhancements to the existing financial systems continued during the course of last year, meeting the more urgent requirements of the PFMA and laying the foundations for replacement of the current outdated systems. This included process re-engineering, development of a model for the management of stakeholder requirements and the prioritisation of requirements.

Financial Accounting and Reporting

Aim

To promote sound financial management through the development, enhancement and implementation of accounting policies and practices and to ensure that sound internal control frameworks are in place to enable national and provincial government to report effectively in terms of the Public Finance Management Act.

Main activities

This division consists of seven units and its main activities include developing new and enhancing existing accounting policies and practices to ensure compliance with generally recognised accounting practices (GRAP) standards; improving timeousness, accuracy and efficiency of financial reporting; and providing mechanisms for improved financial accountability in the public sector.

Ismail Mamoojee
Accountant-General

Outputs and service delivery trends

The Financial Reporting on National Accounts Unit is responsible for the accounting of the National Revenue and Reconstruction and Development Programme Fund, banking services for national Government, development and implementation of accounting policies and the preparation of consolidated financial statements. The formats for financial reporting for national and provincial government for 31 March 2002 were enhanced to cater for improved disclosure. This process is part of the migration plan to comply with generally recognised accounting practice (GRAP) in terms of Section 216 of the Constitution. In order to facilitate timeous monthly, quarterly and annual reporting, ledger-closure dates have been set earlier and an in-year monitoring system has been introduced;

The Accounting Standards Board has been established as required in terms of the PFMA. The board, among others, will be responsible for the development of GRAP standards. The International Federation of Accountants Public Sector Committee standards will be adopted as the basis of GRAP standards. The IPFA has been appointed as the interim secretariat to the Accounting Standards Board.

As part of the risk-management process, the division worked on improving security features on the warrant voucher stationery, installing a fraud detection tool and reducing the threshold for electronic funds transfer payments to R2 000.

The division also developed an Internal Audit Framework with guidelines that incorporates the corporate governance requirements of the King II code. In addition, a phased plan for the implementation of generally recognised accounting practice has been finalised and will be used to introduce best accounting practices in Government.

Much of the division's work involves by operational functions including:

- Administering, accounting and reporting on the National Revenue and Reconstruction and Development Funds on a monthly, quarterly and annual basis;

- Preparing consolidated revenue funds and trading accounts' financial statements;

- Accrediting training institutions for financial management training;
- Issuing of accounting policies and practices in a timeous manner;
- Implementing policy guidelines for identifying, recording and valuing of fixed assets;
- Implementing internal audit policies and guidelines that adhere to structured internal audit practices;
- Providing timeous financial information via Vulindlela – a management information system that produces information on national and provincial government revenue and expenditure – for reporting purposes; and
- Implementing financial management performance benchmarks.

Accountant-General Ismail Mamoojee and his financial management team

Fiscal Transfers

Aim

To facilitate the smooth transfer of funds to relevant public authorities and other institutions, where this is applicable under the various statutory provisions which govern the financial relations between Government and the particular authority or institution. This includes international development institutions of which Government is a member, such as the African Development Bank.

Main activities

Domestic transfers are made to the Development Bank of Southern Africa, the South African Revenue Service and the independent Financial and Fiscal Commission for the fulfilment of their statutory obligations. In addition, transfers facilitated the establishment and operations of the new Financial Intelligence Centre.

Foreign transfer payments are made to the Highly Indebted Poor Countries Initiative, which provides debt relief to poor countries in terms of a bilateral agreement between the donor countries; the World Bank Group, the African Development Fund; and Lesotho and Namibia in respect of the Rand monetary area agreement.

Outputs and service delivery trends

The Development Bank of Southern Africa (DBSA) is a development finance institution wholly owned by the South African Government. At 31 March 2001, it had total assets of R17,7 billion. The Bank is self-sustaining and raises capital on the local and international capital markets. It has investment grade international credit ratings from Standard and Poor's (BBB-) and Moodys (Baa3), on par with the South African sovereign rating and a domestic credit rating for long-term debt of AAA.

Over the past year, the South African Revenue Service (SARS) continued to make significant progress in enhancing its administrative capacity in order to become a world class tax and customs administrator capable of effectively responding to the challenges of globalisation. Tax collections in 2001/02 are estimated to exceed the original budget estimate by more than six percent, attributable in part to more effective revenue collection and enforcement.

Last year, SARS launched Siyakha – "we are building" – its most expansive transformation programme to date. The programme aims to overhaul the operational infrastructure through business process re-engineering. The start of the pilot programme in KwaZulu-Natal saw the streamlining of activities to enhance taxpayer service delivery through the establishment of a Taxpayer Service Centre, a Processing Centre and a Compliance Centre.

Other achievements included:

- Sustained revenue collection in excess of the target;
- Introducing e-filing and payments;
- Implementing Capital Gains Tax and changing the nature of taxation from source-based to residence-based;
- Adopting a risk management approach to compliance;

- Registering with the South African Qualifications Authority to enhance SARS skills capacity through focused and accredited training and development;

- Unqualified audit report on own accounts.

The rollout of the Siyakha programme will continue during 2002. This underpins SARS's efforts to exceed collection targets, improve border controls and facilitate international trade.

On the international front, during 2001 Government actively participated in the negotiations around additions to the funding available from the World Bank and the African Development Bank at below world market rates. South Africa participates in replenishing International Development Association and African Development Fund resources, contributing R70 million in the most recent round.

In August 2001, Government increased its shareholding in the African Development Bank from 1,0 per cent to 4,1 per cent, making it the fifth largest shareholder. South Africa currently represents Lesotho, Malawi, Mauritius, Swaziland and Zambia on the Board of Directors.

The African Development Bank's lending strategy in South Africa was revised during 2000. It added capacity-building in the public sector to the existing focus areas of provincial and municipal infrastructure, medium-scale enterprises in the private sector, and multilateral projects for the promotion of regional integration.

As the largest member of the Southern African Customs Union (SACU), South Africa contributes sizeable but implicit transfers to all other member states through the SACU Revenue Sharing Formula. Total payments to Botswana, Lesotho, Namibia and Swaziland (BLNS) have risen sharply over the last few years to about 40% of all customs and excise revenues collected in the customs union. During October 2001, Botswana, Lesotho, Swaziland and South Africa concluded negotiations on the new Southern Africa Customs Union dispensation. The countries agreed to a new institutional arrangement and a new revenue sharing formula for the common customs area. The renegotiated SACU agreement is expected to come into effect during 2003/2004.

At the 2000 Annual Meeting of the World Bank and IMF, Government pledged to contribute R200 million to the financing of the Highly Indebted Poor Country Initiative, to be paid in five equal instalments. In addition, Government has contributed R7,5 million to the Highly Indebted Poor Country Trust Fund for the Poverty Reduction and Growth Facility of the IMF.

As part of the country's commitment under the initiative to grant debt relief to bilateral debtors, Government has approved the total cancellation of bilateral official debt owed.

South Africa recently, in support of the reintegration of the DRC into the global economy, also provided a bridging loan in the amount of SDR 75 000 000 to assist the country in clearing its overdue financial obligations to the IMF and in settling the reserve asset position of its quota increase under the Eleventh General Review of Quotas. The loan was made intra-day, with settlement of the loan occurring on the same day. Other countries contributing to the loan were Belgium and France.

The Financial Intelligence Centre Act (38 of 2001) provides for the formation of the Financial Intelligence Centre. The aim of the Centre is to track irregular financial practices such as money-laundering, organised criminal activities such as drug dealing, bank heists and robbery, and white collar crime. The Financial Intelligence Centre is a priority for Government as this type of criminal activity has the power to undermine the country's financial systems. The Centre was established in February 2002.

Civil Pensions and Contributions to Funds

Aim

To provide for payment of benefits out of pensions, other funds and schemes and awards to beneficiaries of departments, state-aided bodies and other specified bodies in terms of various statutes, collective bargaining agreements and other commitments. These are non-discretionary commitments in terms of the applicable legislation. In certain instances, the expenditure constitutes vested rights of the beneficiaries in terms of the service conditions of former civil servants.

Outputs and service delivery trends

Programme Seven ensures the timely payment of government contributions to medical aid schemes in respect of civil pensioners, surviving spouses, dependants and civil pensioners who were not members of medical schemes during their period of service (by special concession) as well as pensioners and widows of the former Development Boards and National Film Board.

Another important activity is the payment of pensions to persons who have made sacrifices or served the public interest in the establishment of a democratic constitutional order, including members of any armed or military force not established by or under any law and which is under authority and control of, or associated with and promotes the objectives of political organisations or dependants of such persons in terms of the Special Pensions Act, 1996 (Act 69 of 1996) as amended.

The programme also ensures payment of compensation benefits to government employees in respect of temporary, total or partial disablement or as a result of injuries sustained on duty and in cases of death, to dependants of such beneficiaries in accordance with the Compensation for Occupational Injuries and Diseases Act, 1993 (Act 130 of 1993).

Other items of expenditure under the programme include the following:

- Payment of additional retirement benefits to members of the PFAI in the event of the member retiring before pensionable age is reached due to ill-health. (Associated Institutions Pension Fund Act, 1971. (Act No 11 of 1971);

- Payment of pension to persons after successfully petitioning Parliament. Pensions payment is based on approved applications by Parliament. This constitutes a non-discretionary commitment determined by Parliament;

- Payment of pension to members of the legislative assembly of the former Venda, Transkei and Gazankulu governments;

- Payment of pension benefits and awards to judges or their widows in accordance with the Judges Pension Act, 1978 (Act 90 of 1978), members of the pension scheme of the National Road Board in accordance with the Transport (Co-ordination) Act, 1948 (Act 44 of 1948), members of the pension scheme of the SA Mint in accordance with the South African Reserve Bank Act, 1989 (Act 90 of 1989), members of the Black Teachers Pension Funds (Act 43 of 1887(Cape)), Black Chiefs (Proclamation 110 of 1957), members of the funds and schemes that have been discontinued but in respect of which benefits are still payable such as pre-Union pension funds, the Cape Widows Fund and Government service officials and employees injured during war service and who are also entitled to Civil pension and members of Statutory bodies or their widows in accordance with the Members of Statutory Bodies Pension Act, 1969 (Act 94 of 1969);

- Payment of pension to the President of the Republic of South Africa after retirement in terms of section 2(2)(a) of the Remuneration of Political Office Bearers Act, 1998 (Act 20 of 1998);

- Fees payable to the Political Office Bearers Fund.

Military pensions and other benefits

Aim

To provide for the payment of pension benefits and medical claims arising from the treatment for disability, medical appliances and other related expenditures, in keeping with relevant legislation and agreements.

Outputs and service delivery trends

Programme Eight ensures the timeous payment of military pensions to ex-soldiers who were involved in the pre-1914 Wars, the First and Second World Wars, the Korean War, and post-1960 Wars, national servicemen, South African citizen force members who participated in the Border War, and members from the former non-statutory forces or their dependants in accordance with the Military Pensions Act, 1976 (Act 84 of 1976).

Other benefits expended include payments to ex-servicemen for medical claims for disability, medical appliances, and subsistence and travelling allowances in terms of the Military Pensions Act; and payment of an administration grant to the South African Legion to attend to the socio-economic needs of war veterans. The Legion's involvement includes facilitating communication through publications of policy changes as well as acting as a mediator between the National Treasury and pensioners for purposes of addressing queries and applications for a pension.

Provincial and Local Government Transfers

Aim

To develop and manage the provincial and local government conditional grants directly administered by the National Treasury.

Outputs and service delivery trends

The Intergovernmental Relations division, which forms part of Programme Two, administers both the Restructuring and the Finance Management Grants in support of local government.

The Restructuring Grant assists large municipalities to implement medium-term institutional and financial-restructuring exercises in a manner that will promote national economic performance. The programme continued to assist the City of Johannesburg with the implementation of the iGoli programme, and specifically focused on encouraging improved revenue performance.

In 2001/2002 Mangaung Local Municipality, based in Bloemfontein, joined the programme. Mangaung has begun to implement an innovative, service-oriented restructuring exercise that promises to provide best practice to local government in South Africa.

In addition:

- Funding was provided to the Cacadu District Municipality (formerly the Western District Council), based in Port Elizabeth, to assist it in restructuring to accommodate a significant loss of revenue associated with the creation of a metropolitan municipality in Port Elizabeth.

- Several eligible municipalities requested preparatory funding to assist in making applications for grant assistance. A seed fund-was established to accommodate this request, and municipalties have used funding to finalise applications for assistance in the 2002/2003 financial year.

The Finance Management Grant continued to assist pilot municipalities in the implementation of budgeting and financial management reforms. This support programme is being scaled up, with the support of donor agencies in future years.

Chief Director Lungisa Fuzile (front row, centre) and his Provincial Policy team

Support to restructuring in Mangaung Local Municipality

Mangaung is a well-managed municipality that provides a high quality of service to residents in an increasingly equitable manner. However, disturbing trends in its financial position, the trajectory of basic service delivery, and the economic environment in which it operates have led the municipality to conclude that it must fundamentally alter the way in which it conducts its affairs if it is to sustain itself over the longer term.

The local economy was stagnant and there was some evidence of decline, in the context of population growth, particularly among young, and poor residents, who were at high risks of HIV/Aids. Simultaneously, the municipal administration faced major challenges for which it was not well equipped.

