

# **PROVINCIAL TREASURY**

Strategic Plan  
For  
Fiscal Years  
2015 – 2020

# **FREE STATE PROVINCE**

## FOREWORD



With the review of our strategic plan, the Free State Provincial Treasury re-committed itself to instil prudent financial management and good governance in the province in pursuit of our vision of service excellence in the public sector, for a better life for all in the Free State.

Much work has already been done to promote sound financial management at provincial and local government level. The current economic realities and the need for fiscal consolidation require provincial and local government to identify savings and improve the way in which money is spent. This needs us to double our efforts to improve accountability and ensure financial sustainability.

Whilst continuing to monitor and support provincial departments and public entities, there will be a greater emphasis on hands-on support to municipalities to improve the audit outcomes and financial health of municipalities. We will be working closely with all stakeholders, at local, provincial and national level, which are involved in endeavours to improve financial management in municipalities. As much as we are committed to support departments, municipalities and entities, we will also not hesitate to assert ourselves and take action to enforce transparency and effective management when required.

We have reviewed our strategic goals and objectives to ensure that we align ourselves with national and provincial priorities. We are in the process of reviewing the organisational structure and ways of working to ensure that we are positioned to effectively execute our mandate. Given the current financial constraints the emphasis will be on achieving more with less.

The Provincial Treasury has set a good example by achieving an unqualified with no findings audit opinion (clean audit) for five consecutive years and we intend to continue leading by example. We will strive to continuously improve our policies and practices to remain a well-run department.

We are committed to the province and its people and will play our part to ensure good governance in pursuit of a better life for all in the Free State.

A handwritten signature in black ink, appearing to read 'Me EC Rockman', written in a cursive style.

**Me EC Rockman**

**Executive Authority: Free State Provincial Treasury**

# OFFICIAL SIGN-OFF



It is hereby certified that this Strategic Plan:

- Was developed by the management of the Free State Provincial Treasury under the guidance of MEC EC Rockman.
- Takes into account all the relevant policies, legislation and other mandates for which the Free State Provincial Treasury is responsible.
- Accurately reflects the strategic goals and objectives which the Free State Provincial Treasury will endeavour to achieve over the period 2015 – 2020.

**Me AMJ HATTINGH**  
Senior Manager: Strategic Planning

Signature:  \_\_\_\_\_

**Mr ATM MABIJA**  
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Signature:  \_\_\_\_\_

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## ABBREVIATIONS AND ACRONYMS

AFS	Annual Financial Statement
CEO	Chief Executive Officer
CFO	Chief Financial Officer
FSGDS	Free State Growth and Development Strategy
GDP	Gross Domestic Product
ICT	Information and Communication Technology
IDMS	Infrastructure Delivery Management System
IYM	In-Year Monitoring
KCM	Key Control Matrix
MEC	Member of the Executive Council
MFM	Municipal Finance Management
MFMA	Municipal Finance Management Act
MTBPS	Medium Term Budget Policy Statement
MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategic Framework
MPAT	Management Performance Assessment Tool
NDP	National Development Plan
NGP	New Growth Plan
PERO	Provincial Economic Review and Outlook
PFMA	Public Finance Management Act
PPP	Public-private partnership
SCM	Supply Chain Management
SITA	State Information Technology Agency
SDIP	Service Delivery Improvement Plan
SMME	Small, Medium and Micro Enterprises
SMS	Senior Management Service

# PART A: STRATEGIC OVERVIEW

## 1 Vision

*Your partner in financial management and service excellence in the public sector, for a better life for all in the Free State*

## 2 Mission

*To instil prudent financial management and good governance*

## 3 Values

The actions of every Provincial Treasury employee will be guided by the following values and principles:

- **Collaborative**

*We will be considerate in working with our stakeholders to realize shared goals. We will be devoted, dedicated and involved*

- **Integrity**

*We will conduct ourselves with uncompromising standards and principles as individuals, as teams and as a department*

- **Accountability**

*We will honour our commitments; we will take responsibility and we will act in a transparent manner*

- **Assertive**

*We will be honest, firm and decisive in our interaction with stakeholders*

- **Proactive**

*We will stay ahead by anticipating rather than reacting. We will be innovative and diligently seek new ways to address challenges*

## 4 Legislative and other mandates

### 4.1 Constitutional mandates

The existence of the department and its operations are governed by the following constitutional mandates:

**The Constitution of the Republic of South Africa, Act No. 108 of 1996**

#### **National, provincial and municipal budgets**

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- (1) national, provincial and municipal budgets and budgetary processes must promote transparency, accountability and effective financial management of the economy, debt and the public sector
- (2) national legislation must prescribe -
  - (a) the form of national, provincial and municipal budgets;
  - (b) when national and provincial budgets must be tabled; and
  - (c) that budgets in each sphere of government must show the sources of revenue and the way in which proposed expenditure will comply with national legislation.
- (3) budgets in each sphere of government must contain –
  - (a) estimates of revenue and expenditure, differentiating between capital and current expenditure;
  - (b) proposals for financing any anticipated deficit for the period for which they apply, and
  - (c) an indication of intentions regarding borrowing and other forms of public liability that will increase public debt during the ensuing year.

## 4.2 Legislative mandates

The existence of the department and its operations are governed by the following legislative mandates:

### Public Finance Management Act, No. 1 of 1999 (as amended)

#### 18. Functions and powers

(1) A provincial treasury must--

- (a) prepare the provincial budget;
- (b) exercise control over the implementation of the provincial budget;
- (c) promote and enforce transparency and effective management in respect of revenue, expenditure, assets and liabilities of provincial departments and provincial public entities; and
- (d) ensure that its fiscal policies do not materially and unreasonably prejudice national economic policies.

2) A provincial treasury--

- a) must issue provincial treasury instructions not inconsistent with this Act;
- b) must enforce this Act and any prescribed national and provincial norms and standards, including any prescribed standards of generally recognized accounting practice and uniform classification systems, in provincial departments;
- c) must comply with the annual Division of Revenue Act, and monitor and assess the implementation of that Act in provincial public entities;
- d) must monitor and assess the implementation in provincial public entities of national and provincial norms and standards;
- e) may assist provincial departments and provincial public entities in building their capacity for efficient, effective and transparent financial management;
- f) may investigate any system of financial management and internal control applied by a provincial department or a provincial public entity;
- g) must intervene by taking appropriate steps, which may include the withholding of funds, to address a serious or persistent material breach of this Act by a provincial department or a provincial public entity;
- h) must promptly provide any information required by the National Treasury in terms of this Act; and
- i) may do anything further that is necessary to fulfil its responsibilities effectively.

#### 19. Annual consolidated financial statements

(1) A provincial treasury must –

- (a) prepare consolidated financial statements, in accordance with generally recognised accounting practice, for each financial year in respect of –
  - (i) provincial departments in the province
  - (ii) public entities under the ownership control of the provincial executive of the province; and
- (b) submit those statements to the Auditor-General within three months after the end of that financial year.

(2) The Auditor-General must audit the consolidated financial statements and submit an audit report on the statements to the provincial treasury of the province concerned within three months of receipt of the statements.

(3) The MEC for finance in a province must submit the consolidated financial statements and the audit

report, within one month of receiving the report from the Auditor-General, to the provincial legislature for tabling in the legislature

- (4) The consolidated financial statements must be made public when submitted to the provincial legislature.
- (5) If the MEC for finance fails to submit the consolidated financial statements and the Auditor-General's audit report on those statements to the provincial legislature within seven months after the end of the financial year to which those statements relate –
  - (a) the MEC must submit to the legislature a written explanation setting out the reasons why they were not submitted; and
  - (b) the Auditor-General may issue a special report on the delay

#### **21. Control of the Provincial Revenue Funds**

- (1) The Provincial Treasury of a province is in charge of that province's Provincial Revenue Fund and must enforce compliance with the provisions of section 226 of the Constitution, namely that-
  - (a) all money received by the provincial government must promptly be paid into the Fund, except money reasonably excluded by this Act or another Act of Parliament; and
  - (b) no money may be withdrawn from the Fund except-
    - (i) in terms of an appropriation by a provincial Act; or
    - (ii) as a direct charge against the Fund when it is provided for in the Constitution or a provincial Act.
- (2) Money that must be paid into the Provincial Revenue Fund is paid into the Fund by depositing it into a bank account of the Fund in accordance with any requirements that may be prescribed.
- (3) A Provincial Treasury must establish appropriate and effective cash management and banking arrangements for its Provincial Revenue Fund in accordance with the framework that must be prescribed in terms of section 7.

