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NATIONAL TREASURY ANNUAL REPORT ANALYSIS FOR SCOF WITH NT RESPONSE

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1. CORE FUNCTIONS AND POLICY REVIEW FOR 2015/16

The National Treasury (NT) is responsible for managing the country's finances and draft its mandate from Chapter 2 of the Public Finance Management Act, as well as Chapter 13 of the Constitution.

National Treasury seeks to alleviate constraints to growth and create an economy that grows faster, transforms and provides an inclusive economy that is less dependent on debt financed consumption and facilitates that more people are employed to reduce poverty and inequality. National Treasury is mandated by law to promote national government's fiscal policy and coordination of its macroeconomic policy, ensure the stability and soundness of the financial system and financial services and coordinate intergovernmental financial and fiscal relations.

National Treasury's aims and objectives, which are underpinned by the 2030 vision of the National Development Plan and Medium Term Strategic Framework, remain unchanged.

National Treasury has not materially changed their key strategic areas from 2015/16 and will continue to focus on the following areas over the medium term:

- Direct public funds towards inclusive growth and long term economic stability
- Review tax policy and administration for sustainable growth and job creation
- Support sustainable employment
- Support infrastructure development and economically integrated cities and communities
- Transform government procurement
- Strengthen government financial management
- Strengthen the regulation of the financial sector
- Maintain regional and international cooperation

The performance of the Department as indicated in its 2015/16 Annual Report shall be measured against the Performance Indicators which were contained in the Annual Performance Plan of the Department for the 2015/16 financial year. The Annual Performance Plan (APP) 2015 – 2019 builds on the Department’s previous strategic plans by outlining its key goals and tasks aimed at supporting South Africa’s policy objectives. The objectives described in the APP are based on South Africa’s National Development Plan (NDP) and Vision 2030.

2. BUDGET ANALYSIS

2.1. FINANCIAL PERFORMANCE

Table 1: Overall Performance of the National Treasury for 2015/16

Programmes	2015/16				2014/15			
	Final Appropriation (R'000)	Actual Expenditure (R'000)	Variance	% of Expenditure	Final Appropriation (R'000)	Actual Expenditure (R'000)	Variance	% of Expenditure
Programme1: Administration	386 645	375 582	11 063	97.1%	372 382	362 527	9 855	97.4%
Programme 2: Economic Policy, Tax, Financial Regulation and Research	132 730	131 290	1 440	98.9%	134 358	124 329	10 029	92.5%
Programme 3: Public Finance and Budget Management	268 889	262 577	6 312	97.7%	259 877	245 271	14 606	94.4%
Programme 4: Asset and Liability	3 265 171	3 264 294	877	100%	3 343 372	3 089 403	253 969	92.4%
Programme 5: Financial Accounting and Supply Chain Systems	783 753	774 494	9 259	98.8%	770 035	731 495	38 540	95%
Programme 6: International Financial Relations	3 547 662	3 546 134	1 528	100%	1 199 717	1 198 652	1 065	99.9%
Programme 7: Civil and Military Pensions, Contributions to Funds and Other Benefits	3 967 741	3 967 698	43	100%	3 730 971	3 730 935	36	100%
Programme 8: Technical Support and Development	2 755 969	2 472 246	283 723	89.7%	3 086 640	2 893 348	193 292	93.7%

Finance								
Total	15 108 560	14 794 315	314 245	97.8%	12 897 352	12 375 960	521 392	96%

Source: National Treasury Annual Report 2015/16

Table 1 above, shows the overall performance of the Department in terms of actual expenditure for the year under review. NT spent R15.7 billion (97.8%) of its final appropriation of R15.1 billion for the 2015/16 financial year. This represents a marginal increase of 1.78% when compared to the previous year

A review of the annual performance plan against the annual financial statements is contained in the table 1 below

Table 2: Annual performance plan targets against annual financial statements performance for the 2015/16 financial year