It therefore embarked on an ambitious strategic-planning process that has identified three key focus areas for the municipality: improving economic performance, building social resilience and pursuing service-delivery excellence. These focus areas, which are to be implemented through seven priority programmes, are built around the strength and vision of its existing leadership.

The municipality's plan is appropriately focused, realistic and has a significant degree of local support. Also, the municipality has demonstrated commitment to its implementation, regardless of national Government support. The National Treasury has agreed to provide R130-million over three years to Mangaung for the implementation of the plan, subject to the attainment of agreed implementation milestones and financial targets over the course of the programme.

Chief Director TV Pillay (front row, centre) and his Local Government team

Auxiliary and associated services

Aim

To provide auxiliary services and services associated with the National Treasury's aims and objectives.

Main activities

The programme comprises the following:

- Augmentation of the Secret Services Account to finance intelligence gathering.
- Service charges by banks in respect of deposit accounts maintained on behalf of all departments.
- Compensation for audit financing shortfalls of statutory bodies and municipalities in certain instances in terms of the Auditor-General Act of 1995.
- Augmentation of the Public Investment Commissioners' bank account.
- Payment of contingent liabilities in respect of reinsurance granted to insurers arising from loss or damage to propertyfunds payments or consequential loss as a result of riots in terms of the Reinsurance of Damages and Losses Act of 1989, and granting loans and advances to such insurers in terms of the Act.
- Government motor transport which provides for the purchase of vehicles for departmental use.

Output and service delivery trends

Transfers to the Secret Services form the bulk of spending on the programme. Such transfers include allocations for the National Intelligence Agency, the South African Secret Service; and the Detective Intelligence programme of the South African Police Force.

The Public Investment Commissioners (PIC) is a statutory body governed in terms of the Public Investment Commissioners Act (45 of 1984) as amended. The Minister of Finance is responsible for appointing the Board, and the Board is responsible for overseeing the activities of the Secretariat and its investment portfolio. The PIC is effectively self-funded and produces its own annual report, which is tabled in Parliament.

The PIC invests and manages surplus funds on behalf of various public sector bodies. Previously the PIC was restricted to the role of a government administrative agency, investing all deposits in gilts and semi-gilts. In 1995 this was extended to include equities and property.

Human Resource Management

The Chief Directorate: Human Resource Management has its functions divided into four specialist areas, that is, performance management; education, training and development; strategic support and human resource administration (labour relations, recruitment and employee benefits).

An internal tasks team, in close co-operation with management from the core business division, is managing the ongoing process of restructuring of the National Treasury. More than 50 new positions were created during the past financial year, of which 30 are managers. The process of absorbing existing staff has also commenced where this is applicable.

In order to support employees during the restructuring process the department enhanced the Employee Assistance Programme, which is aimed mainly at the emotional and social needs of employees and their families. The department contracted an external service provider to provide counseling to employees to deal with matters relating to the restructuring process.

A number of social responsibility events were conducted, including programmes on Women's Day, National Aids Day and Tackie Day. Four commitments were submitted to the Interdepartmental Committee on HIV/Aids to be implemented in 2002, as well as a report on the programmes in which the department is engaged.

The appointment of Directors in the Human Resource Administration and Performance Management Units has greatly enhance the service-delivery potential of the human resource function. An appropriate performance-management system with career pathing and pay progression is being researched in consultation with the Department of Public Service and Administration.

Employee profile

At the end of March the National Treasury employed 470 people, mainly highly qualified economists and specialists in the core business area of the department. These include the employees in the Offices of the Minster and Deputy Minister as well as those employed in the Parliamentary Office in Cape Town.

STAFF ESTABLISHMENT AS AT 31 MARCH 2002				
TYPICAL JOBS	**SALARY LEVELS**	**APPROVED POSTS**	**FILLED**	**VACANT**
Support staff	1	4	3	1
	2	34	31	3
Clerks	3	12	10	2
	4	23	20	3
	5	27	25	2
	6	54	53	1
Officers	7	61	56	5
	8	48	48	
Assistant Directors	9	25	22	3
Economists/Financial Administration Officers	10	52	51	1
Deputy Directors	11	40	38	2
	12	34	34	
Directors	13	54	47	7
Chief Directors	14	25	22	3
Deputy Director-General	15	8	7	1
Director-General	16	1	1	
Ministry	16+	2	2	
TOTAL		**504**	**470**	**34**

– 193, Economic Planning and Budget Management – 140, Asset and Liability Management – 40, Procurement Management – 170 and Financial System and Reporting – 24.

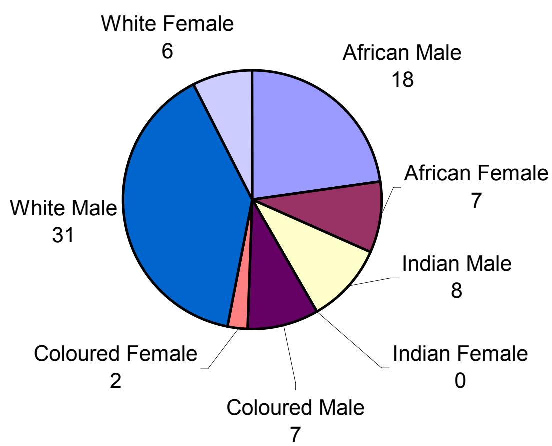
Approved establishment by programme

Programme	Establishment	No of Employees	Vacancy rate	Additional
1 – Administration	193	163	14.65%	1
2 – Economic Planning & Budget Management	140	136	2.80%	0
3 – Asst & Liability Management	40	40	0	0
4 – Procurement Management	107	107	0	0
5 – Financial Systems & Reporting	24	24	0	14
TOTAL	**504**	**470**		**15**

Representivity

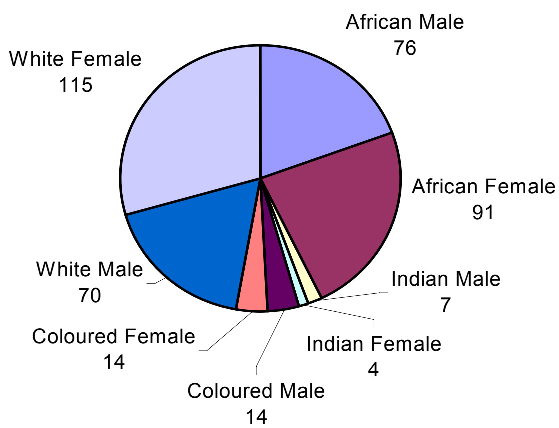
The racial and gender breakdown of all employees of the National Treasury as at 31 March 2002 is shown below. The restructuring process provides the department with the opportunity to address this issue and use the recruitment and selection process to enhance the employment equity profile of the National Treasury. The representivity profile of the National Treasury currently reflects that out of a total of 470 employees, 53% are black, 47% are white, 49% are male and 51% are female.

Senior Management Service



Black – 42	White - 37
Male – 64	Female - 15

Below Senior Management Service



Black - 206	White – 185
Male - 167	Female - 224

Job evaluation
The restructuring process has given the National Treasury the opportunity to ensure that jobs created for the new structure are created on the correct level, by using the job evaluation process. For the purposes of job evaluation, the prescribed Equate system is utilised.

	Establishment	Number of Jobs Evaluated	Posts Upgraded Number % of total	Posts downgraded Number % of total
Salary Levels 1-2	**38**	**0**		
Salary Levels 3-5	**62**	**40**		
Salary Levels 6-8	**163**	**22**		
Salary Levels 9-12 (Professional)	**151**	**57**		
Senior Management Service	**88**	**68**		
TOTAL	**502***	**298**		

*Does not include Minister and Deputy-Minister

Remuneration levels that exceeded the grade determined by job evaluation

1 April 2001 to 31 March 2002 (in terms of PSR V, C.3)

Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
SMS	4	13	14	Retention of service
SMS	3	13	13 (Higher/personal notch)	Retention of service/scarcity of skills
SMS	4	14	14 (Higher/personal notch)	Retention of service/scarcity of skills
Secretarial	1	6	7	Retention of service
Total number of employees whose remuneration exceeded the grade determined by job evaluation in 2001/ 02				12
Percentage of total employment				2.44%

Profile of employees whose remuneration levels exceed the grade determined by job evaluation, 1 April 2001 to 31 March 2002 (in terms of PSR V, C.3)

Total number of employees whose remuneration levels exceed the grade determined by job evaluation

Beneficiaries	**African**	**Indian**	**Coloured**	**White**
Female	2	0	2	1
Male	2	1	1	3

Education, training and development

The National Treasury continues to support its employees to enhance skills levels and build capacity. The focus is mainly on bursaries, external courses and Adult Basic Education and Training (Abet) programmes to enhance technical and managerial skills at all levels.

In this financial year 27 new bursaries were awarded. Eleven employees are participating in the department's Abet programme. In 2001 the department achieved a 95% pass rate in English and 100% in Mathematics for employees on the Abet programme.

Skills development by salary band, 1 April 2001 to 31 March 2002

Grade (Salary Band)	Internal Training		External Training		Expenditure	
	Training Day Equivalents	Average days per employees	Training day equivalents	Average days per employee	Total expenditure (R'000)	Average per employee
Levels 1-2	24	2.1	7	0.5	102 808	8 567
Levels 3-5			274	2.1	637 665	5 060
Levels 6-8			179	4.4	247 550	6 188
Levels 9-12			218	6.2	201 231	7 453
Levels 13-14			99	4.3	221 621	7 387
SMS						
	24	**2.1**	**777**	**17.5**	**1 140 875**	**34 655**

Skills development by race, gender and disability, 1 April 2001 to 31 March 2002

Grade (Salary Band)	Internal Training		External Training		Expenditure	
	Training Day Equivalents	Average days per employees	Training day equivalents	Average days per employee	Total expenditure (R'000)	Average per employee
African						
Male	6.6	2.18	111	3.2	287 092	7 759
Female	17.4	2.18	197	3.6	350 851	6 497
Asian						
Male			16	3.2	30 262	6 052
Female			5	10	6 966	6 966
Coloured						
Male			27	4.5	33 063	6 612
Female			12	4	13 430	4 476
White						
Male			159	2.5	350 112	5 646
Female			274	3.8	339 099	4 709
Employees with disability						
Total	24	4.4	801	34.8	1 410 875	48 717

The following table provides a summary of the various training areas where staff was provided with skills training.

Skills development by type of training, 1 April 2001 to 31 March 2002

Type of training	Training				Expenditure	
	Number of beneficiaries	Training day equivalents	Average days per person	% of total	Total Expenditure (R'000)	Average per beneficiary
Internal Training						
Formal Training	40				R228 057.00	R5701.00
Computer Training	26	96	3,6		R70 666.00	R2718.00
Management Development	12	32	2,6		R78 023.00	R6502.00
Office-based Training						
Policy-specific Training	182	988	5,4		R1 027 695.00	R5647.00
ABET	11	24	2,1		R6 435.00	R585.00
Other						
TOTAL					R1,410,876.00	

The following table summarises actual expenditure on training for the year under review.

The table also provides a comparison with the initial estimate published in the Estimate of Expenditure.

Total expenditure on skills development by programme, 2001/2002

Programmes	Expenditure - 2001/02			Medium-term expenditure estimates		
	Original estimate	Actual expenditure	Variance	2002/03	2003/04	2004/05
1. Administration	1,580,800	415,225	1,165,574	744,000	784,000	846,000.00
2. Economic Planning and Budget Management	1,144,520	414,857	729,662	1,026,000	1,178,000	1,315,000.00
3. Asset and Liability Management	377,702	164,511	213,190	306,000	320,000	335,000.00
4. Procurement Management, Financial Systems and PFMA Implementation and Coordination	585,115	375,174	209,940	1,126,000	1,278,000	1,415,000.00
5. Financial Accounting and Reporting	374,600	41,106	333,493	2,649,000	2,663,000	2,617,000.00
TOTAL:	**4,062,737**	**1,410,875**	**2,651,861**	**5,851,000**	**6,223,000**	**6,528,000.00**

BURSARIES GRANTED BY SALARY LEVEL, 1 APRIL 2001 TO 31 MARCH 2002			
Salary level	Beneficiary Profile		Cost
	Number of beneficiaries	Number of employees	Cost (R000)
1	0	3	0
2	1	31	2,530
3	1	10	3,600
4	0	20	0
5	2	25	6,512
6	4	53	23,410
7	4	56	15,600
8	8	48	42,725
9	5	22	21,140
10	2	51	7,840
11	7	38	79,270
12	1	34	5,000
13	4	47	15,700
14	1	22	4,730
15	0	7	0
16	0	1	0
16+	0	2	0
Total	**40**	**470**	**228057**

BURSARIES GRANTED BY RACE, GENDER AND DISABILITY, 1 APRIL 2001 TO 31 MARCH 2002			
	Beneficiaries Profile		Cost
African	No of Beneficiaries	No of Employees	
Male	11	94	67,472
Female	11	98	67,715
Indian			
Male	3	15	20,020
Female		4	0
Coloured			
Male	2	21	16,200
Female		16	0
White			
Male	6	101	28,700
Female	7	121	27,950
TOTAL	40	470	228057

Recruitment and selection

National Treasury advertised 153 posts during 2001/2002 of which 102 were advertise by the Department itself and 51 by The Focus Group. Of these posts 10 were in the SMS and 92 in non-SMS. All posts advertised by Focus Group were in the SMS. Total cost for media advertising amounted to R321 865.07.