#### **24. Withdrawals and investments from Provincial Revenue Funds**

- (1) Only a Provincial Treasury may withdraw money from a Provincial Revenue Fund, and may do so only-
  - (a) to provide funds that have been authorised-
    - (i) in terms of an appropriation by a provincial Act; or
    - (ii) as a direct charge against the Provincial Revenue Fund provided for in the Constitution or a provincial Act;
  - (b) to refund any money incorrectly paid into, or which is not due to, the Provincial Revenue Fund; or
  - (c) to deposit into or invest money in the National Revenue Fund.
- (2) A payment in terms of subsection (1) (b) or (c) is a direct charge against a Provincial Revenue Fund if a provincial Act so provides.
- (3) (a) A Provincial Treasury, in accordance with a prescribed framework, may invest temporarily in the Republic money in the province's Provincial Revenue Fund that is not immediately needed,
  - (b) When money in a Provincial Revenue Fund is invested, the investment, including interest earned, is regarded as part of the Fund.

#### **27. National annual budgets**

- (2) The MEC for finance in a province must table the provincial annual budget for a financial year in the provincial legislature not later than two weeks after the tabling of the national annual budget,

but the Minister may approve an extension of time for the tabling of a provincial budget.

- (3) An annual budget must be in accordance with a format as may be prescribed, and must at least contain-
- (a) estimates of all revenue expected to be raised during the financial year to which the budget relates;
  - (b) estimates of current expenditure for that financial year per vote and per main division within the vote;
  - (c) estimates of interest and debt servicing charges, and any repayments on loans;
  - (d) estimates of capital expenditure per vote and per main division within a vote for that financial year and the projected financial implications of the expenditure for future financial years;
  - (e) estimates of revenue exclude in terms of section 13 (1) or 22 (1) from the relevant Revenue Fund for that financial year;
  - (f) estimates of all direct charges against the relevant Revenue Fund and standing appropriations for that financial year;
  - (g) proposals for financing any anticipated deficit for that financial year;
  - (h) an indication of intentions regarding borrowing and other forms of public liability that will increase public debt during that financial year and future financial years;
    - (i) the projected-
      - (i) revenue for the previous financial year;
      - (ii) expenditure per vote, and per main division within the vote, for the previous financial year; and
      - (iii) borrowing for the previous financial year; and
  - (i) any other information as may be prescribed, including any multi-year budget information
- (4) When the annual budget is introduced in the National Assembly or a provincial legislature, the accounting officer for each department must submit to Parliament or the provincial legislature, as may be appropriate, measurable objectives for each main division within the department's vote. The relevant treasury may coordinate these submissions and consolidate them in one document.

### **32. Publishing of reports on state of budget**

- (2) After the end of a prescribed period, but at least quarterly, every provincial treasury must submit to the National Treasury a statement of revenue and expenditure with regard to the Revenue Fund for which that treasury is responsible for publication in the national Government Gazette within 30 days after the end of each prescribed period.
- (3) The statement must specify the following amounts and compare those amounts in each instance with the corresponding budgeted amounts for the relevant financial year:
- (a) The actual revenue for the relevant period, and for the financial year up to the end of that period;
  - (b) the actual expenditure per vote (distinguish between capital and current expenditure) for that period, and for the financial year up to the end of that period; and
  - (c) actual borrowings for that period, and for the financial year up to the end of that period.

### **33. Withholding of appropriated funds**

The relevant treasury-

- (a) may withhold from a department any remaining funds appropriated for a specific function if that function is transferred to another department or any other institution; and

(b) must allocate those remaining funds to that other department or institution.

**36. Accounting officers**

(3) The relevant treasury may, in exceptional circumstances, approve or instruct in writing that a person other than the person mentioned in subsection (2) be the accounting officer for-

(a) a department or a constitutional institution; or

(b) a trading entity within a department

**43. Virement between main divisions within votes**

(1) An accounting officer for a department may utilise a saving in the amount appropriated under a main division within a vote towards the defrayment of excess expenditure under another main division within the same vote, unless the relevant treasury directs otherwise.

**49. Accounting authorities**

(3) The relevant treasury, in exceptional circumstances, may approve or instruct that another functionary of a public entity must be the accounting authority for that public entity

**77. Audit committees**

An audit committee-

(a) must consist of at least three persons of whom, in the case of a department-

(i) one must be from outside the public service;

(ii) the majority may not be persons in the employ of the department, except with the approval of the relevant treasury; and

(iii) the chairperson may not be in the employ of the department;

(b) must meet at least twice a year; and

(c) may be established for two or more departments or institutions if the relevant treasury considers it to be more economical.

### **3. Internal control**

#### **3.1 Audit committees**

- 3.1.1 If considered feasible, the relevant treasury may direct that institutions share audit committees. If such a determination is made, the Auditor-General must be informed within 30 days of the determination.
- 3.1.3 In the case of a shared audit committee, the head of the relevant treasury must appoint audit committee members after consultation with the relevant executive authorities.

#### **3.2 Internal controls and internal audit**

- 3.2.3 If considered feasible, the relevant treasury may direct that institutions share internal audit functions. If such a determination is made, the Auditor-General must be informed within 30 days of the determination.

### **4. Financial misconduct**

#### **4.1 Investigation of alleged financial misconduct**

- 4.1.3 If an accounting officer is alleged to have committed financial misconduct, the relevant treasury, as soon as it becomes aware of the alleged misconduct, must ensure that the relevant executive authority initiates an investigation into the matter and if the allegations are confirmed, holds a disciplinary hearing in accordance with the prescripts applicable and agreements applicable in the public service.

- 4.1.4 A relevant treasury may –

- (a) direct that an official other than an employee of the institution conducts the investigation; or
- (b) issue any reasonable requirement regarding the way in which the investigation should be performed.

#### **4.2 Criminal proceedings**

- 4.2.1 The accounting officer must advise the executive authority, relevant treasury and the Auditor-General of any criminal charges it has laid against any person in terms of section 86 of the Act.
- 4.2.2 The relevant treasury may direct an institution to lay criminal charges against any person should an accounting officer fail to take appropriate action.

### **6. Budgeting and related matters**

#### **6.3 Virement**

- 6.3.1 For purposes of section 43(1) of the Act –

- (a) compensation of employees and transfers and subsidies to other institutions, excluding transfers and subsidies to other levels of government for purposes of paying levies and taxes imposed by legislation, may not be increased without approval of the relevant treasury;
- (b) new transfers and subsidies to other institutions may not be introduced without the approval of the relevant treasury;
- (c) allocations earmarked by the relevant treasury for a specific purpose (excluding compensation of employees) may not be used for other purposes, except with its approval, and
- (d) virement of funds from compensation of employees to transfers and subsidies for the payment of severance/exit packages are excluded from the provisions of (a) and (b).

#### **6.4 Rollovers**

- 6.4.1 Funds appropriated but not spent in a particular financial year may be rolled over to a subsequent year subject to approval of the relevant treasury. Such approval will be guided by the following limitations ...
- 6.4.3 Funds for a specific purpose may not be rolled over for more than one financial year, unless approved in advance by the relevant treasury.

#### **6.5 Transfer of functions**

- 6.5.1 Where a function is to be transferred between votes during a financial year, the relevant treasury must be consulted in advance, to facilitate any request for the resulting transfer of funds voted for that function in terms of section 33 of the Act. In the absence of agreement between the affected departments on the amount of funds to be transferred, the relevant treasury will determine the funds to be shifted.
- 6.5.3 Before seeking formal approval from the Minister of Public Service and Administration or the Premier of a province for any transfer of functions to another sphere of government, the transferring accounting officer must first seek the approval of the relevant treasury or treasuries on any funding arrangements.

#### **6.6 Additional funds through an adjustment budget**

- 6.6.3 Where a national adjustment budget allocates funds to a province, the relevant provincial treasury must table an adjustment budget within 30 days of the tabling of the national adjustment budget, or within such longer period as the National Treasury may approve.

### **13. Loan, guarantees, leases and other commitments**

#### **13.1 General**

- 13.1.3 Should the accounting officer be responsible for transgressions with regard to borrowings, guarantees, securities or indemnities, the relevant treasury must, as soon as it becomes aware of the transgression, initiate appropriate misconduct or criminal proceedings against the accounting officer.