Programme	Achievements	Challenges	Comments	NT RESPONSE TO CHALLENGES AND/ OR COMMENT
Programme 1: Administration	<ul style="list-style-type: none"> - Achieved 9 of 13 - Achieved savings of 0.7% in goods and services - Improved retention rate by 2% (i.e 89% compared to target of 87%) 	<ul style="list-style-type: none"> - Failed to fill funded positions - Only 95.5% of the Enterprise Risk Management (ERM) strategy implemented - Failed to achieve 310 vetting of employees due to slow return of forms from employees - The Annual Report (AR) failed to report against 4 of the planned targets listed in the APP in relation to the following indicator: provide technical inputs on 15 public entities, perform annual report analysis for 10 public entities. 	<p>NT should report on the same Annual Performance targets presented to Parliament. These targets were modified in the Annual Report- these included information on performance against predetermined objectives that was not captured initially.</p>	<ol style="list-style-type: none"> 1. Failed to fill funded positions <ol style="list-style-type: none"> 1.1. 2% became vacant in latter quarter of the financial year 1.2. Positions filled internally resulting in a nil effect on total vacancy rate (AR Pg.43) 2. Enterprise Risk Management (ERM) strategy not fully implemented <ol style="list-style-type: none"> 2.1. RMC meeting was not held in 4th quarter 2.2. Risk Awareness Survey not distributed (AR Pg.44) 3. Not all employees vetted <ol style="list-style-type: none"> 3.1. Detailed response in this document below 3.2. Reference in the AR (AR Pg.44) 4. 4 targets not reported in AR as compared to APP. <ol style="list-style-type: none"> 4.1. <u>Correction only 2 targets were not reported against</u> 4.2. 2 targets listed in the MTEF 2015/16 as separate annual targets relating to public entity oversight were consolidated in the quarterly reporting as into other targets in this section. <ol style="list-style-type: none"> 4.2.1. Technical inputs into 15 public entities for production and publication of ENE and MTEF consolidated as a delivery component into the target tabling

				<p>of public entities strategic and annual performance plans (AR Pg.45)</p> <p>4.2.2. Perform annual report analysis for 10 public entities reporting to the minister of finance consolidated as a delivery component into the target public entities submission to Minister (as the 4th quarter is the annual report)(AR Pg45)</p>
<p>Programme 2 : Economic Policy, Tax, Financial Regulation and Research</p>	<ul style="list-style-type: none"> - Achieved 10 of 12 planned targets - 80 Economic Research South Africa (ERSA) papers published and 4 research papers - Proposals published on Budget Day 	<ul style="list-style-type: none"> - Failed to implement legislation- Financial Sector Regulation (FSR), retirement legislation due parliamentary process and postponement due to further consultations - Carbon Tax policy not implemented 	<p>There are several Bills before Parliament which can only be implemented after they are enacted. There is a theme emerging in the Annual Report suggesting that Parliament is responsible for the delays in the implementation of legislation.</p>	<p>1. FSR retirement legislation delayed</p> <p>1.1. Postponement due to nature of legislation which results in a prolonged and robust consultation process (AR Pg 51)</p> <p>2. Carbon Tax policy not implemented</p> <p>2.1. <u>Correction</u> the Carbon Tax Bill is being revised after receiving public comment and is currently awaiting cabinet approval (AR Pg 53)</p> <p>3. Annual Report suggesting that Parliament is responsible for the delays in the implementation of legislation.</p> <p>3.1. Only two pieces of legislation's delay is attributed to extended parliamentary consultations:</p> <p>3.1.1. Establishing twin peaks Regulator (AR Pg. 51)</p> <p>3.1.2. Taxation and benefit pay-outs of retirement funds (AR Pg.52)</p>
<p>Programme 3: Public Finance</p>	<ul style="list-style-type: none"> - Achieved 44 of 50 planned targets 	<ul style="list-style-type: none"> - AR failed to report on 6 of the targets listed 		<p>1. AR failed to report on 6 of the targets listed in APP</p>