A total of 624 candidates were interviewed for the positions advertised by the Department and approximately 255 candidates –for the posts advertised by Focus Group. There were seven SMS placements by Focus Group, seven SMS placements and 36 non-SMS placements by the Department during 2001/2002, resulting in a total of 50 placements.

Internal placements:	SMS	3 by Focus Group, 5 by National Treasury
	Non-SMS	28 by National Treasury
External placements:	SMS	4 by Focus Group, 2 by National Treasury
	Non-SMS	8 by National Treasury.

The department's electronic selection system enabled it to process a total number of 2 683 applications during this reporting year.

Appointments, promotions, and terminations 1 April 2001 to 31 March 2002

	Employees, 1 April 2001	Appointments and transfer	Promotions	Terminations and transfers
African				
Male	102	20	4	18
Female	104	9	7	14
Indian				
Male	16	1	1	2
Female	4	1	0	1
Coloured				
Male	22	2	3	2
Female	16	9	0	4
White				
Male	102	4	3	11
Female	125	3	7	8
TOTAL	**491**	**49**	**25**	**60**

Annual turnover rates by salary band

Salary Band	Appointments and transfer	Terminations and transfers	Turnover rate
Levels 1-2	1	1	0
Levels 3-5	8	10	-2
Levels 6-8	12	17	-5
Levels 9-12	14	20	-6
SMS	14	12	2
TOTALS	**49**	**60**	**-11**

Reasons why staff are leaving the department

Termination type	Number	Per 100 000 employees
Death	2	0.00002
Resignation	28	0.00028
Expiry of contract	8	0.00008
Dismissal – operational changes	0	0
Dismissal – misconduct	0	0
Dismissal – inefficiency	0	0
Discharged due to ill-health	2	0.00002
Retirement	1	0.00001
Other: Transfer to Statutory	2	0.00002
Other: Conversion of nature of appointment	2	0.00002

Foreign workers, 1 April 2001 to 31 March 2002

BY GRADE (SALARY BAND)	1 April 2001		31 March 2002		Change	
	Number	% of total	Number	% of total	Number	% change
Salary levels 1-2	0	0	0	0	0	0
Salary levels 3-5	0	0	0	0	0	0
Salary levels 6-8	0	0	0	0	0	0
Salary levels 9-12	1	100	0	0	1	100
Senior Management Service	1	100	1	100	0	0
BY MAJOR OCCUPATION						
Deputy Director: Financial Administration	1	100	0	0	1	100
Director: Tax Policy	1	100	1	100	0	0
TOTAL	2	200	1	100	1	100

Employee benefits

Draft policies on sessional assistance, resettlement expenditure and leave were developed. It is envisaged that the sessional assistance and leave policies will be implemented during the third quarter of 2002 and the leave policy during the fourth quarter of 2002.
On 5 April 2002 the Director-General approved the delegations on absence of leave.

The department finalised the manual auditing of the capped leave during September 2001. During November 2001 all employees were electronically notified of the audited leave credits.

Sick leave, 1 April 2001 to 31 March 2002

GRADE (SALARY BAND)	Total days ('000)	Per cent certification	Number of employees using sick leave	% of total employees using sick leave	Average per employees	Estimated Cost (R'000)
Levels 1-2	176		24	5.11	7.33	R 20 016-84
Levels 3-5	362		44	9.37	8.22	R 59 307-85
Levels 6-8	1093		133	27.66	8.22	R307 862-20
Levels 9-12	576		96	20	6.00	R328 171-05
Levels 13-14	0		0	0	0	R 0-00
	180		31	6.6	5.81	R152 354-75
TOTAL	**2387**	***83.83%**	**328**	**68.74%**	**7.28**	**R867 712-69**

Overtime, Allowances and benefits by programme

Programme	Overtime		Allowances		Benefits	
	Amount (R'000)	% of personnel costs	Amount (R'000)	% of personnel costs	Amount (R'000)	% of personnel costs
1 Administration	60	0.22	2,917	11	2,307	9
2 Economic planning and budget management	34	0.10	5,244	15	2,745	8
3 Asset and liability management	3	0.04	757	10	881	11
4 Procurement management and financial systems	-	-	1,429	8	1,576	8
5 Financial accounting and reporting	-	-	327	7	357	8
Total	**97**	0.10	**10,674**	11	**7,866**	8

Summary of personnel costs and related information

Programme	Total Expenditure (R'000)	Personnel Expenditure (R'000)	Admin Expenditure (R'000)	Professional and Special Services (R'000)	Personnel costs and percent of total expenditure	Average personnel costs per employee (R'000)
1. Administration	56,585	27,111	8,545	20,929	48	140
2. Economic planning and budget Management	47,392	35,293	5,975	6,124	74	252
3. Asset and liability management	14,442	7,910	1,460	5,072	55	198
4. Procurement management and financial systems	217,079	18,671	2,833	195,575	9	174
5. Financial accounting and reporting	12,282	4,574	232	7,476	37	191
7. Civil pensions and other benefits	11,934	-	-	11,934	-	-
8. Military pensions and other benefits	13,149	-	-	13,149	-	-
Total	**372,863**	**93,559**	**19,045**	**260,259**	**25**	**186**

Labour relations

Outcomes of disciplinary hearings	Number	% of total
Verbal warning	0	0
Written warning	0	0
Final written warning	1	50
Not guilty	1	50
Case withdrawn	0	0
Dismissal	0	0
TOTAL	2	100

Performance management: Non-senior management employees:

The Performance Management Unit (PMU) facilitated performance appraisal meetings in respect of non-senior management employees for the period ending 30 June 2001.

During this period 160 employees where evaluated, of which 96 received merit awards, 63 advanced to the next notch and 25 obtained rank/leg promotions. The unit is currently preparing for the appraisal of employees who completed their qualifying period between 1 July 2001 to 31 March 2002. In this regard 238 employees are due to be evaluated during July 2002.

Senior Management Service employees (SMS):

The Senior Management Service of the National Treasury was appraised with a view to award performance-based cash bonuses to those Managers who performed exceptionally or above average.

A total of 64 senior managers at the levels of Director and Chief Director eligible for these incentives and were appraised.

Ms Maria Ramos, the Director-General, approved the guidelines for the implementation of interim incentive scheme for the Senior Management Service which also paves the way for bestowing awards to deserving senior managers who have contributed meaningfully to the attainment of the National Treasury's objectives.

The introduction of the new Performance Management and Development System as envisaged for introduction by the Department of Public Service and Administration will take effect later in the current financial year.

The immediate challenge regarding the management of performance within the senior management levels is the envisaged rollout of new Performance Management and Development System, as all managers would have to reticulate and adjust themselves to the new performance standards.

Performance Rewards by race, gender and disability, 1 April 2001 to 31 March 2002

	Beneficiary Profile			Cost	
	Number of beneficiaries	Number of employees	% of total within group	Costs (R'000)	Per capita costs
African	**116**	**192**		**1,241,366**	**10,701**
Male	55	94		600,425	10,916
Female	61	98		640,940	10,507
Asian	**15**	**19**		**284,115.23**	**18,941**
Male	12	15		249,627	20,802
Female	3	4		34,487	11,495
Coloured	**21**	**37**		**252,236.23**	**12,011**
Male	13	21		143,369	11,028
Female	8	16		108,867	13,608
White	**162**	**222**		**2,397,858**	**14,801**
Male	76	101		1,333,876	17,551
Female	86	121		1,063,981	12,371
TOTAL	**314**	**470**		**4,175,576**	**13,298**

Performance Rewards by salary level, 1 April 2001 to 31 March 2002

Salary Level	Beneficiary Profile			Cost	
	Number of beneficiaries	Number of employees	% of total within group	Cost (R'000)	Per capita cost
Level 1-2	11	34		41,315.03	3,755.91
Level 3-5	44	61		255,755.78	5,812.63
Level 6-8	103	155		843,027.82	8,184.74
Level 9-12	90	141		1,336,436.69	14,849.30
Professionals 13-16	66	79		1,699,041.26	25,743.05
Management Service					
TOTAL	**314**	**470**		**4,175,576.58**	**13,298.01**

Performance Rewards by critical occupations, 1 April 2001 to 31 March 2002

Critical Occupations	Beneficiary Profile			Costs	
	Number of beneficiaries	Number of employees	% of total within group	Cost (R'000)	Per capita costs
Level 1	3	3	100	10,033.02	3,334.34
Level 2	7	31	23	31,282.01	4,468.86
Total 1&2	**11**	**34**	**29**	**41,315.03**	**4,131.50**
Level 3	7	10	80	31,402.41	3,925.30
Level 4	18	20	90	86,184.99	4,788.06
Level 5	19	25	76	141,168.38	7,429.91
Total 3-5	**44**	**55**	**82**	**255,755.78**	**5,683.46**
Level 6	33	53	62	181,391.24	5,496.70
Level 7	38	56	68	356,165.28	9,372.77
Level 8	32	48	67	305,471.30	9,545.98
Total 6-8	**103**	**157**	**66**	**843,027.82**	**8,184.74**
Level 9	16	22	73	251,748.93	15,734.31
Level 10	37	51	73	383,530.13	10,365.68
Level 11	19	38	50	245,538.60	12,923.08
Level 12	18	34	53	455,619.03	25,312.17
Total 9-12	**90**	**145**	**62**	**1,336,436.69**	**14,849.30**
Level 13	49	58	84	1,143.844.64	23,343.77
Level 14	9	11	82	311,664.18	34,629.35
Level 15	8	9	89	243,532.44	30,441.56
Level 16	0	1	0	-	
Total 13-16	**66**	**79**	**84**	**1,699,041.26**	**25,743.05**
TOTAL	**313**	**470**	**67**	**4,175,576**	**13,340**

Annexures

Annexure 1: Abbreviations

ADB	African Development Bank
AU	African Union
DBSA	Development Bank of Southern Africa
DPSA	Department of Public Service and Administration
G20	Group of Twenty Countries
G24	Group of Twenty-Four Countries
GAMAP	Generally Accepted Municipal Accounting Practices
GEPF	Government Employee Pension Fund
GCIS	Government Communication and Information System
GRAP	Generally Recognised Accounting Practices
HDI	Historically Disadvantaged Individual
HIPC	Highly Indebted Poor Countries
IMF	International Monetary Fund
IPFA	Institute for Public Finance and Auditing
NEDLAC	National Economic Development and Labour Council
NEPAD	New Partnership for Africa's Development
PIC	Public Investment Commissioners
PFAI	Provident Fund for Associated Institutions
PFMA	Public Finance Management Act
PPP	Public-Private Partnerships
RDP	Reconstruction and Development Programme
SACU	Southern African Customs Union
SADC	Southern African Development Community
SARS	South African Revenue Service
SASRIA	South African Special Risks Insurance Association
SITA	State Information Technology Agency
SMMEs	Small, Medium and Micro Enterprises
SOEs	State-owned Enterprises
STRIPS	Separate Trading of Registered Interest and Principal Securities
WTO	World Trade Organisation

Annexure 2: Institutions associated with the National Treasury

The National Treasury Works closely with a number of public institutions. They have operational and institutional independence and, in some instances, constitutionally-guaranteed autonomy. They produce their own annual reports.

Coin Liabilities
SA Reserve Bank subsidiary

Corporation for Public Deposits
Corporation for Public Deposits Act (No 46, 1984)

Development Bank of Southern Africa
Development Bank of Southern Africa Act (No 13, 1997)

Financial and Fiscal Commission
Financial and Fiscal Commission Act (No 99, 1997)

Financial Services Board
Financial Services Board Act (No 97, 1990)
The following report to it:
Pension Fund
Financial Markets Advisory Board
Pension Funds Advisory Board

Unit Trusts Advisory
Advisory Committee on short-term insurance

Independent Development Trust

Public Accounts and Auditors Board

Policy Board for Financial Services Regulation
Policy Board for Financial Services and Regulation Act (No 141, 1993)

Public Investment Commissioners
Public Commissioners Investment Act (No 45, 1984)

SA Banknote Company
SA Reserve Bank subsidiary

SA Mint Company
SA Reserve Bank subsidiary

South African Reserve Bank
SA Reserve Bank Act (No 90, 1989)

South African Revenue Services
SA Revenue Service Act (No 34, 1997)

South African Special Rist Insurance Association (SASRIA)

Special Pensions Board

Special Pension Advisory Board

State Tender Board

Statistical Council
Statistics Act (No 66, 1976)
Tax Advisory Committee

Tax (Katz) Commission

Registrar of Banks
Reports to SA Reserve Bank

Annexure 3: Legislation enacted during 2001

1. Division of Revenue Act [Act No 1 of 2001]
Bill enacted: Division of Revenue Bill [B11D-2001]
Assented to by the President and published in the Government Gazette on 31 March 2001

2. Taxation Laws Amendment Act [Act No 5 of 2001]
Bill enacted: Taxation Laws Amendment Bill [B17-2001]
Assented to by the President and published in the Government Gazette on 20 June 2001.