**Chapter 2**

**General functions of National Treasury and Provincial Treasuries, inter alia,**

- 3) A provincial treasury must in accordance with a prescribed framework -
  - (a) fulfil its responsibilities in terms of this Act;
  - (b) promote the object of this Act as stated in section 2 within the framework of co-operative government set out in Chapter 3 of the Constitution: and
  - (c) assist the National Treasury in enforcing compliance with the measures established in terms of section 216(1) of the Constitution, including those established in terms of this Act.
- 4) To the extent necessary to comply with subsection (3), a provincial treasury-
  - (a) must monitor-
    - (i) compliance with this Act by municipalities and municipal entities in the province;
    - (ii) the preparation by municipalities in the province of their budgets;
    - (iii) the monthly outcome of those budgets; and
    - (iv) the submission of reports by municipalities in the province as required in terms of this Act;
  - (b) may assist municipalities in the province in the preparation of their budgets;
  - (c) may exercise any powers and must perform any duties delegated to it by the National Treasury in terms of this Act; and
  - (d) may take appropriate steps if a municipality or municipal entity in the province commits a breach of this Act.

### Duties of Provincial Treasuries

30. (1) A provincial treasury must reflect allocations listed in Part A of Schedule 5 to the province separately in the appropriation Bill of the province.
- 2) (a) The provincial treasury must on the same day that its budget is tabled in the provincial legislature, or a date not later than 14 days after this Act takes effect, approved by the National Treasury, publish by notice in the *Gazette* -
- (i) the indicative allocation per municipality for every allocation to be made by the province to municipalities from the province's own funds;
  - (ii) the indicative allocation to be made per school and per hospital in the province;
  - (iii) the indicative allocation to any national or provincial public entity for the implementation of a programme funded by an allocation in Part A of Schedule 5 on behalf of a province or for assistance provided to the province in implementing such a programme;
  - (iv) the envisaged division of the allocation envisaged in subparagraphs (i) and (ii), in respect of each municipality, school and hospital, for the 2015/16 financial year and the 2016/17 financial year;
  - (v) the conditions and other information in respect of the allocations referred to in subparagraphs (i), (ii) and (iii) to facilitate performance measurement and the use of required inputs and outputs; and
  - (vi) the budget of each school and each hospital in a format determined by the National Treasury.
- (b) The allocations and budgets referred to in paragraph (a) must be regarded as final when the provincial appropriation Act takes effect.
- (c) If the provincial legislature amends the appropriation Bill, the provincial treasury must publish amended allocations and budgets by notice in the *Gazette* within 14 days after the appropriation Act takes effect, and those allocations and budget must be regarded as final.
- (3) (a) Despite subsection (2) or any other legislation, a provincial treasury may, in accordance with a framework determined by the National Treasury, amend the allocations referred to in subsection (2) or make additional allocations to municipalities that were not published in terms of subsection (2).
- (b) Any amendments to the allocations and allocations published in terms of subsection (2)(a) or (c) must be published by notice in the *Gazette* not later than 14 February 2015 and takes effect on the date of the publication.
- (4) A provincial treasury must, as part of its report in terms of section 40(4)(b) and (c) of the Public Finance Management Act, in the format determined by the National Treasury, report on-
- (a) actual transfers received by the province from national departments;
  - (b) actual expenditure on such allocations, excluding Schedule 4 allocations, up to the end of that month; and
  - (c) actual transfers made by the province to municipalities and public entities, and actual expenditure by municipalities and public entities on such allocations, based on the latest information available from municipalities and public entities at the time of reporting.
- (5) (a) A provincial treasury must-
- (i) ensure that a payment schedule is agreed between each provincial department and receiving institution envisaged in subsection (2)(a);
  - (ii) ensure that transfers are made promptly to the relevant receiving officer in terms of the agreed payment schedule; and
  - (iii) submit the payment schedules to the National Treasury within 14 days after this Act takes effect.

- (b) If a provincial department and receiving institution do not agree to a payment schedule in time for submission to the National Treasury the provincial treasury must, after consultation with the transferring national officer, determine the payment schedule.
- (6) If a provincial treasury fails to make a transfer in terms of subsection (5)(a), the relevant receiving officer may request the provincial treasury to immediately make the transfer or to provide written reasons within three working days as to why the transfer has not been made.
- (7) If a provincial treasury fails to make the transfer requested by the receiving officer or provide reasons in terms of subsection (6), or the receiving officer disputes the reasons provided by the provincial treasury as to why the transfer has not been made, the receiving officer may request the National Treasury to investigate the matter;
- (8) on receipt of a request in terms of subsection (7), the National Treasury must –
  - (a) consult the transferring national officer on the matter;
  - (b) investigate the matter, assess any reasons given by the provincial treasury as to why the transfer was not made;
  - (c) direct the provincial treasury to immediately effect the transfer or provide reasons to the receiving officer confirming why the provincial treasury was correct in not making the transfer; and
  - (d) advise the provincial treasury and the receiving officer as to what steps must be taken to ensure the transfer.

### **4.3 Policy mandates**

The following policy mandates primarily drive the work of the Provincial Treasury:

#### **a. National Development Plan**

The National Development Plan (NDP), which was adopted in September 2012, aims to eliminate poverty and reduce inequality by 2030. In order to achieve this South Africa has to, amongst other, spend more on investment and also improve the quality of such spending through better planning, sound procurement systems and greater competition in the economy. There is a need for greater efficiency in all areas of government expenditure, because the overall envelope is likely to grow relatively slow over the medium term. Particular attention needs to be given to managing the government wage bill, making resources available for other priorities.

Provincial Treasury has to ensure that the provincial fiscal policy framework supports the priorities of the National Development Plan and systems and processes are put in place to reduce inefficiencies in expenditure, improve accountability and support the achievement of a capable and developmental state.

#### **b. Medium Term Strategic Framework**

The Medium Term Strategic Framework (MTSF) is the strategic plan of the national government for the 2014-2019 electoral term. The MTSF is a five-year building block towards the achievement of the vision and goals of the National Development Plan. It also contains key actions from other government plans, which contribute towards the NDP vision, including the New Growth Path, the Industrial Policy Action Plan and the National Infrastructure Plan. It is structured around 14 priority outcomes.

Provincial Treasury has to ensure that the provincial budget supports the achievement of the MTSF outcomes as it relates to provincial departments. Furthermore, in pursuit of Outcome 9: Responsive, accountable, effective and efficient local government and Outcome 12: An efficient, effective and development-oriented public service, Provincial Treasury has to support provincial departments and municipalities to improve financial management practices.

### c. Free State Growth and Development Strategy

The Free State Growth and Development Strategy (FSGDS) is steeped within the National Development Plan and serves as the development framework for the entire province. It is an important instrument to shape and coordinate the allocation of resources across government and societal spectrum based on the provincial development needs and priorities.

Provincial Treasury is responsible to ensure that the provincial budget is aligned to the provincial priorities as set out in the FS-GDS. In addition, Provincial Treasury has to assist and support provincial departments, public entities and municipalities towards the implementation of Pillar 6: Good governance, Driver 15: Foster good governance to create a conducive climate for growth and development, Long-term Programme: Improve the overall financial management in governance structures in the province to ensure clean audits and appropriate financing towards the growth and development of the province.

#### 4.4 Relevant court rulings

No relevant court rulings applicable to the department.

#### 4.5 Planned policy initiatives

No relevant planned policy initiatives applicable to the department.

## 5 Situational analysis

It is the department's mission to instil prudent financial management and good governance in the province. To this end, the department has to fully exercise its oversight role with regard to provincial government departments, municipalities and public entities in accordance with its mandates.

### 5.1 Performance delivery environment

The Provincial Treasury plays a pivotal role in ensuring that the Free State Provincial Government gives effect to government priorities and achieves its goals and objectives. The department has to ensure that the provincial budget gives effect to the Medium Term Strategic Framework (MTSF) initiative and reflects alignment with the National Development Plan (NDP) and the Free State Growth and Development Strategy (FSGDS) in an endeavour to accelerate economic growth, eliminate poverty and reduce inequality.

The Provincial Economic Review and Outlook (PERO), 2014, indicates that the 2009 recession, caused by global factors, has left effects within the national and provincial economies which are still evident today. These effects have been displayed through growth rates that have not returned to pre-recession rates as well as unsustainably high rates of unemployment.

Between 2003 and 2013, the Free State posted an average economic growth rate of 2.9% compared to a national average of 3.7%. Considering its pre-2008 average economic growth rate of 3.8%, the post-2009 average economic growth rate of 2.3% highlights the fact that the provincial economy is far from a full recovery from the impact of the global economic crisis.