<p>and Budget Management</p>	<p>(56 targets appear in the APP and the AR reports on 2 additional targets)</p> <ul style="list-style-type: none"> - Produce and publish national budget documentation within scheduled deadlines as per APP targets - NT was able to complete Medium Term Expenditure Framework (MTEF) guidelines earlier, reaching targets sooner than the prescribed period. - Assisted the DTI with the finalization of required documentation to enable the disbursement of funds to the department from the RDP Fund. - R485 disbursed to General Budget Support (GBS) projects, R1.8 billion disbursed to other project from the RDP Fund. 	<p>in APP</p> <ul style="list-style-type: none"> - 99.7% (314 out of 315) of Cabinet memoranda reached Ministry at least one day in advance - 98% of departmental requests not achieved due to consultations of relevant units with NT for additional information - 50% of expenditure reviews completed, 3 outstanding. - Draft amendments of Municipal Fiscal Powers and Functions Act still outstanding. Draft Socio-Economic Impact Assessment (SAIS) submitted to DPME and final report is being compiled. 		<ol style="list-style-type: none"> 1.1. In relation to fiscal risk measures the MTEF Annual target 2013/14 was scheduled and delivered in 2014/15 this consequently meant that the MTEF APP target 2014/2015 was scheduled and delivered in 2015/16 (AR Pg.71) 1.2. The MTEF target As Per MTEF guidelines was refined in the APP quarterly reporting to Meet 100% of target as set by the Secretariat of the MTEF. However these are measuring the same performance output (AR Pg 72) 1.3. The MTEF target Coordinated for completion prior to deadlines specified in the parliamentary programme was refined in the APP quarterly reporting to As per Parliamentary programme However these are measuring the same performance output (AR Pg 72) 1.4. The target Compile public finance statistics in line with local and international standards listed in the MTEF 2015/16 as a separate annual targets was consolidated into the quarterly reporting of the two other target in this section (AR Pg .74) 1.5. The 3 targets Implement of SCOA for local government listed in the MTEF 2015/16 has been consolidated into a single quarterly reporting target. However these are measuring the same performance output (AR Pg 88)
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				<p>2. 99.7% (314 out of 315) of Cabinet memoranda reached Ministry at least one day in advance 2.1. 1 cabinet memoranda delayed due to late submission by Client Department (AR Pg 76)</p> <p>3. 98% of departmental requests not achieved 3.1. <u>Correction</u> 98% of department requests were achieved only 2% not achieved due to having to consult internally within NT (AR pg 76)</p> <p>4. Three (3) Outstanding expenditure reviews 4.1. CoE and School Infrastructure EPRs in Basic Education; as well as the water sector and provincial roads EPRs were still in progress by the end of the financial year. (AR Pg 77)</p> <p>5. Draft amendments of Municipal Fiscal Powers and Functions Act still outstanding 5.1. Delay due to compliance with new Cabinet requirements – a socio-economic assessment must be conducted prior to submission. (AR Pg 84)</p>
<p>Programme 4: Asset and Liability</p>	<ul style="list-style-type: none"> - Achieved 21 of 25 planned targets - Reviewed State Owned Company SOC/ Developmental Finance institutions (DFI) executive remuneration and 	<ul style="list-style-type: none"> - SAA annual report not finalised and could not be tabled - South African Airways(SAA), South African Post Office (SAPO),& Nuclear Energy Corporation of South Africa 	<p>A number of targets were achieved but failed to state whether it was achieved within the scheduled deadliness not specified</p>	<p>1. Achievement within the scheduled deadliness not specified 1.1. This relates to three targets in this Programme all of which achieved <u>without deviation</u> (AR Pg 96)</p>

	<p>performance bonus and incentives.</p> <ul style="list-style-type: none"> - Guarantee applications for Eskom, SAA, SAPO and borrowing limit application from Umgeni Water - Financing of gross borrowing of R204.5 billion using various debt instruments 	<p>(NECSA) Annual Financial Statements not received and could not be analysed</p>		
<p>Programme 5: Financial Accounting and Supply Chain Systems</p>	<ul style="list-style-type: none"> - 12 of 67 planned targets were achieved - CSD went live for local government - 14 Transversal contracts signed to procurement of goods at national level 	<ul style="list-style-type: none"> - Delays in submission of reports on improvement of financial management to Parliament - Delays in Office of the Accountant General (OA) guidelines due to comments that were not received on time from stakeholders - Several targets could not be achieved due to insufficient staff - Performance management contracts not developed - SCM resource 	<p>This programme is struggling to meet its targets. Building capacity will alleviate some of the challenges experienced.</p>	<ol style="list-style-type: none"> 1. <i>This programme is struggling to meet its targets.</i> <ol style="list-style-type: none"> 1.1. Of the 65 targets set 31 were achieved and 34 not achieved 2. <i>Building capacity will alleviate some of the challenges experienced</i> <ol style="list-style-type: none"> 2.1. Noting that a number of targets are dependents and are dependent on legislation/policy/SOP