Drafted by the South African Revenue Service, policy input by National Treasury

3. Appropriation Act [Act No 18 of 2001]
Bill enacted: Appropriation Bill [B10-2001]
Assented to by the President and published in the Government Gazette on 20 July 2001

4. Revenue Laws Amendment Act [Act No 19 of 2001]
Bill enacted: Revenue Laws Amendment Bill [B36-2001]
Assented to by the President and published in the Government Gazette on 27 July 2001.

Drafted by the South African Revenue Service, policy input by National Treasury

5. Financial Institutions (Protection of Funds) Act [Act 28 of 2001
Bill enacted: Financial Institutions (Protection of Funds) Bill [B23B-2001]
Assented to by the President and published in the Government Gazette on 23 November 2001.

Drafted by the Financial Services Board

6. Financial Intelligence Centre Act [Act No 38 of 2001]
Bill enacted: Financial Intelligence Centre Bill [B1B-2001]
Assented to by the President and published in the Government Gazette on 3 December 2001.

7. Pension Funds Second Amendment Act [Act 39 of 2001]
Bill enacted: Pension Funds Second Amendment Bill [B41D-2001]
Assented to by the President and published in the Government Gazette on 5 December 2001.

Drafted by the Financial Services Board

8. Stock Exchanges Control Amendment Act [Act 40 of 2001]
Bill enacted: Stock Exchanges Control Amendment Bill [B75-2001]
Assented to by the President and published in the Government Gazette on 5 December 2001.

Drafted by the Financial Services Board

9. Provincial Tax Regulation Process Act [Act No 53 of 2001]
Bill enacted: Provincial Tax Regulation Bill [B51D-2001]
Assented to by the President and published in the Government Gazette on 10 December 2001.

10. Adjustments Appropriation Act [Act No 59 of 2001]
Bill enacted: Adjustments Appropriation Bill [B82-2001]
Assented to by the President and published in the Government Gazette on 22 November 2001.

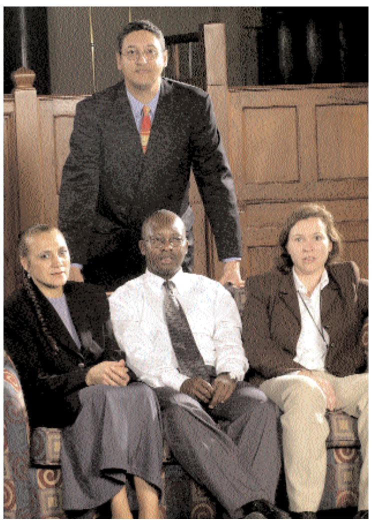
11. Revenue Laws Second Amendment Act [Act No 60 of 2001
Bill enacted: Revenue Laws Second Amendment Bill [B84-2001]
Assented to by the President and published in the Government Gazette on 12 December 2001.

Drafted by the South African Revenue Service, policy input by National Treasury

12. Pension Funds Amendment Act [Act 65 of 2001]
Bill enacted: Pension Funds Amendment Bill [B22B-2001]
Assented to by President and published in the Government Gazette on 6 December 2001.

Drafted by the Financial Services Board

Thys Theron (front row, centre), Shirley Robinson (front row, left) and the National Budgets team



Chief Director Chris Malan (standing) and his Financial Regulations team

Chief Director Kuben Naidoo (left) and his Fiscal Policy team

Chief Director Martin Grote (front row, centre) and his Tax Policy team

Chief Director Velile Mbethe (centre) and his Protection Services team

Finance Minister Trevor Manuel, Director-General Maria Ramos and Treasury officials attending a Budget planning meeting

Tryphosa Ramano and her Asset Management team

ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2002

MANAGEMENT REPORT

For the year ended 31 March 2002

Report by the Accounting Officer to the Executive Authority and Parliament of the Republic of South Africa

1. General review

The National Treasury was established on 1 April 2000 with its aims to promote economic development, good governance, social progress and rising living standards through accountability, economy, efficiecy, equity and sustainability in the public finances.

The 2001/02 National Treasury Vote comprised ten programmes:

- Administration provides for the overall management of the Department.
- Expenditure planning and budget management includes macro-economic, financial and fiscal policy advice; expenditure analysis and planning; tax policy advice, and co-ordination of the budget process.
- Asset and liability management includes debt and contingent liability management, and oversight of Government's financial assets and public entities.
- Procurement management and financial systems provide for regulation and oversight of public sector procurement through policy formulation; acquisition and support of standardised financial systems for national and provincial government; and co-ordination of the implementation of the Public Finance Management Act.
- Financial accounting, integrated systems and reporting includes government accounting policy and standards, preparation of consolidated financial statements, and promotion of improved financial management.
- The Fiscal transfers programme provides for the South African Revenue Service, the National Development Agency and transfers to various other authorities and institutions in terms of relevant statutes and international agreements.
- The Civil pensions and contributions to funds programme provides for various pension and post-retirement medical benefit obligations to former employees of state departments, state-aided bodies and other specified persons.
- Military pensions and other benefits include pensions and medical benefits to various categories of ex-servicemen.
- The Provincial and local government transfers programme provides for specified grants to provinces and local government.
- The Auxiliary and associated services programme includes augmentation of the Secret Services Account and miscellaneous other items.

The National Treasurys operational budget of R472,8 million for the 2001/02 financial year (2000/01: R500,8 million) consists of Programmes One to Five – Administration, Expenditure planning and budget management, Asset and liability management, Procurement management and financial systems and Financial, integrated systems and reporting.

The remaining programmes account for transfers and committed payments to provinces, local goverment and other institutions, amounting to R10,277 billion for the 2001/02 financial year (2000/01: R10,514billion). The total budget vote for 2001/02 financial year was R10,749 billion (2000/01: R11,015 billion).

A saving of R103,5 million (2000/01: R69,6 million) was recorded on the operational budget of the Department. This is mainly due to a saving of R55,4 million on professional and special services and delays in the filling of vacant positions within the Department, leading to a saving of R47,7 million on personnel and concomitant expenditure.

Programme Six of the Treasury's vote provides for transfer payments to the following:

- The Development Fund of the Development Bank of SouthernAfrica.
- The South African Revenue Service, which is responsible for collection of revenue in terms of the South African Revenue Act of 1997.
- The National Development Agency, which promotes an appropriate partnership between Government and civil society, aimed at overcoming poverty and supporting development.
- The independent Financial and Fiscal Commission, which is charged by section 214 of the Constitution and subsequent legislation to make recommendations regarding the equitable division of revenue.
- The Governments of Lesotho and Namibia in respect of the Rand Monetary Area agreement.

The World Bank Group and the African Development Bank, in terms of various economic and financial agreements, including South Africa's contribution to the Highly Indebted Poor Country Initiative, which provides debt relief to poor countries in terms of a bilateral agreement between the donor countries and the International Monetary Fund.

A total of R3,233 billion (2000/01: R2,921 billion) was budgeted for in Programme Six, of which transfers to the South African Revenue Service amounted to R2,863 billion (2000/01: R2,529 billion), or 88,5 per cent. Transfers to SARS have grown strongly, reflecting the priority of building additional tax administration capacity and progress made in overcoming important challenges to tax collection.

At the 2000 Annual Meeting of the World Bank and IMF, Government pledged to contribute R200 million to the financing of the Highly Indebted Poor Country Initiative, to be paid in five equal instalments. Contribution to the Highly Indebted Poor Country Trust Fund amounted to R49,4 million (2000/01: R44,2 million) for the year under review.

An amount of R117,8 million is recorded as a saving on this programme in 2001/02, as the budgeted transfers to Lesotho and Namibia in terms of the Rand Monetary Area agreement were delayed and were transferred in April 2002.

Programme Seven provides for payment of benefits out of pensions, other funds and schemes and awards to retired civil servants, former political office-bearers, former military servicemen and their nominated beneficiaries of departments, state-aided bodies and other specified bodies in terms of various statutes, collective bargaining agreements and other commitments. These are non-discretionary commitments in terms of the applicable legislation.

In certain instances the expenditure constitutes vested rights of the beneficiaries in terms of the service conditions of former civil servants, former political office-bearers and former military servicemen.

In addition to the Civil pensions and contributions to funds programme and the Military pensions and other benefits programme, the Pensions division is also responsible for the administration of all occupational government pension funds. These include the Government Employees Pension Fund, Associated Institutions Pension Fund, Temporary Employees Pensions Fund and the Associated Institutions Provident Fund.

This programme budgeted R1,534 billion (2000/01: R1,318 billion) from which spending on Government's contribution to medical schemes constitutes the bulk of spending on the programme, at 63,1 per cent. Total contributions to medical schemes amounted to R967,7 million (2000/01: R962,8 million) for the year under review.

Programme Seven also provides for the payment of pension benefits and medical claims arising from injuries on duty, medical appliances and other related expenses, in keeping with relevant legislation and agreements.

Spending on Programme Eight includes military pensions and other payments to ex-servicemen. Funds amounting to R145,4 million (2000/01: R131,9 million) were provided, with expenditure totalling R130,8 million. A saving of R14,5 million was recorded which is mainly due to less than anticipated expenditure incurred on military pensions: ex-servicemen.

Programme Nine provides for transfers to provincial and local governments. These amounted to R4,357 billion (2000/01: R5,235 billion) for the year under review. A total of R4,238 billion was transferred with a saving of R119,7 million realising. The saving in respect of transfer payments to local government is due to partial non-compliance with the predetermined conditions.

Programme Ten provides auxiliary services and services associated with the Department's aims. Funds amounting to R1,006 billion (2000/01: R908,9 million) were budgeted, with expenditure totalling R993,2 million. Transfers to the Secret Services sub-programme comprise 97,7 per cent of the programme and amounted to R983,3 million for the year under review. A total saving of R13,1 million was recorded for the year.

Available funds of R8,0 million for Secret Services and R2,2 million for the newly established Financial Intelligence Centre were not transferred, and expenditure of R2,9 million on services charges and audit fees was not incurred.

2. Capacity constraints

A general dearth of skilled expertise exists in the economic and financial fields that are central to the National Treasury's work. The Department has an active recruitment programme to acquire the skilled personnel required, and also makes extensive use of intensive training and development programmes both locally and internationally.

3. Utilisation of donor funds

Foreign aid assistance received in cash during the year amounted to R3,7 million (2000/01: R3,2 million) excluding a balance of R730 000 brought forward from the 2000/01 financial year. Expenditure incurred amounted to R5,7 million (2000/01: R2,5 million). The overspending of R1,2 million will be recovered from the applicable donor in the 2002/03 financial year. Assistance in kind in 2001/02 amounted to an estimated R17,3 million.

4. Public entities

The Financial and Fiscal Commission (FFC), a Constitutional institution, was established in terms of Section 220 of the Constitution of the Republic of South Africa and the Financial and Fiscal

Commission Act, Act 99 of 1997. The FFC is an advisory body mandated to make recommendations on financial and fiscal matters to Parliament, the provincial legislatures and any other institution of government when necessary. It submits advice on the division of revenue between the national, provincial and local spheres annually.

The Development Bank of Southern Africa (DBSA), a schedule 2 major public entity, is governed by the Development Bank of Southern Africa Act, Act 13 of 1997. The DBSA is a development finance institution wholly owned by the South African Government.

It supports economic development, growth, human development and institutional capacity building in Southern Africa, primarily through infrastructure investments. As one of five national development finance institutions, the DBSA supplements the flow of private and public funds by forming partnerships with both the public and private sector for infrastructure development projects. The DBSA is self-funding and no funds were transferred to the DBSA during the year under review.

The Accounting Standards Board (ASB), has been established in terms of section 87 of the Public Finance Management Act, Act 1 of 1999 as a schedule 3 public entity. The function of the ASB is to set standards of generally recognised accounting practice, as required by section 216 (1)(a) of the Constitution, for the annual financial statements of departments; public entities; constitutional institutions; municipalities and boards, commissions, companies, corporations, funds or other entities under the ownership control of a municipality; and Parliament and the provincial legislatures. The ASB may do all that is necessary or expedient to perform its functions effectively.

The South African Revenue Service (SARS), a schedule 3 entity reporting to the Minister of Finance, continues to strengthen Government's tax collection capacity and broaden the tax base. SARS has responsibility for implementing a substantial programme of tax reform. In terms of the South African Revenue Service Act, Act 34 of 1997, the basic functions of SARS are to:

- Collect all national taxes, duties and levies
- Collect flat-rate surcharges which may be imposed by provinces on national taxes
- Collect revenue that may be collected under any other legislation, as is agreed upon between SARS and the institution entitled to the revenue
- Advise the Minister of Finance on all revenue related matters.

The Financial Intelligence Centre was established in terms of the Financial Intelligence Centre Act, Act 38 of 2001 as an institution outside the public service but within the public administration. Its principal objective is to assist in the identification of the proceeds of unlawful activities and the combating of money laundering activities.A Money Laundering Advisory Council will steer much of its work. The Minister has appointed the Director for the Centre as contemplated by section 6(1) of the Act. Funding of the Centre will include money appropriated annually by Parliament on the National Treasury Vote.