The Free State provincial economy was traditionally rooted in the primary sectors, due to an abundance of mineral resources and favourable agricultural conditions. However, recent decades have seen a structural shift in output and value-add. Since the early 1990s, economic growth has been driven mainly by the tertiary sector, which includes *wholesale and retail trade*, *finance* and the *general government services*. In 2013, the dominant sectors in the Free State's economy were the general government services, finance and wholesale and retail trade which contributed 15.1%, 13.4% and 13.2% to the provincial GDP respectively.

The growth and size of the government general services sector poses a concern, as it may reflect a province and inhabitants that relies heavily on government investment and job creation as a driver of economic growth. However, it is expected that national policies such as the New Growth Path (NGP) and the National Development Plan (NDP), immediate interventions echoed in the 2014 Medium Term Budget Policy Statement (MTBPS) as well as provincial policies such as the new Free State Growth and Development Strategy (FSGDS) vision towards 2030 and key interventions as part of the overall strategy of Operation Hlasela, will ensure that the growth of the provincial economy remains on a positive and higher growth trajectory over the medium term.

The Free State economy was not immune to the global economic crisis, and thus fell into a technical recession in 2009. This has affected economic growth in the Free State over the last four years, prompting a deceleration in the rate of economic growth. The province is still struggling to fully recover to pre-recession growth rates. Since 2010, the Free State economy has only managed

an average growth rate of 2.3%, compared to the 3.5% average growth recorded in the four years preceding the recession (Stats SA, 2014).

As a result of this slow recovery, the Free State labour market still suffers the effects of the 2009 recession, as seen through lower post-recession economic growth and high unemployment rate, the highest in the country at 34.6% in the third quarter of 2014.

Many of the provincial economic sectors that contribute the greatest towards GDP have negative employment growth elasticities and the province's comparative advantage, as indicated in the 2013 Free State PERO, lies in sectors that require major restructuring. What is also evident is that government general services, trade, manufacturing and personal services sectors play a huge role in terms of job creation in the province, an indication that more is needed to encourage economic participation and job creation through SMMEs in the province.

Economic performance is not only important for the redress of the triple challenge of unemployment, poverty and inequality, but is also critical for the fiscus. On the one hand, the model that is used to allocate funds between provinces (i.e. Provincial Equitable Share formula) uses the relative contributions of the province to the national economy as one of the key factors. On the other hand, the economic structure and performance in the province has implications on the ability of the province to raise revenue from its own provincial sources, e.g. motor vehicle licenses, as well as the ability of people to pay for municipal services.

Government's shift in fiscal policy, as outlined in the 2014 Medium Term Budget Policy Statement (MTBPS), which include proposals for a lower spending ceiling, reduced government consumption expenditure and increases in revenue, will require Provincial Treasury to develop measures to improve cost containment, expenditure management and optimal utilisation of available resources. Special attention must be paid to containing personnel expenditure and a careful balance will have to be maintained between personnel spending and other resources required for public service delivery.

The Sustainable Resource Management programme, which is amongst other responsible for preparation and implementation of the provincial budget and enhancement of provincial own revenue, will be particularly challenged to develop a fiscal policy framework that will contribute to inclusive economic growth whilst ensuring delivery on priorities of government despite a perpetual decline in the province's equitable share allocations. Resource constraints would require more services to be delivered with less money, which require creativity and innovation.

The narrowing fiscal space will make it increasingly challenging to improve efficiencies. Effective supply chain management is key to the achievement of cost effectiveness and value for money. One of the strategies is the use of transversal contracts to capitalise on economies of scale. The Asset and Liability Management programme will play an important role in facilitating this process and ensuring effective contract management. The department is in the process of improving the system for managing the provincial supplier database. The programme is also exploring ways to improve asset management in the province.

Two of the main challenges facing the Free State Provincial Treasury are retaining its own internal efficiencies and clean audit status and positioning itself to respond appropriately to the increasing demands of provincial departments and the local government sector. This is evident from the most recent audit findings, which included findings on non-compliance with legislation and regulations and raised concerns on the quality of performance reports of many of the auditees. It further pointed to a need for capacity building in provincial departments, public entities and municipalities as well as inter-departmental collaboration on issues of interventions and general support.

The Financial Governance programme plays a key role in improving the quality and integrity of financial accounting and reporting of provincial departments and public entities. The programme will have to provide support and guidance with regard to the revision of the Modified Cash Standard and the Additional Accounting Standards effective for Public Entities. Particular challenges are the roll-out and monitoring of fraud management and anti-corruption in provincial departments and entities as well as the national capacity framework.

Most municipalities in the province, especially rural municipalities, are unable to collect revenue and are over-reliant on equitable share to fund their total operating budgets. Debtors are increasing on a month-to-month basis and municipalities are unable to pay for bulk services and municipal budgets are not credible, realistic or sustainable. In addition, municipalities are not spending conditional grants and in most cases utilise grants for operations. There is a lack of reporting on budget performance in terms of Section 71 of the MFMA and the quality of uploaded information is very poor.

The Executive Council identified four municipalities for intervention based on their deteriorated financial position and financial distress, inability over consecutive years to perform towards improved and sustainable audit opinions and severe service delivery challenges and or collapse of services.

The general report on the audit outcomes of Free State local government for 2012-13 identified key officials lacking appropriate competencies as one of the most common root causes for the audit outcomes. It is evident that municipalities in the province require hands-on support and assistance to improve financial accounting and management, revenue enhancement and management of infrastructure. The challenge for the Municipal Finance Management programme is to ensure that measures that are implemented promote sustainable good administration.

## 5.2 Organisational environment

The department provides support and oversight to all departments, public entities and municipalities in terms of the PFMA and MFMA.

The Department consists of the following five programmes:

### Programme 1: Administration

The role of this programme is to provide leadership and strategic management in accordance with legislation, regulations and policies as well as to ensure that there are appropriate support services to all other programmes to ensure the effective and efficient functioning of the department.

### Programme 2: Sustainable Resource Management

The role of this programme is to provide professional advice and support on provincial economic analysis, fiscal policy, and the management of the annual budget process and the implementation of provincial budgets.

### Programme 3: Asset and Liability Management

The role of this programme is to promote effective management of provincial assets and liabilities, manage and maintain transversal systems and ensure effective and efficient implementation of compensation management in the province.

### Programme 4: Financial Governance

The role of this programme is to promote financial governance in the provincial government through promoting sound accounting practices and reporting as well as sound risk management and internal audit practices.

### Programme 5: Municipal Finance Management

The role of this programme is to promote and improve financial governance and management at local government level through monitoring and supporting delegated municipalities with the management of budgets and budget implementation, revenue, expenditure, supply chain management, accounting and reporting, risk management and internal audit practices.

The diagram below depicts the high level organisational structure of the Provincial Treasury



The department has a staff establishment of 423 posts of which 360 are filled (December 2014). The vacancy rate for 2014/2015 is at 15%. A number of critical vacancies, amongst which are critical Senior Management Service posts, were filled during 2014/15 to ensure that the department is in a position to fulfil its mandate. The department intends improving the vacancy rate to less than 5% over the 2015-2020 period.

The department is in the process of reviewing the organisational structure to ensure that the structure is aligned to the generic structure for treasuries and respond to the revised strategic goals and objectives. New critical components are being created to improve the department's capability to effectively and efficiently provide oversight, capacity building and support to provincial departments, public entities and municipalities.

Amongst the anticipated changes is the creation of specific units to deal with Municipal Finance Management Intergovernmental Relations, provincial fraud management, forensic auditing, compensation management and supply chain management. The creation of these units aims to address some of the department's weaknesses which include a lack of capacity to effectively roll-out and monitor fraud management and anti-corruption programmes in departments and entities and the challenge of effectively managing compensation in the province.

The need for intensified, hands-on support particularly to municipalities, within the current financial constraints, requires that a more integrated approach has to be followed to ensure that current capacity and resources are optimally utilised.

Provincial Treasury is a specialised department that needs suitably qualified employees to monitor, assist and advise departments, municipalities and entities with regard to sustainable resource management, asset and liability management and financial governance matters. One of the department's strengths is its experienced and knowledgeable personnel, with the majority of officials having qualifications above grade 12. The department will continue to draw on this, as well as the performance culture and work ethic of officials, to achieve its objectives. The department is committed to maintaining a healthy and responsive workforce and will continue to invest in health and wellness initiatives and skills development programmes. The department will also be able to draw from the province's extensive bursary programme to address future skills needs. The development of women employees for leadership positions will be prioritised to address the need for women employees in Senior Management positions.