		toolkits are still under development		
Programme 6: International Financial Relations	<ul style="list-style-type: none"> - Achieved 10 of 15 planned targets - South Africa's position is effectively represented in the discussions and negotiations during meetings with G20 finance Ministers, African Development Bank (AFD) and Central Bank Governors 	<ul style="list-style-type: none"> - Due to reorganisation, CATA is unfunded and without dedicated staff. Annual Performance Targets will remain suspended for the foreseeable future 		<p>1. Due to reorganisation CATA is unfunded and without dedicated staff. Targets will remain suspended for the foreseeable future</p> <p>1.1. The Annual Report reports that the Annual Performance Target relating to publishing internal briefs and snapshots has been suspended rather than all targets (AR Pg 144)</p>
Programme 7: Civil and Military Pensions, Contributions to Funds and Other Benefits	<ul style="list-style-type: none"> - Achieved 7 out of 8 targets were achieved - Compliance with NT SLA - Customer complaints resolved with seven days 	<ul style="list-style-type: none"> - Errors from Compensation Fund made it impossible to pay within liability date 		<p>1. Errors from Compensation Fund made it impossible to pay within liability date</p> <p>1.1. 92.5% of benefits were paid within the liability period.</p> <p>1.2. The remaining 7.5% payments were delayed rather than being impossible to be paid. (AR Pg 160)</p>
Programme 8: Technical Support and Development Finance	<ul style="list-style-type: none"> - 23 out of 30 planned targets are achieved - Compiled with governance and reporting requirement and submitted to Minister - 135 supported 	<ul style="list-style-type: none"> - 1284 absorbed interns at municipalities as opposed to 1390 targeted - 21 municipalities busy with audit plans and 6 are outstanding 	<ul style="list-style-type: none"> - 21 municipalities are in the process of developing audit action plans as audits were finalised late. The municipal audit action plans are dependent on issuance of audit 	<p>1. The 6 interns not absorbed into municipalities</p> <p>1.1. Variance due to absorption of interns into permanent positions at municipalities and interns leaving for other opportunities (AR Pg 174)</p> <p>2. Six (6) municipalities' audits on which the action plans are dependent are still outstanding.</p>

	<p>projects on technical assistance and 16 capital projects on capital project advice.</p>		<p>opinion by the Auditor-General</p>	<p>2.1. The municipal audit action plans are dependent on issuance of audit opinion by the Auditor-General (AR Pg 174) 2.2. <i>The AG reported that not all Performance Information was reliable as Technical Indicator descriptions (method of calculation) were vague</i> 2.2.1. Of the 22 technical indicators the AG only raised queries on 4 i.e. 18%</p>
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2.2. GOVERNANCE

2.2.1. Risk Management, Fraud and Corruption

The department reported under programme 1 that a “total of 620 employees were identified for vetting purposes during 2015/16 financial year” (NT, 2015(c). Only 241 forms were received and subsequently submitted to State Security Agency.

Although NT has reported on risks, it has not reported fully on the 15 risks (page196) that are tabled regularly as standing items in EXCO meetings that relate to material items and the treatment and controls put in place to mitigate such risks.

Questions

- Are all senior employees at NT vetted- DG, DDG and CD's for all programmes?
- It is reported on page 44 of the AR that NT employees are slow in returning forms for vetting. What is NT doing to encourage staff to comply with this process?
- The Committee would like to receive more information regarding the 15 risks facing the Department (that affect its future sustainability), and a comment on effectiveness of the risk management system?

NT response

1. *Are all senior employees at NT vetted- DG, DDG and CD's for all programmes?*

1.1. No, not all senior employees at the NT have been vetted. The reasons for this are as follows:

1.1.1. In line with government policy, the NT policy on vetting requires that all employees irrespective of rank must be vetted.

1.1.2. Each financial year the vetting unit sets a target of identified employees determined by internal and SSA capacity. Employees are selected on a priority based among others on exposure to sensitive information, risk associated with a particular unit (such as the Office of the Chief Procurement Officer/Supply Chain Management) and resources available to the NT to conduct the vetting process. So whilst all employees are issued with vetting forms to complete, the focus will always be on the identified priority employees to complete the vetting process. (AR Pg 44)

2. *It is reported on page 44 of the AR that NT employees are slow in returning forms for vetting. What is NT doing to encourage staff to comply with this process?*

2.1. The NT has increased internal capacity by appointing two additional resources in the vetting unit to among others assist employees with completing their vetting forms (AR PG 47).

- 2.1.1. All employees issued with vetting forms are given a determined 14 days to return the forms.
- 2.1.2. The vetting unit issues monthly reminders to all employees who have missed submission dates.
- 2.1.3. The vetting unit has introduced quarterly reporting to the heads of the programme to facilitate the submission of vetting forms.
- 2.1.4. Non-submission of vetting forms will now be treated as misconduct and that necessary disciplinary steps should be taken against employees who do not submit vetting forms timeously.