The Financial Services Board is a statutory body in terms of the Financial Services Board Act, Act 97 of 1990. It supervises control over the activities of non-banking financial services and acts in an advisory capacity to the Minister of Finance. The Board is financed by the financial services industry, with no contribution from Government.

The Financial Services Board supervises those institutions and services in terms of 16 Parliamentary Acts which entrust regulatory functions to the Registrar of Long- and Short-term Insurance, Friendly Societies, Pension Funds, Unit Trust Companies, Stock Exchanges and Financial Markets. Functions include regulatory control over insider trading and the participation bonds industry, certain trust and depository institutions, and central security depositories responsible for the safe custody of securities. These functions are carried out under the office of the Executive Officer acting with other members of the executive and heads of the various departments. The Board is also responsible for the financial supervision of the Road Accident Fund.

The Public Investment Commissioners (PIC) is a statutory body governed in terms of the Public Investment Commissioners Act, Act 45 of 1984 as amended. The Minister of Finance is responsible for appointing the Board, and the Board is responsible for overseeing the activities of the Secretariat and its investment portfolio. The PIC is effectively self-funded and produces its own annual report, which is tabled in Parliament.

The PIC invests and manages surplus funds on behalf of various public sector bodies. Previously the PIC was restricted to the role of a government administrative agency, investing all deposits in gilts and semi-gilts. In 1995 this was extended to include equities and property.

5. Corporate governance arrangements

An Audit Committee has been appointed for the Department and the internal audit function will become operational in 2002. A risk assessment process was concluded during April 2002 and a final report is expected by June 2002.

A fraud prevention plan will be developed as soon as the internal audit function is established. It will include the establishment of a Fraud Prevention Committee, which will develop and maintain the Treasury's fraud prevention strategy.

An Interim Financial Manual was developed and implemented on 1 November 2000 for the newly established National Treasury. The Interim Financial Manual is currently being reviewed and enhanced to ensure that internal controls are more robust and consistent with best practices.

6. Discontinued activities/activities to be discontinued

The National Development Agency (NDA) was established as a statutory body under the National Development Agency Act, Act 108 of 1998. Its primary focus is to promote a partnership between Government and civil society organisations in the implementation of programmes aimed at addressing poverty, contributing to the creation of a healthy, economically vibrant and stable society.

The responsibility for the National Development Agency was transferred from the Treasury to the Department of Social Development with effect from 19 October 2001. As a result, the Department transferred the remainder of the budgeted funds amounting to R92,6 million to the Department of Social Development.

7. Events after the accounting date

Payments to the value of R7,04 million were processed during the period April 2002 to May 2002 that relate to the 2001/02 financial year. These payments are not included in the Annual Financial Statements for the 2001/02 financial year.

As noted in section 1 above, transfers to Lesotho and Namibia amounting to R117,8 million and transfers to local governments amounting to R119,7 million were delayed, and will take place in 2002/03.

8. Progress with financial management improvements

The Department has in most cases concluded the implementation of the Public Finance Management Act, Act 1 of 1999 as amended by Act 29 of 1999. The following projects have been completed successfully:

- Appointment of a Chief Financial Officer
- Appointment of audit committee members
- Implementation of internal control systems
- Implementation of an appropriate procurement and provisioning system, which is fair, equitable, transparent, competitive and cost effective.

The following matters are being addressed:

- Finalisation of a risk assessment
- Establishment of an internal audit function
- Review and enhancement of systems of internal controls
- Implementation of an enhanced asset management system

Approval

The annual financial statements set out on pages 70 to 101 have been approved by the Accounting Officer.

Maria Ramos
Director-General
National Treasury

Date: 31/07/2002

AUDITOR-GENERAL

REPORT

OF THE

AUDITOR-GENERAL

ON THE

ANNUAL FINANCIAL STATEMENTS OF THE NATIONAL TREASURY

FOR

THE YEAR ENDED 31 MARCH 2001

PUBLISHED BY AUTHORITY

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REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE NATIONAL TREASURY VOTE 7

FOR THE YEAR ENDED 31 MARCH 2002

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 70 to 101, for the year ended 31 March 2002, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 3 and 5 of the Auditor-General Act, 1995 (Act No. 12 of 1995). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

2. NATURE AND SCOPE

The audit was conducted in accordance with Statements of South African Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to my attention and are applicable to financial matters.

I believe that the audit provides a reasonable basis for my opinion.

3. AUDIT OPINION

In my opinion, the financial statements fairly present, in all material respects, the financial position of the National Treasury at 31 March 2002 and the results of its operations and cash flows for the year then ended in accordance with prescribed accounting practice.

4. EMPHASIS OF MATTER

Without qualifying the audit opinion expressed above, attention is drawn to the following matters:

4.1 Matters not affecting the financial statements

4.1.1 Audit committee and internal audit

The audit committee met for the first time on 24 May 2002 and is currently in the process of finalising the audit committee mandate and audit charter.

The department had exemption from Treasury Regulation 3.2.3 requiring them to establish an internal audit unit until 30 April 2002. The outsourcing of the internal audit function was subsequently finalised.

4.1.2 Control over assets

Section 38(1)(a) of the Public Finance Management Act, 1999 (Act No. 1 of 1999) requires that the accounting officer of a department must ensure that that department has and maintains effective, efficient and transparent systems of financial management and internal control.

Although a complete asset count has been performed during the year, serial numbers have not been allocated to assets for identification purposes and assets have not been assigned to specific locations. It was therefore not possible to verify the completeness and accuracy of the asset register. The departmenthas indicated that they are in the process of implementing a new asset register that will address these problems.

4.1.3 Special Pensions Board

In terms of section 7 of the Special Pensions Act, 1996 (Act No. 69 of 1996) the Special Pensions Board (SPB) determines who qualifies for benefits and what benefits they qualify for. However, in terms of section 9 of the Special Pensions Act of 1996 the department is responsible for the payment of benefits to beneficiaries who qualify in terms of the said act. These payments amounted to R338 657 000 during the year under review (2001: R128 880 000).

The SPB is the accounting authority and is therefore audited separately from the department. The validity of the said amounts will therefore be established during the audit of the financial statements of the SPB and reported on separately.

5. SECRET SERVICES

Included in Programme Ten of the department's vote is an amount of R983 307 000 which has been transferred to the secret services account in terms of the Secret Services Act, 1978 (Act No. 56 of 1978). This amount has not been subject to this audit but separate reports on the Security Services Special Account, established in terms of section 1 of the Security Services Special Account Act, 1969 (Act No. 81 of 1969), as well as the departmental Account for Secret Funds regarding money transferred to these departments in terms of section 2 of the Secret Services Account Act, 1978, will be tabled in Parliament in due course.

6. APPRECIATION

The assistance rendered by the staff of the National Treasury during the audit is sincerely appreciated.

S A Fakie
Auditor-General
Pretoria
31/07/2002

STATEMENT OF ACCOUNTING POLICIES AND RELATED MATTERS

For the year ended 31 March 2002

The financial statements have been, unless otherwise indicated, prepared in accordance with the following policies, which have been applied consistently in all material respects. However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the financial statements and to comply with the statutory requirements of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999) and the Treasury Regulations for Departments and Constitutional Institutions issued in terms of the Act, as well as the Division of Revenue Act, Act 1 of 2001.

1. Basis of preparation

The financial statements have been prepared on the cash basis of accounting except where stated otherwise. Under the cash basis of accounting transactions and other events are recognised when cash is received or paid. This basis of accounting measures financial results for a period as the difference between cash receipts and cash payments.

2. Revenue

Voted funds are the amounts appropriated to a department in accordance with the final budget known as the adjustment estimate. Interest received is recognised upon receipt of the funds, and no accrual is made for interest receivable from the last receipt date to the end of the reporting period. Unexpended voted funds are surrendered to the National Revenue Fund.

Dividends, interest and levies received are recognised as revenue in the financial statements of the Department and transferred to the relevant Revenue Fund in the year received.

3. Expenditure

Capital and current expenditure is recognised in the income statement when the payment is made. Interest paid is also recognised when paid and no accrual for interest is made between the payment date and the reporting date.

4. Unauthorised, irregular, and fruitless and wasteful expenditure

Unauthorised expenditure means:

- the overspending of a vote or a main division within a vote,

  or

- expenditure that was not made in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Unauthorised expenditure is treated as a current asset in the balance sheet until such expenditure is recovered from a third party, authorised by Parliament, or funded from future voted funds.

Irregular expenditure means expenditure, other than unauthorised expenditure, incurred in contravention of or not in accordance with a requirement of any applicable legislation, including:

- the Public Finance Management Act
- the State Tender Board Act, or any regulations made in terms of this act.

Irregular expenditure is treated as expenditure in the income statement until such expenditure is either not condoned by National Treasury or the Tender Board, at which point it is treated as a current asset until it is recovered from a third party.

Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is treated as a current asset in the balance sheet until such expenditure is recovered from a third party.

5. Debts written off

Debts are written off when identified as irrecoverable. No provision is made for irrecoverable amounts. During the period under review, the Department has written off debts in the following categories:

- Debts older than three years (prescribed out of service debts).
- Debts untraceable and not economically viable to employ tracing agents.

The following principles were applied:

- Recovery of debt would be uneconomical.
- Recovery would cause undue hardship to the debtor or his/her dependants.
- It is advantageous for the State to effect settlement of the claim or to waive the claim.

Departmental write-off policy

Write-offs occur when the Department removes an uncollectable, unreconciled, or unsubstantiated debt from the general ledger and debits the said amount against the special functions programme.

The Chief Financial Officer makes write-off recommendations to the Director-General: National Treasury, upon determination that, despite the best recovery efforts, the debt cannot be recovered. Such circumstances occur when:

- debts are legally without merit
- debt cannot be substantiated by evidence
- costs of debt-recovery actions will exceed anticipated recovery amounts
- debtors cannot be located
- it is not possible to collect any substantial amount
- statutory requirement(s) exists to terminate debt recovery actions

- recovery would cause undue hardship to the debtor or his or her dependants
- it is to the advantage of the Department to effect settlement of its claim or to waive the claim.

Write-offs are appropriate when:

- general ledger and/or subsidiary record account balances are insupportable; or
- the Auditor-General or other auditors have identified the need to adjust the records (e.g. audit findings) and management has agreed with the aforementioned.

Authority for write-offs:

- authorisations are obtained for write-offs prior to their recognition in the general ledger/objective
- appropriate internal control measures have been implemented and are documented;
- all proposed write-offs are recommended by the Chief Financial Officer prior to such requests being submitted to the Director-General for authorisation. Write-offs are only finalised when the Director-General approves such write-offs;
- evidence of the recovery actions and authorisation of the write-off is maintained in accordance with the record retention requirements of the department and is available for scrutiny.

6. Assets

Physical assets (fixed assets, moveable assets and inventories) are written off in full when they are paid for and are accounted for as expenditure in the income statement.

7. Receivables

Receivables are not normally recognised under the cash basis of accounting. However, receivables included in the balance sheet arise from cash payments that are recoverable from another party.

8. Payables

Payables are not normally recognised under the cash basis of accounting. However, payables included in the balance sheet arise from cash receipts that are due to either the National Revenue Fund or another party.

9. Provisions

Provisions are not recognised under the cash basis of accounting.

10. Lease commitments

Lease commitments for the period remaining from the accounting date until the end of the lease contract are disclosed as a note to the financial statements. These commitments are not recognised in the balance sheet as a liability or as expenditure in the income statement as the financial statements are prepared on the cash basis of accounting.

11. Subsequent payments

Payments made after the accounting date that relates to goods and services received before or on the accounting date are disclosed as a note to the financial statements. These payments are not recognised in the balance sheet as a liability or as expenditure in the income statement as the financial statements are prepared on the cash basis of accounting.

12. Employee benefits

Short-term employee benefits

The cost of short-term employee benefits is expensed in the income statement in the reporting period that the payment is made. Short-term employee benefits, that give rise to a present legal or constructive obligation, are deferred until they can be reliably measured and then expensed. Details of these benefits and the potential liabilities are disclosed as a note to the financial statements and are not recognised in the income statement.

Termination benefits

Termination benefits are recognised and expensed only when the payment is made.

Retirement benefits

The Department provides retirement benefits for its employees through a defined benefit plan for government employees. These benefits are funded by both employer and employee contributions. Employer contributions to the fund are expensed when money is paid to the fund. No provision is made for retirement benefits in the financial statements of the Department. Any potential liabilities are disclosed in the financial statements of the National Revenue Fund and not in the financial statements of the employer department.

Medical benefits

The Department provides medical benefits for all its employees through defined benefit plans. These benefits are funded by employer and employee contributions. Employer contributions to the fund are expensed when money is paid to the fund. No provision is made for medical benefits in the financial statements of the department.

Retirement medical benefits for retired members are expensed when the payment is made to the fund.

13. Capitalisation reserve

The capitalisation reserve represents an amount equal to the value of the investments and/or loans capitalised, or deposits paid on behalf of employees of a foreign mission, for the first time in the previous financial year. On disposal, repayment or recovery, such amounts are transferable to the Revenue Fund.

14. Recoverable revenue

Recoverable revenue represents payments made and recognised in the income statement as an expense in previous years, which have now become recoverable from a debtor due to non-performance in accordance with an agreement. Repayments are transferred to the Revenue Fund as and when the repayment is received.