### **5.3 Description of the strategic planning process**

The strategic planning process started with a strategic plan session with the executing authority and middle and senior managers of the department. The aim of the session was to review performance and strategic objectives in order to position the department to effectively meet the challenges and demands of the 2015 - 2020 period and to ensure that plans are aligned to national and provincial priorities.

To create common understanding of the mandates of the department, the environment in which it operates as well as the strengths, resources and capabilities it has, programmes made presentations on their performance in terms of the current strategic objectives and mandates, successes, areas which need improvement as well as new developments and challenges in their areas of responsibility. Key stakeholders were also invited to give their perspectives on the department's performance as well as what they expect from the department.

The results of an internal impact assessment of the role of the Provincial Treasury, which amongst others required participants to assess the department's performance against the PFMA mandates, were also presented.

The group divided into the different programmes to review the vision, mission, values and high-level strategic goals and objectives taking into consideration new developments and priorities as well as the identified challenges. To prevent silo thinking, all groups included officials from all programmes.

Minor changes were made to the vision and the mission of the department. The values were reviewed and reduced and a short description of the behaviour each value is expected to inspire was included. The strategic goals of the department were revised to reflect a more integrated approach to better address the challenges and demands of the 2015 - 2020 period and to ensure that plans are aligned to national and provincial priorities.

The strategic planning session was followed by sessions with executive managers to refine strategic goals and discuss the strengths, weaknesses, opportunities and challenges of the department in greater depth before finalising strategic objectives.

Once the departmental strategic goals were finalised, individual programmes had sessions to review strategic objectives and performance indicators to ensure that it is aligned with the goals. The strategic goals, strategic objectives and performance indicators will inform the annual performance plans of the department and will be reviewed annually when the department reviews its performance and prepares for the next financial year.

## 6 Strategic outcome oriented goals of the department

<b>Strategic Outcome Oriented Goal 1</b>	<b>An efficient, effective and development oriented department</b>
<b>Goal statement</b>	A well managed department that is professional, accountable and development oriented, that promotes the values and principles of public administration as contained in the Constitution and has skilled public servants who are committed to delivering high quality services

<b>Strategic Outcome Oriented Goal 2</b>	<b>Support departments, municipalities and entities towards improving financial accountability and sustainability</b>
<b>Goal statement</b>	Support and assist departments, municipalities and their entities through oversight, capacity building and other interventions to improve transparent, economic, efficient and effective management of revenue, expenditure, assets and liabilities and have high quality, timely and accurate reporting

<b>Strategic Outcome Oriented Goal 3</b>	<b>Enhance processes, practices and systems towards efficiency gains, to eliminate waste and derive value for money</b>
<b>Goal statement</b>	Support and assist departments, municipalities and their entities to develop and implement policies, practices and systems that will improve efficiency and effectiveness and eliminate waste in order to redirect the derived efficiency gains to higher priority areas of government and improve value for money

<b>Strategic Outcome Oriented Goal 4</b>	<b>Improve the development and management life cycle of infrastructure and assets</b>
<b>Goal statement</b>	Support and assist departments and entities through oversight and capacity building to improve the development and management life cycle of infrastructure and assets in order to improve the delivery of infrastructure, including the use and management of PPP, and the management of movable and immovable assets



# PART B

STRATEGIC OBJECTIVES

## PART B: STRATEGIC OBJECTIVES

### 7.1 PROGRAMME 1: ADMINISTRATION

Programme purpose	Sub-programmes
To provide leadership and strategic management in accordance with legislation, regulations and policies as well as to ensure that there are appropriate support services to all other programmes.	Office of the MEC Management Services Corporate Services Financial Management Internal Audit

#### 7.1.1 Strategic objectives

Strategic Objective 1	Improve the quality of management practices
Objective statement	To improve the quality of management and management practices, including strategic, financial and human resource management, to ensure compliance with government's administrative policy and legislative frameworks, as per MPAT assessment and audit findings, in order to create a conducive environment for achieving the goals and objectives of the department
Baseline	Fully compliant score against 64% of the 33 MPAT standards for 2013, Unqualified opinion with no findings (clean audit)
Justification	Effective and efficient management and management practices are necessary to build a public service that is professional, accountable and development oriented as envisaged by the Constitution of the Republic of South Africa and further espoused in the National Development Plan and Medium Term Strategic Framework
Links	<p><b>Strategic Goal No 1:</b> An efficient, effective and development oriented department</p> <p><b>MTSF: Outcome number 12:</b> An efficient, effective and development-oriented public service, <b>Impact Indicator 1:</b> % of national and provincial departments that achieve at least level 3 within 50% of the Management Performance Assessment Tool (MPAT) standards for each cycle, <b>Impact Indicator 4:</b> Number of qualified, adverse and disclaimer annual audit reports on national and provincial government departments</p> <p><b>FSGDS: Pillar 6:</b> Good Governance, <b>Driver 15:</b> Foster good governance to create a conducive climate for growth and development</p>

Strategic Objective 2	Establish a skilled, competent and responsive workforce
Objective statement	To provide strategic support to the department by establishing a skilled, competent and responsive workforce by improving staffing levels through recruitment processes and staff retention by creating a conducive work environment through skills development and wellness initiatives
Baseline	Current vacancy rate: 15%
Justification	Provincial Treasury renders oversight and support to provincial departments, municipalities and their entities and requires an adequate and skilled workforce that will be able to execute the department's mandate and provide expert advice
Links	<p><b>Strategic Goal No 1:</b> An efficient, effective and development oriented department</p> <p><b>MTSF: Outcome number 12:</b> An efficient, effective and development-oriented public service, <b>Impact Indicator 2:</b> Funded vacancy rate (average % of posts on PERSAL which are vacant over a quarter, for all national and provincial departments)</p> <p><b>FSGDS: Pillar 6:</b> Good Governance, <b>Driver 15:</b> Foster good governance to create a conducive climate for growth and development</p>

## 7.1.2 Resource considerations

### Summary of payments and estimates: Programme 1: Administration

R thousand	Outcome			Main appropriation	Adjusted appropriation 2014/15	Revised estimate	Medium-term estimates		
	2011/12	2012/13	2013/14				2015/16	2016/17	2017/18
1. Office of the MEC	6 120	5 906	6 509	6 528	6 460	6 272	6 568	6 858	7 256
2. Management Services	3 531	5 876	7 771	7 571	11 938	11 630	8 047	6 156	6 157
3. Corporate Services	33 223	33 256	31 131	33 698	34 836	32 575	35 691	37 243	42 572
4. Financial Management	34 815	33 366	40 481	35 080	38 155	37 574	35 966	38 957	42 066
5. Internal Audit - departmental	4 129	4 367	4 293	5 052	4 762	4 559	5 227	5 084	5 143
<b>Total payments and estimates</b>	<b>81 818</b>	<b>82 771</b>	<b>90 185</b>	<b>87 929</b>	<b>96 151</b>	<b>92 610</b>	<b>91 499</b>	<b>94 298</b>	<b>103 196</b>

The programme has a total of 168 approved funded posts (December 2014) of which 144 (86%) are filled. Programme 1 forms 40% of the approved funded posts as well as filled posts. All senior manager posts in the programme are filled.

Main cost drivers are compensation of employees, Auditor-General fees, printing of annual publications and certain centralised services. It is envisaged that the department will have fully implemented the Corporate Governance of ICT Framework in the next five years. The department expects to, amongst other, implement the Business Continuity and Information Security strategies and appoint relevant ICT key personnel as prescribed in the framework.