15. Comparative figures

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. The comparative figures shown in these financial statements are limited to the figures shown in the previous years audited financial statements and such other comparative figures that the Department may reasonably have available for reporting.

NATIONAL TREASURY
VOTE 7

INCOME STATEMENT (STATEMENT OF FINANCIAL PERFORMANCE)
For the year ended 31 March 2002

REVENUE	Note	2001/02 (R'000)	2000/01 (R'000)
Voted funds		10,749,497	11,015,157
Other receipts	1	1,464,068	1,935,030
Local and foreign aid assistance (including RDP funds)	2.1	4,501	3,285
TOTAL REVENUE		12,218,066	12,953,472
EXPENDITURE			
Personnel	3	93,559	82,817
Administrative expenditure		19,045	16,887
Inventory		8,392	5,294
Equipment	4	10,262	27,066
Professional and special services	5	260,258	246,883
Transfer payments	6	8,466,395	9,102,545
Miscellaneous	7	1,522,564	1,261,261
Special functions: authorised losses	8	648	2
Local and foreign aid assistance (including RDP funds)	9	5,746	2,555
TOTAL EXPENDITURE		10,386,869	10,745,310
NET SURPLUS FOR THE YEAR		1,831,197	2,208,162

ANALYSIS OF NET SURPLUS FOR THE YEAR

Voted funds to be surrendered to National Revenue Fund	15	368,374	272,402
Revenue surrendered or to be surrendered to National Revenue Fund	16	1,464,068	1,935,030
Local and foreign aid assistance (including RDP Funds)			
- (Recoverable) from donors/Repayable to donors	21.1	(1,245)	730
		1,831,197	2,208,162

NATIONAL TREASURY

BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
as at 31 March 2002

	Note	2001/02 R'000	2000/01 R'000
ASSETS			
Current assets		383,579	382,698
Unauthorised, irregular, and fruitless and wasteful expenditure	10	104,356	104,356
Cash and cash equivalents	12	262,631	8
Receivables	13	14,342	278,107
Prepayments and advances	14	693	227
Local and foreign aid assistance (including RDP funds) recoverable from donor	21	1,557	-
Total assets		383,579	382,698
LIABILITIES			
Current liabilities		383,579	382,698
Voted funds to be surrendered	15	368,374	272,402
Revenue to be surrendered	16	8,107	7,890
Revenue to be surrendered: Civil and military pensions	17	96	8
Bank overdraft	18	-	92,596
Bank overdraft: Civil and military pensions	19	3,584	4,473
Payables	20	3,106	4,599
Local and foreign aid assistance (including RDP funds) repayable to donors	21	312	730
Total liabilities		383,579	382,698
NET ASSET/EQUITY			
		-	-
Capitalisation reserve		-	-
Recoverable revenue		-	-
Local and foreign aid assistance (including RDP funds) rolled over		-	-
Total net asset/equity		-	-

NATIONAL TREASURY

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2002

	Note	2001/02 R'000	2000/01 R'000
Capitalisation reserve			
Opening balance		-	-
Transfer to National Revenue Fund		-	-
Closing balance		-	-
Recoverable revenue			
Opening balance		-	-
Transfer to National Revenue Fund		-	-
Debts raised		-	-
Closing balance		-	-
Local and foreign aid assistance (including RDP funds) rolled over			
Opening balance		-	-
Transfer from income statement		-	-
Transfer to National Revenue Fund		-	-
Closing balance		-	-

NATIONAL TREASURY

CASH FLOW STATEMENT
For the year ended 31 March 2002

	Note	2001/02 R'000	2000/01 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash flow generated by operating activities	23	3,735,604	2,535,700
Cash required (utilised) to decrease / (increase) working capital	24	259,919	(237,514)
Voted funds and revenue funds surrendered	25	(1,736,253)	(2,110,142)
Local and foreign aid assistance (including RDP funds)	21.1	1,245	(730)
Net cash flow available from operating activities		2,260,515	187,314
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equipment	23	(9,153)	(26,013)
Transfer payments (Capital expenditure)	23	(1,895,254)	(301,525)
Net cash outflow from investing activities		(1,904,407)	(327,538)
Net increase/(decrease) in cash and cash equivalents		356,108	(140,224)
Cash and cash equivalents at beginning of period		(97,061)	43,163
Cash and cash equivalents at end of period	26	259,047	(97,061)

NATIONAL TREASURY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
For the year ended 31 March 2002

		Note	2001/02 R'000	2000/01 R'000
1	**Other receipts**			
	Gifts, donations and sponsorships received	1.1	-	13
	Cheques written back		9,944	(290)
	Interest received (*)		979,162	643,781
	Dividends (*)		369,474	311,956
	Recoveries: Housing rent		-	1
	Penalty and estreatments		720	1,243
	Fines and forfeitures		5,209	5,545
	Lloyds Tax (*)		16,600	12,146
	Revenue previous financial year		6,301	10,901
	Premiums on issues of Government Bonds (*)		-	270,145
	Book profits (*)		-	475,683
	Garage rent		44	63
	Commission on insurance		25	54
	Recovery of loans: Auditor-General		3,000	-
	Debt recoveries		91	2
	Other miscellaneous revenue (*)		73,498	203,787
			1,464,068	1,935,030

(*) Other receipts include non-departmental revenue such as interest, dividends and levies received from external parties generated by investments or legislation by National Government. Other receipts are surrendered to the National Revenue Fund on receipt.

			Note	2001/02 R'000	2000/01 R'000
1.1	**Gifts, donations and sponsorships received in cash by the department**				
	Anderson Consulting	ABET Project	1	-	13
				-	13

		Note	2001/02 R'000	2000/01 R'000
2	**Local and foreign aid assistance (including RDP funds)**			
2.1	**Received in cash**			
	Local aid assistance (including RDP funds)	2.2	46	46
	Foreign aid assistance	2.3	4,455	3,239
			4,501	3,285
2.2	**Local aid:**			
	Funds not utilised prior year (Aids program)		46	46
		2.1	46	46
2.3	**Foreign aid:**			
	Funds not utilised prior year		684	10
	Technical Assistance Team (TAT)		1,436	830
	Financial Management Improvement Program (FMIP)		1,200	1,774
	SADC Finance and Investment Protocol		935	625
	International Development Co-operation support program		200	-
		2.1	4,455	3,239
2.4	**Local and foreign aid assistance received in kind**			
	Foreign aid assistance	2.5	17,301	48,185
			17,301	48,185

NATIONAL TREASURY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
For the year ended 31 March 2002

		Note	2001/02 R'000	2000/01 R'000
2.5	**Foreign aid:**			
	Sweden		2,063	2,784
	USAID		13,304	41,550
	German Development Co-operation (GTZ)		463	916
	Sigapore Governement		25	-
	United Kingdom (DFID)		1,446	2,935
			17,301	48,185
3	**Personnel**			
	Basic salary costs		62,114	56,109
	Pension contributions		8,192	7,878
	Medical and contributions		3,732	3,096
	Other salary related costs		19,521	15,734
			93,559	82,817
	Average number of employees		502	491
4	**Equipment**			
	Current (Rentals, maintenance and sundry)		1,109	1,053
	Capital	4.1	9,153	26,013
			10,262	27,066
4.1	**Capital equipment analysed as follows:**			
	Computer equipment		5,810	
	Furniture and office equipment		1,846	
	Other equipment		54	
	Vehicles		659	
	Computer software		784	
		4/23	9,153	

		Current expenditure R'000	Capital expenditure R'000		
5	**Professional and special services**				
	Auditors' remuneration	9,735	-	9,735	5,165
	Consultants and advisory services	39,381	-	39,381	48,065
	Commissions and committees	224	-	224	322
	Other	210,918	-	210,918	193,331
		260,258	-	260,258	246,883

NATIONAL TREASURY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
For the year ended 31 March 2002

6	Transfer payments	Current expenditure R'000	Capital expenditure R'000	2001/02 R'000	2000/01 R'000
	Gauteng Province	337,611	80,860	418,471	614,620
	Kwazulu-Natal	455,029	182,447	637,476	940,157
	Free State	177,561	176,342	353,903	314,799
	Eastern Cape	386,431	277,275	663,706	777,315
	North West Province	182,336	80,536	262,872	360,144
	Northern Cape	55,788	36,411	92,199	97,327
	Western Cape	207,647	67,524	275,171	381,492
	Northern Province/Limpopo	292,471	339,369	631,840	888,546
	Mpumalanga	453,003	159,236	612,239	510,099
	Conditional grants - Provincial governments	2,547,877	1,400,000	3,947,877	4,884,499
	Conditional grants - Local governments	290,250	-	290,250	275,000
	Sectoral Education and Training (SETA)	211	-	211	-
	South African Revenue Service	2,468,285	394,896	2,863,181	2,529,114
	National Development Agency / Department of Social Development	92,690	-	92,690	90,000
	Institute for Public Finance and Auditing (IPFA)	2,632	-	2,632	1,930
	Financial and Fiscal Commission (FFC)	9,258	-	9,258	7,994
	Transfers to entities/institutions	2,573,076	394,896	2,967,972	2,629,038
	Other transfers: (*)				
	International transfers				
	Lesotho and Namibia	448	-	448	145,278
	Purchase of shares: African Development Bank	-	100,358	100,358	32,094
	South African contribution to highly indebted poor countries (HIPC)	49,388	-	49,388	44,242
	United Kingdom Tax	2,465	-	2,465	808
	Local transfers				
	Contribution to Provident Fund for Associated Institutions (PFAI)	474	-	474	503
	Military: Ex Servicemen (#)	50,352	-	50,352	52,062
	Military: SA Citizen Force (#)	67,276	-	67,276	64,103
	SA Legion	60	-	60	50
	Secret Services	983,307	-	983,307	890,043
	Audit Statutory Bodies	6,168	-	6,168	9,825
	Financial Management Improvement Programme (FMIP)	-	-	-	75,000
		1,159,938	100,358	1,260,296	1,314,008
	Total transfers:	6,571,141	1,895,254	8,466,395	9,102,545

(*) Other transfer payments as listed above are made in terms of existing agreements or legislation and are accordingly not subject to written assurance as contemplated by section 38(j) of the PFMA.

(#) Transfer payments to individuals in terms of statutory commitments.

NATIONAL TREASURY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
For the year ended 31 March 2002

7	**Miscellaneous**	**Note**	**2001/02 R'000**	**2000/01 R'000**
	Stabilisation fund (Terminates after 2001)		-	606
	Remissions, refunds and payments made as an act of grace	7.1	8	5
	Other:			
	Contribution to medical schemes		967,746	962,820
	Compensation: Injury on duty		153,717	119,262
	Pension payments: Other		397,286	175,234
	Service charges		3,807	3,334
			1,522,564	1,261,261

7.1	**Remissions, refunds and payments made as an act of grace**	**Current expenditure R'000**	**Capital expenditure R'000**		
	Accident damages	8	-	8	-
	Loss of personal belongings	-	-	-	5
		8	-	8	5

8	**Special functions: Authorised losses**	**Note**		
	Material losses through criminal conduct	8.1	415	-
	Other material losses written off	8.2	106	-
	Debts written off	8.3	127	2
			648	2

8.1	**Material losses through criminal conduct**	**Current expenditure R'000**	**Capital expenditure R'000**		
	Cheque fraud	415	-	415	-
		415	-	415	-

8.2	**Other material losses written off in income statement in current period**				
	Vehicle accidents	23	-	23	-
	Miscellaneous	83	-	83	-
		106	-	106	-

8.3	**Debts written off**				
	Salary overpayments	10	-	10	2
	State guarantees	95	-	95	-
	Bursary debt	5	-	5	-
	Home owners allowance	4	-	4	-
	Housing instalments	10	-	10	-
	Subsistence and travel	1	-	1	-
	Tax debt	2	-	2	-
		127	-	127	2

9	**Local and foreign aid assistance (including RDP funds)**		
9.1	**Expenditure per organisation**		
	European Union Commission	5,746	2,555
		5,746	2,555

NATIONAL TREASURY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
For the year ended 31 March 2002

9.2	Expenditure per standard item	Note	2001/02 R'000	2000/01 R'000
	Personnel		-	904
	Administrative		946	366
	Inventory		4	3
	Equipment		41	106
	Professional and special services		4,755	1,176
			5,746	2,555

10 Unauthorised expenditure, irregular expenditure, and fruitless and wasteful expenditure

		Note	2001/02	2000/01
	Unauthorised expenditure in respect of previous years not yet approved	10.2	104,356	104,356
			104,356	104,356

10.1 Reconciliation of movement in account balance

Opening balance		104,356
Closing balance		104,356
		-

10.2 Unauthorised expenditure in respect of previous years not yet approved

Year disallowed	Incident	Note	2001/02	2000/01
1995/96	Interest payments on outstanding balance to Closed Pension Fund		40,742	40,742
1995/96	Consultant fees		14	14
1995/96	Consultant fees		55	55
1996/97	Interest payments on outstanding balance to Closed Pension Fund		34,119	34,119
1997/98	Interest payments on outstanding balance to Closed Pension Fund		29,244	29,244
1998/98	Virement not requested for Asset and Liability Management		85	85
1998/99	Printing and administrative costs		97	97
		10	104,356	104,356

11 Irregular expenditure

11.1 Irregular expenditure pending condonement by Treasury / Tender Board

Incident	Disciplinary steps taken/ criminal proceedings	2001/02	2000/01
Payment to WEFA as sole supplier of economic information	None - pending condonement		41
Payment to Deloitte & Touchè for legal services rendered	None - pending condonement		36
Payment to New Africa for distribution of the Peoples Guide	None - pending condonement		99
			176

12 Cash and cash equivalents

	Note	2001/02	2000/01
Paymaster General Account (Bank/current account)	12.1	262,624	-
Cash on hand		7	8
		262,631	8

NATIONAL TREASURY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
For the year ended 31 March 2002

		Note	2001/02 R'000	2000/01 R'000
12.1	**Reconciliation of Paymaster General Account/ Exchequer account**			
	Balance as per National Accounting Office		288,656	-
	Add: Outstanding deposits		666	-
	Sub total		289,322	-
	Deduct:		26,698	-
	Orders payable		15	-
	PMG adjustment account		(3)	-
	Claims payable: National Treasury		26,679	-
	Departmental transfers issued		7	-
	Balance above	12	262,624	-

		Note	2001/02 R'000	2000/01 R'000
13	**Receivables - Current**			
	Amounts owing by other departments			
	Outstanding debt: Civil and military pensions		973	2,082
	Staff debtors	13.3	711	814
	Disallowances: Civil and military pensions		4,090	3,693
	Other loans and debtors (*)	13.4	8,568	271,518
		13.2	14,342	278,107

(*) An amount of R257,1 million included in the amount disclosed in the Balance Sheet under 'Receivables' for the 2000/01 financial year originated in 1997 with a payment from the former Department of Finance to African Bank. This payment carried a guarantee as defined in terms of section 70(1)(a) of the PFMA. Outstanding amounts have been recovered from the National Revenue Fund.

13.1 Amounts of R1,3 million (2000/01: R648,000) included above may not be recoverable, but have not been written off in the income statement.

		Note	2001/02 R'000	2000/01 R'000
13.2	**Age analysis**			
	Less than one year		5,609	4,451
	One to two years		3,861	3,400
	More than two years		4,872	270,256
		13	14,342	278,107
13.3	**Staff debtors**			
	Departmental debt		699	814
	Other debt		12	-
		13	711	814

NATIONAL TREASURY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
For the year ended 31 March 2002

		Note	2001/02 R'000	2000/01 R'000
13.4	**Other loans and debtors**			
	Claims recoverable:		**5,034**	**2,009**
	National and provincial departments: Financial Management Systems		3,003	580
	Telkom		214	215
	Government Employees Pension Fund		1,329	953
	Other		488	261
	General accounts:		**3,534**	**269,509**
	Travel agencies		38	14
	State guarantees		1,063	4,340
	Theft and losses		281	808
	Other		2	28
	General claims: personnel transfers		273	728
	Medical scheme deductions		-	10
	Salary reversals		-	23
	Receipt control		-	23
	Military ex-payments		1,551	355
	Dishonoured cheques		6	6
	Disallowances		320	256,092
	Paymaster-General Account		-	7,082
		13	8,568	271,518
14	**Prepayments and advances**			
	Travel and subsistence advances		572	125
	Other advances: Non employees		-	1
	Advance: Eastern Cape - GG Transport		29	35
	Advances made to Post Office: Civil and military pensions		92	66
			693	227
15	**Voted funds to be surrendered to National Revenue Fund**			
	Opening balance		272,402	179,712
	ADD: Transfer from income statement		368,374	272,402
	LESS: Paid during the year		272,402	179,712
	Closing balance	25	368,374	272,402
16	**Revenue funds to be surrendered**			
	Opening balance		7,890	3,290
	ADD: Transfer from income statement for revenue surrendered		1,464,068	1,935,030
	LESS: Paid during the year		1,463,851	1,930,430
	Closing balance	25	8,107	7,890
17	**Revenue funds to be surrendered: Civil and military pensions**			
	Opening balance		8	-
	ADD: Transfer from income statement for revenue to be surrendered		96	8
	LESS: Paid during the year		8	-
	Closing balance		96	8

NATIONAL TREASURY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
For the year ended 31 March 2002

		Note	2001/02 R'000	2000/01 R'000
18	**Bank Overdraft**			
	Paymaster General Account (Bank/current account)	18.1	-	92,596
18.1	**Reconciliation of Paymaster General Account/ Exchequer account**			
	Balance as per National Accounting Office		-	39,477
	LESS: Outstanding deposits		-	(191)
	Sub total		-	39,286
	ADD:		-	53,310
	Orders payable outstanding		-	291
	PMG adjustment account		-	6,954
	Claims payable: National Treasury		-	43,844
	Departmental transfers issued		-	2,168
	Receipt deposit		-	23
	ACB control account		-	30
	Balance above		-	92,596
19	**Bank Overdraft: Civil and military pensions**			
	Paymaster General Account (Bank/current account)	19.1	3,584	4,473
19.1	**Reconciliation of Paymaster General Account/ Exchequer account**			
	Balance as per National Accounting Office		3,446	3,386
	LESS: Outstanding deposits		(3)	-
	Balance ABSA		(56)	-
	Sub total		3,387	3,386
	ADD:		197	1,087
	Orders payable		2	984
	Uncashed Post Office vouchers		195	103
	Balance above	19	3,584	4,473
20	**Payables - Current**			
	Advances received	20.1	1,244	2,894
	Other payables	20.2	1,862	1,705
			3,106	4,599
20.1	**Advances received**			
	National and provincial departments: Implementation and support - Basic Accounting System		1,244	2,467
	National and provincial departments: Implementation and support - PERSAL		-	427
		20	1,244	2,894

NATIONAL TREASURY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
For the year ended 31 March 2002

		Note	2001/02 R'000	2000/01 R'000
20.2	**Other payables**			
	Income tax deduction payable		7	62
	Pension contribution payable		23	8
	ACB recalls: PERSAL		-	76
	General account VAT foreign assistance		196	-
	Unpaid/recall payments (Pensions Administration)		-	44
	Debt payments received		-	5
	Recoverable revenue: Civil and military pensions		1,475	1,361
	Recoverable income		67	19
	Receivable interest		94	130
		20	1,862	1,705
21	**Local and foreign aid assistance (including RDP funds) repayable to donors**			
	European Union Commission		266	684
	National Department of Health		46	46
			312	730
	Local and foreign aid assistance (including RDP funds) recoverable from donors			
	European Union Commission		1,557	-
			1,557	-
21.1	**Reconciliation of account**			
	Opening balance		730	316
	ADD: Funds received		3,771	2,969
	LESS: Actual Expenditure		5,746	2,555
	Closing balance (recoverable from)/repayable to donor		(1,245)	730

NATIONAL TREASURY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
For the year ended 31 March 2002

22 Transactions with other departments

Name of department	Receipts balance R'000	Payments made R'000	Owing by Other department R'000	Owing to Other department R'000
Defence	26	524	-	-
Justice	-	1,103	-	-
Social Development	-	92,690	-	-
Public Works	-	26	10	-
Foreign Affairs	-	6	-	41
Environmental Affairs and Tourism	35	17	-	-
Health	103	34	-	-
Housing	41	17	-	-
Labour	23	14	-	-
Land Affairs	-	19	-	-
Trade and Industry	28	26	17	-
National Intelligence Agency	-	-	18	-
Statistics SA	9	8	-	-
Presidency	-	41	-	-
Education	-	11	-	-
Communications	103	-	3	-
Home Affairs	-	-	38	-
Actual 2001/02: R'000	368	94,536	86	41
Actual 2000/01: R'000	312	883	341	-

23 Net cash flow generated by operating activities

	Note	2001/02 R'000	2000/01 R'000
Net surplus as per Income Statement		1,831,197	2,208,162
Adjusted for items separately disclosed		1,904,407	327,538
Purchase of equipment	4.1	9,153	26,013
Transfer payments (Capital Expenditure)	6	1,895,254	301,525
Net cash flow generated by operating activities		3,735,604	2,535,700

24 Cash generated (utilised) to decrease / (Increase) working capital

	2001/02 R'000	2000/01 R'000
Decrease in receivables (Note 13)	263,765	47,261
(Increase)/decrease in prepayments and advances	(466)	454
Decrease in payables	(1,493)	(285,881)
Increase/(decrease) in local and foreign aid assistance (including RDP funds)	(1,975)	644
Increase in other current liabilities	88	8
	259,919	(237,514)

25 Voted funds and Revenue funds surrendered

	Note	2001/02 R'000	2000/01 R'000
Voted funds surrendered	15	272,402	179,712
Revenue funds surrendered	16	1,463,851	1,930,430
		1,736,253	2,110,142

NATIONAL TREASURY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
For the year ended 31 March 2002

26	Consolidated cash and cash equivalents	Note	2001/02	2000/01
			R'000	R'000
	Paymaster General Account (Bank/current account)	12	262,624	(92,596)
	Cash on hand	12	7	8
	Paymaster General Account (Bank/current account): Civil and military pensions	19	(3,584)	(4,473)
			259,047	(97,061)

27	Contingent liabilities				
	Liable to	Nature of contingent liability			
	Motor vehicle guarantees	Employees	27.1	731	891
	Housing loan guarantees	Employees	27.2	882	1,061
	Short-term employee benefits (*)	Employees	27.3	19,311	
				20,924	1,952

(*) Disclosure not required for the 2000/01 financial period

27.1	Motor vehicle guarantees		Outstanding Capital
	Name of financial institution		R'000
	Stannic		731
		27	731

27.2	Housing loan guarantees Name of financial institution	Opening balance	Guarantees issued during the financial year	Guarantees released during the financial year	Closing balance
		R'000	R'000	R'000	R'000
	ABSA Bank	260	7	66	201
	FBC Fidelity	29	15	13	31
	First National Bank	15	-	15	-
	Natal Building Society (NBS)	30	-	30	-
	Nedbank	24	-	-	24
	Nedcor (Permanent Bank)	119	-	31	89
	Saambou Bank	350	21	69	302
	Standard Bank	234	22	40	216
	VBS Mutual Bank	-	19	-	19
		1,061	85	264	882

27.3	Short-term employee benefits	Note	2001/02
			R'000
	Leave entitlement		12,629
	Thirteenth cheque		2,182
	Performance bonus		4,500
			19,311

28	Subsequent payments not recognised in income statement	
28.1	Listed by standard item	2001/02
		R'000
	Administrative expenditure	118
	Inventory	87
	Equipment	560
	Professional and special services	6,276
		7,041

NATIONAL TREASURY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
For the year ended 31 March 2002

28.2 Listed by programme level

	Note	2001/02 R'000
Programme 1: Administration		1,062
Programme 2: Economic planning and budget management		1,057
Programme 3: Asset and liability management		42
Programme 4: Procurement management and financial systems		4,787
Programme 5: Financial accounting and reporting		93
		7,041

29 Leases

	Property	Equipment	2001/02 R'000
Not later than 1 year	-	1,257	1,257
Later than 1 year and not later than 5 years	-	6,419	6,419
Present value of lease commitments	-	7,676	7,676

30 Controlled entities

Entity's name:
Coin Liability (SA Reserve Bank subsidiary)
Corporation for Public Deposits
Development Bank of Southern Africa
Financial and Fiscal Commission
Financial Services Board
Unit Trust Advisory Committee
Independent Development Trust
Public Accountants and Auditors Board
Policy Board for Financial Services Regulation
Public Investment Commissioners
SA Banknote Company
SA Mint Company
South African Reserve Bank
South African Revenue Service
South African Special Risks Insurance Association (SASRIA)
Special Pension Board
Special Pension Advisory Board
State Tender Board
Tax (Katz) Commission

31 Key management personnel

31.1 Remuneration

Designation	Number of individuals	2001/02 R'000
Minister	1	646
Deputy Minister	1	477
Director-General	1	673
Deputy Directors-General	7	3,108
		4,904

NATIONAL TREASURY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
For the year ended 31 March 2002

31.2 Other remuneration and compensation provided to key management

Designation	Number of individuals	2001/02 R'000
Minister	1	-
Deputy Minister	1	-
Director-General	1	-
Deputy Directors-General	7	259
		259

NATIONAL TREASURY

APPROPRIATION STATEMENT
For the year ended 31 March 2002

Programme	Adjustment estimate 2001/02 R'000	Virement 2001/02 R'000	Amount Voted 2001/02 R'000	Total Budget 2001/02 R'000	Expenditure 2001/02 R'000	Savings (Excess) 2001/02 R'000	%	Amount Voted 2000/01 R'000	Expenditure 2000/01 R'000
1 Administration	-	17,870	68,398	86,268	61,536	24,732	29	83,801	69,211
2 Economic planning and budget management	-	15,000	75,009	90,009	53,802	36,207	40	68,365	45,687
3 Asset and liability management	-	1,820	17,908	19,728	16,159	3,569	18	17,539	16,297
4 Procurement management and financial systems	-	(54,367)	311,483	257,116	222,551	34,565	13	20,635	19,249
5 Financial accounting and reporting	-	850	18,811	19,661	15,236	4,425	23	310,498	280,769
6 Fiscal transfers	165,000	59,417	3,008,694	3,233,111	3,115,323	117,788	4	2,920,632	2,848,721
7 Civil pensions and other benefits	-	(42,790)	1,576,709	1,533,919	1,533,621	298	-	1,318,258	1,274,167
8 Military pensions and other benefits	-	-	145,386	145,386	130,837	14,549	10	131,957	125,950
9 Provincial and local transfers	1,400,000	-	2,957,877	4,357,877	4,238,127	119,750	3	5,234,500	5,159,499
10 Auxiliary and associated services	8,000	2,200	996,222	1,006,422	993,283	13,139	1	908,972	903,203
Special functions: Authorised losses	-	-	-	-	648	(648)	-	-	2
Total	1,573,000	-	9,176,497	10,749,497	10,381,123	368,374	3	11,015,157	10,742,755