## 7.1.3 Risk management

Risk description		Existing controls	Risk Category
1.	Lack of adequate skills	Recruitment and Retention Strategy in place Sufficient budget for skilled personnel Workplace skills plan for the department	Human resource

## 7.2 PROGRAMME 2: SUSTAINABLE RESOURCE MANAGEMENT

Programme purpose	Sub-programmes
The role of this programme is to provide professional advice and support on provincial economic analysis, fiscal policy, and the management of the annual budget process and the implementation of provincial budgets.	Economic Analysis Fiscal Policy Budget Management Public Finance

### 7.2.1 Strategic objectives

<b>Strategic Objective 3</b>	<b>Conduct research and provide economic information in pursuit of inclusive growth and development</b>
<b>Objective statement</b>	To provide a platform to enhance inclusive regional economic growth and development of the Free State and its people through quality research and up to date economic intelligence
<b>Baseline</b>	6 Research Papers, 2 Publications and 4 Labour Market Bulletins per annum
<b>Justification</b>	Research and economic information could influence policy decisions in order to stimulate job creation and poverty alleviation
<b>Links</b>	<b>Strategic Goal No 2:</b> Support departments, municipalities and entities towards improving financial accountability and sustainability <b>MTSF: Outcome number 4:</b> Decent employment through inclusive economic growth <b>FSGDS: Pillar 1:</b> Inclusive growth and sustainable job creation

<b>Strategic Objective 4</b>	<b>Optimize provincial own revenue in order to fund key priorities</b>
<b>Objective statement</b>	To enhance revenue collection for the province through effective and efficient revenue management, provision of revenue enhancement allocation, research work and oversight of revenue generating departments and entities
<b>Baseline</b>	The 2014/15 revenue estimate amounts to R965 million
<b>Justification</b>	Optimization of revenue provides for additional funding for provincial priorities and service delivery needs
<b>Links</b>	<b>Strategic Goal No 2:</b> Support departments, municipalities and entities towards improving financial accountability and sustainability <b>MTSF: Outcome number 12:</b> An efficient, effective and development-oriented public service <b>FSGDS: Pillar 6:</b> Good Governance, <b>Driver 15:</b> Foster good governance to create a conducive climate for growth and development

<b>Strategic Objective 5</b>	<b>Monitor and assess the implementation of the fiscal policy framework</b>
<b>Objective statement</b>	To monitor and assess the extent to which departments are spending allocated conditional grants and complying with the given conditions/regulations of the grants as per the Division of Revenue Act as well as the extent to which entities are spending their allocated budgets in order to promote and ensure effective and efficient implementation of the fiscal policy framework
<b>Baseline</b>	Management of conditional grants is monitored and assessed on a monthly basis. Financial performance of entities is monitored and assessed on a quarterly basis. 12 Conditional Grant reports and 4 reports on the financial performance of entities are produced annually
<b>Justification</b>	Conditional grants are an addition to the provincial fiscal framework and addresses key service delivery needs. Effective utilisation of these grants will add to the promotion of the wellbeing of society
<b>Links</b>	<p><b>Strategic Goal No 2:</b> Support departments, municipalities and entities towards improving financial accountability and sustainability</p> <p><b>MTSF: Outcome number 12:</b> An efficient, effective and development-oriented public service</p> <p><b>FSGDS: Pillar 6:</b> Good Governance, <b>Driver 15:</b> Foster good governance to create a conducive climate for growth and development</p>

<b>Strategic Objective 6</b>	<b>Allocate financial resources in line with government priorities</b>
<b>Objective statement</b>	To allocate financial resources in line with government priorities through the provincial budget and monitor the implementation thereof
<b>Baseline</b>	Provincial budget is aligned with provincial priorities and implementation thereof monitored on a quarterly basis
<b>Justification</b>	The provincial budget allocations and effective management thereof is key to ensuring delivery on government priorities and the optimal utilisation of financial resources
<b>Links</b>	<p><b>Strategic Goal No 2:</b> Support departments, municipalities and entities towards improving financial accountability and sustainability</p> <p><b>MTSF: Outcome number 12:</b> An efficient, effective and development-oriented public service</p> <p><b>FSGDS: Pillar 6:</b> Good Governance, <b>Driver 15:</b> Foster good governance to create a conducive climate for growth and development</p>

<b>Strategic Objective 7</b>	<b>Monitor the implementation of provincial budget for efficient service delivery</b>
<b>Objective statement</b>	To monitor the implementation of the provincial budget through assessing and reporting projected and actual expenditure and ensuring compliance to the legislative framework
<b>Baseline</b>	Projected and actual expenditure as well as compliance with due dates are monitored on a monthly basis
<b>Justification</b>	The provincial budget allocations and effective management thereof is key to ensuring delivery on government priorities and the optimal utilisation of financial resources
<b>Links</b>	<p><b>Strategic Goal No 2:</b> Support departments, municipalities and entities towards improving financial accountability and sustainability</p> <p><b>MTSF: Outcome number 12:</b> An efficient, effective and development-oriented public service</p> <p><b>FSGDS: Pillar 6:</b> Good Governance, <b>Driver 15:</b> Foster good governance to create a conducive climate for growth and development</p>

## 7.2.2 Resource considerations

### Summary of payments and estimates: Programme 2: Sustainable Resource Management

R thousand	Outcome			Main appropriation	Adjusted appropriation 2014/15	Revised estimate	Medium-term estimates		
	2011/12	2012/13	2013/14				2015/16	2016/17	2017/18
1. Programme Support	1 404	2 414	2 684	1 492	807	784	1 506	1 622	1 724
2. Economic Analysis	5 429	5 665	5 778	6 780	6 162	6 093	6 701	7 087	7 965
3. Fiscal Policy	5 381	4 024	4 578	6 424	5 001	5 225	6 896	7 128	7 530
4. Budget Management	7 404	8 637	9 226	9 682	9 317	9 413	9 799	10 268	10 949
5. Public Finance	3 161	4 052	3 998	4 683	4 202	4 246	5 453	5 256	5 243
<b>Total payments and estimates</b>	<b>22 779</b>	<b>24 792</b>	<b>26 264</b>	<b>29 061</b>	<b>25 489</b>	<b>25 761</b>	<b>30 355</b>	<b>31 361</b>	<b>33 411</b>

The programme has a total of 54 approved funded posts (December 2014) of which 44 (81%) are filled. Programme 2 constitutes 13% of the approved funded posts and 12% of the filled posts. One senior manager post is vacant. The programme will undergo some reconfiguration to enable more comprehensive monitoring of the implementation of the budget and expenditure. The management of compensation and monitoring of infrastructure development will possibly relocate from Programme 3 to Programme 2. The transfer of the management of performance information to the Department of the Premier will also affect the programme.

Main cost drivers are compensation of employees, travel and subsistence and printing of annual publications.

### 7.2.3 Risk management

Risk description		Existing controls	Risk Category
1.	Lack of adequate skills	Recruitment and Retention Strategy in place Sufficient budget for skilled personnel Workplace skills plan for the department	Human resource
2.	Inaccurate reporting by Treasury	Site visits to verify information Monitoring and evaluation of information (e.g. KCMs) in systems and models Instruction notes and circulars Forums / Workshops / Bi-laterals	Reporting / Information
3.	Failure by Treasury to fully enforce compliance with legislation by provincial departments / municipalities / public entities	Skills development and innovative partnerships established to guide implementation Legal prescripts / policies / instruction notes / circulars to guide implementation Management delegations Development plans, which should also contribute towards creating and instilling a performance culture in the department and enhancing compliance Monthly KCMs Non-compliance register completed and monitored on a monthly basis Cost containment measures Bi-laterals / Forums with departments / entities / municipalities	Compliance

## 7.3 PROGRAMME 3: ASSET AND LIABILITY MANAGEMENT

Programme purpose	Sub-programmes
The role of this programme is to promote effective management of provincial assets and liabilities, manage and maintain transversal systems and ensure effective and efficient implementation of compensation management in the province.	Asset management Supporting and Interlinked Financial Systems

### 7.3.1 Strategic objectives

<b>Strategic Objective 8</b>	<b>Strengthen supply chain management in the province through capacity building and oversight</b>
<b>Objective statement</b>	Support departments and public entities through monitoring and capacity building initiatives to develop and implement effective and efficient supply chain management practices and systems that ensure transparency and accountability and deliver value for money
<b>Baseline</b>	The department currently monitors departments and entities on a monthly basis. Capacity building takes place through quarterly fora and training sessions
<b>Justification</b>	The state's ability to procure what it needs on time, at the right quality, right quantity, right price, delivery at the right place is central to its ability to deliver on its priorities. This objective also aims to address non-compliance with supply chain management legislation
<b>Links</b>	<p><b>Strategic Goal No 3:</b> Enhance processes, practices and systems towards efficiency gains, to eliminate waste and derive value for money</p> <p><b>MTSF: Outcome number 12:</b> An efficient, effective and development-oriented public service, <b>Sub-outcome 5:</b> Procurement systems that deliver value for money</p> <p><b>FSGDS: Pillar 6:</b> Good Governance, <b>Driver 15:</b> Foster good governance to create a conducive climate for growth and development</p>

<b>Strategic Objective 9</b>	<b>Strengthen asset management in the province through capacity building and oversight</b>
<b>Objective statement</b>	Support departments and public entities through monitoring and capacity building initiatives to develop and implement effective and efficient asset management practices and systems that ensure transparency and accountability
<b>Baseline</b>	The department currently monitors departments and entities on a monthly basis. Capacity building takes place through quarterly fora and training sessions
<b>Justification</b>	The objective aims to enable departments to implement controls to improve the safeguarding and maintenance of assets
<b>Links</b>	<p><b>Strategic Goal No 3:</b> Enhance processes, practices and systems towards efficiency gains, to eliminate waste and derive value for money</p> <p><b>MTSF: Outcome number 12:</b> An efficient, effective and development-oriented public service, <b>Sub-outcome 5:</b> Procurement systems that deliver value for money</p> <p><b>FSGDS: Pillar 6:</b> Good Governance, <b>Driver 15:</b> Foster good governance to create a conducive climate for growth and development</p>

<b>Strategic Objective 10</b>	<b>Promote effective and efficient infrastructure delivery</b>
<b>Objective statement</b>	Support departments and public entities to improve infrastructure delivery through the implementation of the IDMS, monitoring of infrastructure projects and promoting PPP as an alternative infrastructure delivery vehicle
<b>Baseline</b>	The department currently monitors infrastructure through site visits and infrastructure review meetings
<b>Justification</b>	This objective also aims to address under-spending on budget allocations for infrastructure, delays and cost overruns on projects
<b>Links</b>	<p><b>Strategic Goal No 3:</b> Enhance processes, practices and systems towards efficiency gains, to eliminate waste and derive value for money</p> <p><b>MTSF: Outcome number 12:</b> An efficient, effective and development-oriented public service</p> <p><b>FSGDS: Pillar 6:</b> Good Governance, <b>Driver 15:</b> Foster good governance to create a conducive climate for growth and development</p>

<b>Strategic Objective 11</b>	<b>Ensure sustainable and effective cash management practices, and efficient management of the Provincial Revenue Fund</b>
<b>Objective statement</b>	To effectively manage the Provincial Revenue Fund, as well as monitoring of cash flow processes and investments in the province to ensure effective and sustainable cash flow that promotes service delivery
<b>Baseline</b>	Monthly reports are done on cash allocations to departments. The department received an unqualified audit opinion with no findings (clean audit) for the Provincial Revenue Fund
<b>Justification</b>	Effective and efficient management of the Provincial Revenue Fund will ensure that the province's cash flows are adequately managed to enable provincial departments to meet their payment obligations, and also to earn maximum returns on investments in order to contribute to the financial health and sustainability of the province
<b>Links</b>	<p><b>Strategic Goal No 3:</b> Enhance processes, practices and systems towards efficiency gains, to eliminate waste and derive value for money</p> <p><b>MTSF: Outcome number 12:</b> An efficient, effective and development-oriented public service</p> <p><b>FSGDS: Pillar 6:</b> Good Governance, <b>Driver 15:</b> Foster good governance to create a conducive climate for growth and development</p>

<b>Strategic Objective 12</b>	<b>Support and capacitate transversal financial management systems users</b>
<b>Objective statement</b>	To support transversal financial management system users with registration of supplier and banking details, codification and standardisation of items registration, submissions for hand written cheques as well as training these users in order to have competent transversal systems users and effective utilization of these systems
<b>Baseline</b>	The department currently responds within agreed timeframes and offers regular training sessions
<b>Justification</b>	Supporting and training of transversal financial management system users are necessary to have competent users, minimization of risks and improved utilization of the system
<b>Links</b>	<p><b>Strategic Goal No 3:</b> Enhance processes, practices and systems towards efficiency gains, to eliminate waste and derive value for money</p> <p><b>MTSF: Outcome number 12:</b> An efficient, effective and development-oriented public service</p> <p><b>FSGDS: Pillar 6:</b> Good Governance, <b>Driver 15:</b> Foster good governance to create a conducive climate for growth and development</p>

## 7.3.2 Resource considerations

### Summary of payments and estimates: Programme 3: Asset and Liability Management

R thousand	Outcome			Main appropriation	Adjusted appropriation 2014/15	Revised estimate	Medium-term estimates		
	2011/12	2012/13	2013/14				2015/16	2016/17	2017/18
1. Programme Support	1 194	3 238	2 241	1 517	2 368	2 382	1 602	1 745	1 836
2. Asset Management	12 083	15 082	19 324	20 633	36 664	37 991	47 166	47 726	19 108
3. Supporting and Interlinked Financial Systems	38 175	41 549	39 797	39 252	38 599	41 153	45 168	46 941	46 274
<b>Total payments and estimates</b>	<b>51 452</b>	<b>59 869</b>	<b>61 362</b>	<b>61 402</b>	<b>77 631</b>	<b>81 526</b>	<b>93 936</b>	<b>96 412</b>	<b>67 218</b>

The programme has a total of 104 approved funded posts (December 2014) of which 95 (91%) are filled. Programme 3 constitutes 25% of the approved funded posts and 26% of the filled posts. All senior manager posts are filled. The programme will undergo some reconfiguration to address the need for intensified monitoring and support on supply chain management and asset management. The possible unbundling of the current Asset Management Directorate by creating separate directorates to deal with the supply chain management and asset management functions and moving the monitoring of infrastructure development to Programme 2 is being investigated. Management of compensation will also relocate to Programme 2.

Main cost drivers are compensation of employees, SITA fees for transversal systems and travel and subsistence. The increase in allocation is mainly for the procurement of a new supplier database.

### 7.3.3 Risk management

Risk description		Existing controls	Risk Category
1.	Lack of adequate skills	Recruitment and Retention Strategy in place Sufficient budget for skilled personnel Workplace skills plan for the department	Human resource
2.	Inaccurate reporting by Treasury	Site visits to verify information Monitoring and evaluation of information (e.g. KCMs) in systems and models Instruction notes and circulars Forums / Workshops / Bi-laterals	Reporting / Information
3.	Failure by Treasury to fully enforce compliance with legislation by provincial departments / municipalities / public entities	Skills development and innovative partnerships established to guide implementation Legal prescripts / policies / instruction notes / circulars to guide implementation Management delegations Development plans, which should also contribute towards creating and instilling a performance culture in the department and enhancing compliance Monthly KCMs Non-compliance register completed and monitored on a monthly basis Cost containment measures Bi-laterals / Forums with departments / entities / municipalities	Compliance

## 7.4 PROGRAMME 4: FINANCIAL GOVERNANCE

Programme purpose	Sub-programmes
The role of this programme is to promote and enforce financial governance in the provincial government.	Accounting Services Provincial Risk and Internal Audit

### 7.4.1 Strategic objectives

<b>Strategic Objective 13</b>	<b>Promote and enforce sound accounting practices and reporting through capacity building and monitoring</b>
<b>Objective statement</b>	To promote and enforce sound accounting practices and reporting through capacity building and monitoring in order to improve the quality of financial practices and reporting to ensure compliance with PFMA and relevant accounting frameworks
<b>Baseline</b>	65% of financial statement assessment findings resolved and 1 department with 90% compliance to minimum requirements of work file for 2013/14. Twelve (12) departments have score allocations of 1 (leadership intervention required) on PFMA compliance assessments (KCM assessments) for 2013/14
<b>Justification</b>	Effective and efficient accounting practices and reporting are necessary to ensure sound financial management that will result in improved service delivery for a better life for all in the Free State Province
<b>Links</b>	<p><b>Strategic Goal No 2:</b> Support departments, municipalities and entities towards improving financial accountability and sustainability</p> <p><b>MTSF: Outcome number 12:</b> An efficient, effective and development-oriented public service, <b>Impact Indicator 4:</b> Number of qualified, adverse and disclaimer annual audit reports on national and provincial government departments</p> <p><b>FSGDS: Pillar 6:</b> Good Governance, <b>Driver 15:</b> Foster good governance to create a conducive climate for growth and development</p>