Economic classification - Actual expenditure	Adjustment estimate 2001/02 R'000	Virement 2001/02 R'000	Amount Voted 2001/02 R'000	Total Budget 2001/02 R'000	Expenditure 2001/02 R'000	Savings (Excess) 2001/02 R'000	%	Amount Voted 2000/01 R'000	Expenditure 2000/01 R'000
Current									
Personnel	-	(4,960)	118,307	113,347	93,559	19,788	17	109,416	82,817
Transfer payments	353,000	44,415	6,435,492	6,832,907	6,571,141	261,766	4	8,899,675	8,801,020
Other	-	(64,173)	1,955,780	1,891,607	1,812,085	79,522	4	1,593,158	1,531,380
Capital									
Transfer payments	1,220,000	18,358	656,898	1,895,256	1,895,254	2	-	373,433	301,525
Acquisition of capital assets	-	6,360	10,020	16,380	9,084	7,296	45	39,475	26,013
Total	1,573,000	-	9,176,497	10,749,497	10,381,123	368,374	3	11,015,157	10,742,755

NATIONAL TREASURY

APPROPRIATION STATEMENT
For the year ended 31 March 2002

Standard items - actual expenditure	Adjustment estimate 2001/02 R'000	Virement 2001/02 R'000	Amount Voted 2001/02 R'000	Total Budget 2001/02 R'000	Expenditure Expenditure 2001/02 R'000	Savings (Excess) 2001/02 R'000	%	Amount Voted 2000/01 R'000	Expenditure 2000/01 R'000
Personnel	-	(4,960)	118,307	113,347	93,559	19,788	17	109,416	82,817
Administrative	-	(1,530)	31,723	30,193	19,045	11,148	37	20,032	16,887
Inventories	-	1,377	8,500	9,877	8,392	1,485	15	7,634	5,294
Equipment	-	12,771	12,801	25,572	10,262	15,310	60	39,475	27,066
Professional and special services	-	(24,341)	342,559	318,218	260,259	57,959	18	260,210	246,883
Transfer payments	1,573,000	62,773	7,092,390	8,728,163	8,466,395	261,768	3	9,273,108	9,102,545
Miscellaneous	-	(46,090)	1,570,217	1,524,127	1,522,563	1,564	-	1,305,282	1,261,261
Special functions: Authorised losses	-	-	-	-	648	(648)	-	2	2
Total	1,573,000	-	9,176,497	10,749,497	10,381,123	368,374	3	11,015,159	10,742,755

NATIONAL TREASURY

NOTES TO THE APPROPRIATION STATEMENT
For the year ended 31 March 2002

1. Explanations of material variances from amounts voted (after Virement):

1.1 Per programme:
Please refer to Management Report

1.2 Per standard item
Please refer to Management Report

2. Reconciliation of appropriation statement to income statement:

	2001/02	2000/01
	R'000	R'000
Total revenue per income statement	12,218,066	12,953,472
Less: Other receipts	1,464,068	1,935,030
Less: Local and foreign aid assistance(including RDP funds)	4,501	3,285
	10,749,497	11,015,157
Total expenditure per income statement	10,386,869	10,745,310
Less: Amount spent on local and foreign aid assistance (including RDP funds)	5,746	2,555
Actual expenditure per appropriation statement	-10,386,869	-10,745,310

NATIONAL TREASURY

SUMMARY INCOME STATEMENT OF AID ASSISTANCE RECEIVED
For the year ended 31 March 2002

	Note	2001/02 R'000	2000/01 R'000
Received in kind			
Total foreign aid assistance	2.4	17,301	48,185
Sweden		2,063	2,784
USAID		13,304	41,550
Sigapore Government		25	-
German Development Co-operation (GTZ)		463	916
United Kingdom (DFID)		1,446	2,935
Aid assistance received in kind		17,301	48,185
Received in cash			
Total foreign aid assistance	2.3	3,771	3,229
European Union Commission		3,771	3,229
Aid assistance received in cash		3,771	3,229
Less:			
Donor funded expenditure			
Total foreign aid assistance		23,047	50,740
European Union Commission	9	5,746	2,555
Recovery of expenses paid in kind		17,301	48,185
Aid assistance paid in cash		23,047	50,740
Net (deficit) / surplus		(1,975)	674
Analysis:			
Opening balance	2	730	56
Net (deficit) / surplus		(1,975)	674
(Recoverable from)/repayable to donors		(1,245)	730

NATIONAL TREASURY

ANALYSIS OF DONOR FUNDED EXPENDITURE PAID IN CASH
For the year ended 31 March 2002

	Foreign aid assistance	
	European Union Commission R'000	Total R'000
Expenditure per standard item		
Administrative	946	946
Inventory	4	4
Equipment	41	41
Professional and special services	4,755	4,755
	5,746	5,746

NATIONAL TREASURY

STATEMENT OF LOCAL AID ASSISTANCE RECEIVED (INCLUDING RDP)
For the year ended 31 March 2002

Source of funds	Intended use	Amount rolled over 1-Apr-01 R'000	Amount received for the year R'000	Amount spent for the year R'000	Balance un/overspent as at 31-March-02 R'000
National Department of Health	HIV/AIDS Program	46	-	-	46
		46	-	-	46

Source of funds	Intended use	Amount rolled over 1-Apr-00 R'000	Amount received for the year R'000	Amount spent for the year R'000	Balance un/overspent as at 31-March-01 R'000
National Department of Health	HIV/AIDS Program	46	-	-	46
		46	-	-	46

Performance information on use of assistance:

HIV/AIDS Program

Funds received from the National Department of Health will be used to supplement the Department's HIV/Aids awareness program.

STATEMENT OF FOREIGN AID ASSISTANCE RECEIVED
For the year ended 31 March 2002

PERFORMANCE INFORMATION ON USE OF ASSISTANCE:

TECHNICAL ASSISTANCE TEAM (TAT)

The Technical Assistance Team (TAT) has focussed on assistance with donor co-ordination structures, project management structures and systems and assistance to European Commission funded projects in particular. The emphasis has been on restructuring and dealing with the process of formulating rationale, developing inputs for riders and assistance with regards to inputs for final reports.

The main departments assisted in the course of the year 2001/02 were: Department of Public Service and Administration, Department of Defense (Service Corps), Department of Health, Department of Social Development, Department of Housing (Social Housing Foundation), South African Police Services and South African Management Development Institute.

Up to date a total of 40 requests have been received. Out of these requests 22 projects are currently running and 13 projects have been completed.

FINANCIAL MANAGEMENT IMPROVEMENT PROGRAM (FMIP)

The Financial Management Improvement Programme (FMIP) exists to support the Treasury in meeting its Constitutional responsibilities and to improve the performance and accountability of National Government for the South African people. FMIP helps develops public sector frameworks on Internal Audit, Asset Management, and Generally Recognised Accounting Practice, including the transition to Accrual Accounting.

FMIP works to continuously improve the economy, efficiency and effectiveness of National Government through evaluations, research, and other assistance. FMIP's activities are designed to ensure National Departments and Provinces improved financial management performance as required by the Constitution and the government's accountability to the South African people.

In fiscal 2002, FMIP pursued outlined targets, a schedule detailing seven objectives, as agreed between the European Commission and the Office of the Accountant-General. The European Commission granted an extension on Work Plan 1 from March to April 2002 to accommodate an administrative lapse on the part of FMIP management.

SADC FINANCE AND INVESTMENT PROTOCOL

The first annual work plan for the SADC Finance and Investment Protocol was compiled early during the year 2000. So far, memorandums of understanding (MOUs) have been drawn up in each of the areas, although some of the MOUs have not been concluded due to delays in obtaining approval from the state law advisors of the 14 member states.

Further progress has also been made with the establishment of a Project Management Unit (PMU) during April 2002. The PMU, which is located in Gaborone, Botswana, will be responsible for managing the protocol development process over the next 2 years.

Early during 2001, SADC embarked on a process of substantial restructuring. This resulted in phasing out of the SADC Finance and investment Sector Co-ordinating Unit's (FISCU's) functions and the creation of a new Directorate under the auspices of the SADC Secretariat in Gaborone, Botswana with effect from 2 August 2001.

STATEMENT OF FOREIGN AID ASSISTANCE RECEIVED
For the year ended 31 March 2002

Responsibility for administering funding in terms of the project will shift to the SADC Secretariat once an agreement has been concluded between the South African Government and the SADC Secretariat in this regard.

INTERNATIONAL DEVELOPMENT CO-OPERATION SUPPORT PROGRAM

A co-operation agreement between the European Commission and the National Treasury was signed in January 2001 to support the Chief Directorate: International Development Co-operation (IDC) in the National Treasury. The contribution of the donor amounts to Euros 4.8 million over a period of 4 years.

The first annual business plan was approved in October 2001, and implementation has started since. By the end of the financial year 2001/2002, no expenditure had been incurred.

Main progress were regarding the following:

- Articulation of a South African development priority framework to guide Official development Association programming
- ODA Information Management
- ODA Management Capacity-Building
- Strengthening of IDC
- Study/Innovation Fund

Pending applications for assistance:

Source of assistance	**Intended use**	**2001/02** **R'000**	**2000/01** **R'000**
United Kingdom	Budget reform (Phase 2)	-	29,586
European Union Commission	International Development Co-operation Support Program in the form of a grant and technical assistance	-	33,347
		-	62,933

NATIONAL TREASURY

STATEMENT OF FOREIGN AID ASSISTANCE RECEIVED
For the year ended 31 March 2002

Source of funds	Intended use	Amount un/overspent 1-Apr-01 R'000	Amount received for the year R'000	Amount spent for the year R'000	Balance un/overspent as at 31-March-02 R'000
European Union Commission	International Development Co-operation	10	-	-	10
European Union Commission	Technical Assistance Team (TAT)	29	1,436	3,022	(1,557)
European Union Commission	Financial Management Improvement Program (FMIP)	564	1,200	1,708	56
European Union Commission	SADC Finance and Investment Protocol	81	935	1,016	-
European Union Commission	International Development Co-operation support program	-	200	-	200
		684	3,771	5,746	(1,291)

Source of funds	Intended use	Amount un/overspent 1-Apr-00 R'000	Amount received for the year R'000	Amount spent for the year R'000	Balance un/overspent as at 31-March-01 R'000
European Union Commission	International Development Co-operation	10	-	-	10
European Union Commission	Technical Assistance Team (TAT)	-	829	800	29
European Union Commission	Financial Management Improvement Program (FMIP)	-	1,774	1,210	564
European Union Commission	SADC Finance and Investment Protocol	-	626	545	81
		10	3,229	2,555	684

Value received in kind

Source of foreign aid	Intended use	2001/02 R'000	2000/01 R'000
Sweden	Revised budget reporting formats and technical assistance	2,063	2,784
USAID	Formulate and coordinate growth promoting economic policies by providing, technical assistance, research support and training	13,304	41,550
German Development Co-operation (GTZ)	Technical assistance	463	916
Singapore Government	IT progam	25	-
United Kingdom (DFID)	Technical assistance	1,446	2,935
		15,855	45,250

NATIONAL TREASURY
VOTE 7

BUDGET RECONCILIATION FOR THE YEAR ENDED 31 MARCH 2002

	Actual 2002 R'000	Actual 2001 R'000
Amount appropriated, excluding rollover	9 176 497	8 371 957
Add: Improvements of conditions of service	-	-
Add: Adjustment estimate	1 573 000	2 643 200
Rollover from previous year	45 000	147 005
Additional funds	1 528 000	2 417 312
Funds released from other votes	-	78 883
Less: Suspensions included in adjustments estimate	-	-
Less: Total expenditure: Authorised programmes	10 380 467	10 742 755
Authorised losses	648	2
Internal charges	8	5
Surplus per appropriation accounts	368 374	272 395
Less: Suspensions not included in adjustment estimate	-	-
Less: Unauthorised and other expenditure not included in expenditure	-	8 509
Others: Section 14(3)(d) of the Exchequer Act, 1975 (Act No. 66 of 1975) (Previous year)	-	-
Allocation divided and spread over 2001 – 2002 and 2002 – 2003 financial years	-	-
Amounts to be surrendered	368 374	263 886
Less: Rolled over / carried forward	272 424	125 000
Amount not utilised	95 950	138 886
Amount not utilised as percentage of total appropriation	1,05%	1,66%
Amount not utilised as percentage of adjustments estimate	0,89%	1,26%

Maria Ramos
DIRECTOR-GENERAL: NATIONAL TREASURY
DATE