<b>Strategic Objective 14</b>	<b>Promote and enforce risk management and internal audit practices through capacity building and monitoring</b>																				
<b>Objective statement</b>	To improve the effectiveness and efficiency of Risk Management and Internal Audit to ensure compliance with relevant frameworks and the PFMA																				
<b>Baseline</b>	<p>For 2013/14 financial year the number of departments and entities that complied with the Key Performance Indicator norms were as follows:</p> <table border="1"> <thead> <tr> <th>Description</th> <th>Risk Management</th> <th>Risk Management Committees</th> <th>Internal Audit</th> <th>Audit Committee</th> </tr> </thead> <tbody> <tr> <td>Norm</td> <td>85%</td> <td>85%</td> <td>90%</td> <td>90%</td> </tr> <tr> <td>Departments</td> <td>6</td> <td>8</td> <td>9</td> <td>10</td> </tr> <tr> <td>Entities</td> <td>2</td> <td>1</td> <td>0</td> <td>0</td> </tr> </tbody> </table>	Description	Risk Management	Risk Management Committees	Internal Audit	Audit Committee	Norm	85%	85%	90%	90%	Departments	6	8	9	10	Entities	2	1	0	0
Description	Risk Management	Risk Management Committees	Internal Audit	Audit Committee																	
Norm	85%	85%	90%	90%																	
Departments	6	8	9	10																	
Entities	2	1	0	0																	
<b>Justification</b>	Effective and efficient governance practices are necessary to ensure sound financial management which will further improve service delivery to contribute to a better life for all in Free State																				
<b>Links</b>	<p><b>Strategic Goal No 2:</b> Support departments, municipalities and entities towards improving financial accountability and sustainability</p> <p><b>MTSF: Outcome number 12:</b> An efficient, effective and development-oriented public service, <b>Impact Indicator 4:</b> Number of qualified, adverse and disclaimer annual audit reports on national and provincial government departments</p> <p><b>FSGDS: Pillar 6:</b> Good Governance, <b>Driver 15:</b> Foster good governance to create a conducive climate for growth and development</p>																				

#### 7.4.2 Resource considerations

##### Summary of payments and estimates: Programme 4: Financial Governance

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	2011/12	2012/13	2013/14				2014/15	2015/16	2016/17
1. Programme Support	1 576	1 731	1 720	1 993	3 065	2 261	2 053	2 214	2 314
2. Accounting Services	8 129	7 769	7 641	9 896	9 552	10 321	12 190	13 042	13 901
3. Risk Management and Internal Audit Provincial	5 469	7 263	8 048	8 770	6 512	6 699	6 061	6 958	6 059
<b>Total payments and estimates</b>	<b>15 174</b>	<b>16 763</b>	<b>17 409</b>	<b>20 659</b>	<b>19 129</b>	<b>19 281</b>	<b>20 304</b>	<b>22 215</b>	<b>22 274</b>

The programme has a total of 43 approved funded posts (December 2014) of which 30 (70%) are filled. Programme 4 constitutes 10% of the approved funded posts and 8% of the filled posts. All senior manager posts are filled.

The main cost driver is compensation of employees.

### 7.4.3. Risk management

Risk description		Existing controls	Risk Category
1.	Lack of adequate skills	Recruitment and Retention Strategy in place Sufficient budget for skilled personnel Workplace skills plan for the department	Human resource
2.	Inaccurate reporting by Treasury	Site visits to verify information Monitoring and evaluation of information (e.g. KCMs) in systems and models Instruction notes and circulars Forums / Workshops / Bi-laterals	Reporting / Information
3.	Failure by Treasury to fully enforce compliance with legislation by Provincial Departments / municipalities / public entities	Skills development and innovative partnerships established to guide implementation Legal prescripts / policies / instruction notes / circulars to guide implementation Management delegations Development plans, which should also contribute towards creating and instilling a performance culture in the department and enhancing compliance Monthly KCMs Non-compliance register completed and monitored on a monthly basis Cost containment measures Bi-laterals / Forums with departments / entities / municipalities	Compliance

## 7.5 PROGRAMME 5: MUNICIPAL FINANCE MANAGEMENT

Programme purpose	Sub-programmes
The role of this programme is to improve the state of financial governance and management at local government level	<p>Municipal Budgets and In-Year Monitoring (IYM)</p> <p>Municipal Revenue and Debt Management</p> <p>Municipal Accounting Services</p> <p>Municipal Supply Chain Management and Compliance</p> <p>Municipal Risk Management and Internal Audit</p>

### 7.5.1 Strategic objectives

<b>Strategic Objective 15</b>	<b>Monitor and support delegated municipalities in implementing sound financial management and good governance.</b>
<b>Objective statement</b>	To monitor and support municipalities in order to strengthen their capacity to fully implement the Municipal Finance Management Act and associated fiscal and financial reforms towards sound financial management and good governance
<b>Baseline</b>	The department currently supports 23 delegated municipalities with regard to budget management, revenue and debt management, accounting, supply chain management and risk management and internal audit functions
<b>Justification</b>	Effective and efficient accounting practices and reporting are necessary to ensure sound financial management that will result in improved service delivery for a better life for all in the Free State Province
<b>Links</b>	<p><b>Strategic Goal No 2:</b> Support departments, municipalities and entities towards improving financial accountability and sustainability</p> <p><b>MTSF: Outcome number 9:</b> Responsive, accountable, effective and efficient developmental local government system, <b>Sub-Outcome 3:</b> Sound financial and administrative management</p> <p><b>FSGDS: Pillar 6:</b> Good Governance, <b>Driver 15:</b> Foster good governance to create a conducive climate for growth and development</p>

## 7.5.2 Resource considerations

### Summary of payments and estimates: Programme 5: Municipal Finance Management

R thousand	Outcome			Main appropriation	Adjusted appropriation 2014/15	Revised estimate	Medium-term estimates		
	2011/12	2012/13	2013/14				2015/16	2016/17	2017/18
1. Program Support	719	1 795	999	1 590	2 847	2 784	31 710	31 767	31 799
2. Municipal Budgets and IYM	3 755	5 605	5 597	7 855	6 429	6 662	8 136	8 785	8 999
3. Municipal SCM & Compliance	3 115	4 115	4 730	6 129	5 476	5 477	6 259	6 696	6 901
4. Municipal Revenue & Debt Management	1 974	3 277	3 447	4 069	3 889	3 983	4 038	4 221	4 432
5. Municipal Accounting Services	2 623	3 724	3 241	4 092	3 871	3 825	5 031	5 327	5 573
6. Municipal Risk Management & Internal Audit	1 563	3 834	3 133	3 954	3 323	3 326	4 199	4 494	4 633
<b>Total payments and estimates</b>	<b>13 749</b>	<b>22 350</b>	<b>21 147</b>	<b>27 689</b>	<b>25 835</b>	<b>26 057</b>	<b>59 373</b>	<b>61 290</b>	<b>62 336</b>

The programme has a total of 54 approved funded posts (December 2014) of which 47 (87%) are filled. Programme 5 constitutes 13% of the approved funded as well as filled posts. All senior manager posts are filled. The programme is engaged in a re-engineering process that will address the organisational structure as well as the service delivery model. The aim is to provide more coordinated and integrated support to municipalities in a regionally focused manner.

Main cost drivers are compensation of employees and travel and subsistence costs. The increase in allocation is mainly to strengthen the municipal support programme.

### 7.5.3 Risk management

Risk description		Existing controls	Risk Category
1.	Lack of adequate skills	Recruitment and Retention Strategy in place Sufficient budget for skilled personnel Workplace skills plan for the department	Human resource
2.	Inaccurate reporting by Treasury	Site visits to verify information Monitoring and evaluation of information (e.g. KCMs) in systems and models Instruction notes and circulars Forums / Workshops / Bi-laterals	Reporting / Information
3.	Failure by Treasury to fully enforce compliance with legislation by provincial departments / municipalities / public entities	Skills development and innovative partnerships established to guide implementation Legal prescripts / policies / instruction notes / circulars to guide implementation Management delegations Development plans, which should also contribute towards creating and instilling a performance culture in the department and enhancing compliance Monthly KCMs Non-compliance register completed and monitored on a monthly basis Cost containment measures Bi-laterals / Forums with departments / entities / municipalities	Compliance



**PART**

LINKS TO  
OTHER  
PLANS

500

## **PART C: LINKS TO OTHER PLANS**

### **8 Links to the long-term infrastructure and other capital plans**

The department does not have infrastructure plans.

### **9 Conditional grants**

The department does not have conditional grants.

### **10 Public entities**

The department does not have public entities.

### **11 Public-private partnerships**

None.

## **Annexure E**

### **12 Technical Indicators**

The Technical Indicator Descriptions for the strategic objectives performance indicators are published on the Department's website: [www.treasury.fs.gov.za](http://www.treasury.fs.gov.za).