3. *The Committee would like to receive more information regarding the 15 risks facing the Department (that affect its future sustainability), and a comment on effectiveness of the risk management system?*

- 3.1. Annexure A Table 1 (as attached) provides additional information on the identified risks of NT. Please note that the identified NT risks have since been updated with two (2) risks having been combined into one (1) – reference Risk 7. Hence the current risk profile in Table 1. Annexure A lists only fourteen (14) risks.
- 3.2. The Auditor General conducts an independent assessment annually of whether NT “implements appropriate risk management activities to ensure that regular risk assessments, including the consideration of information technology risks and fraud and prevention, are conducted and that a risk strategy to address the risks is developed and monitored”. As reflected in the AG management report for 2014/15 and 2015/16 NT was assessed at the highest rating. Whilst the NT is looking to continuously mature its risk management processes, risk management in the NT continues to be effective

2.2.2. *Internal Audit*

2.2.2.1. *Internal Controls*

The Audit and Risk Committee’s report stated that the opinion based on the information and explanations given by management were adequate to ensure that the financial statements may be relied upon. However some of the identified concerns brought to the internal audit committee were the lack of controls to “adequately and effectively mitigate the risks associated with the administration of Programme 7(special pensions) using the pension system”(National Treasury,2015(c).

2.2.2.2. *IT systems*

The Department has significant challenges within the IT environment. The Department states that these are receiving urgent attention including detailed and independent end to end evaluations of the IT environment with the view of implementing remedial measures as may be deemed necessary from the evaluation.

2.2.3. *Human Resources Management*

The Department had a total of 1 339 (Minister and Deputy Minister included in total) funded posts with a headcount of 1 218 of which translates to a vacancy rate of 9%. This is up from

6.7% vacancy rate in 2014/15 to 9% in 2015/16. A total of 57 positions were additional to the establishment in YEAR.

The highest vacancy rates were still experienced in the Senior Management (level 13-16), with a vacancy rate of 17.3% down from 28.45% last year (2011: 37.3%), followed by skilled (level 3-5) permanent staff. The vacancies at Lower skilled levels (level 1-2) remain at zero.

Comments/Questions

- While it is encouraging to see some progress made in other areas, the Department should improve on their employment equity targets especially on women in senior management positions. What strategy has the Department adopted to promote employment equity? Has there been any resignations to date of senior management? If yes, what were the reasons?
- On page 43 of the Annual Report 2015/16, the Department notes that there are 1 341 funded positions. On page 209 of AR, it is reported that there are 1 339 funded positions (number includes Minister and Deputy Minister). Why is the Department reporting different figures? Or it simply an error?
- Furthermore, at 31 March 2015, there were 1 284 funded posts but on page 43 of the 2015/16 annual report, the Department reports that “funded positions increased from 1 218 to 1 341(NT structure grew by 57 positions). How did the Department derive these numbers? Why is the Department reporting inconsistent figures?

NT Response:

- 1. *While it is encouraging to see some progress made in other areas, the Department should improve on their employment equity targets especially on women in senior management positions. What strategy has the Department adopted to promote employment equity? Has there been any resignations to date of senior management? If yes, what were the reasons?***

1.1. In ensuring that the department meets its employment equity (EE) targets the following strategies have been adopted:

- 1.1.1. Women in senior management are considered for promotional opportunities, 58% of all promotions in the 2015/16 financial year were women. 7 women were appointed into senior management.
- 1.1.2. NT implemented - Women in Leadership and Coaching Programmes, these programmes are aimed at ensuring that women obtain the necessary skills required for promotional opportunities.
- 1.1.3. NT offers international secondment, leadership programmes and bursaries opportunities for senior managers to build their leadership capabilities to facilitate accelerated opportunities for promotion.
- 1.1.4. The following attraction and retention support services are provide: lactation room within the NT Employee Wellness Centre, on-site clinic services specific to women, flexible working hours and supportive of children in the workplace.

1.1.5. NT has an employment equity strategy in place and an EE committee responsible for planning, implementation and monitoring

2. Resignations of senior management

- 2.1. 13 SMS members exited NT from 1 April to 30 September 2016; of which
- 2.1.1. 4 were retirements and 9 resignations.
 - 2.1.2. 61.5% of the exits were women in senior management positions.

3. Reasons for leaving

- 3.1. Personal/family related reasons
- 3.2. Start a business venture
- 3.3. Career growth ceiling in the department
- 3.4. Opportunity to acquire / be exposed to different skills externally
- 3.5. Market related salaries - difficulties in meeting remuneration packages offered by private sector and public entities
- 3.6. Retirement

4. On page 43 of the Annual Report 2015/16, the Department notes that there are 1 341 funded positions. On page 209 of AR, it is reported that there are 1 339 funded positions (number includes Minister and Deputy Minister). Why is the Department reporting different figures? Or it simply an error?

- 4.1. The 1 341 on page 43 is incorrect, but the 1339 on page 209 is correct and it should have been the same on page 43.

5. Furthermore, at 31 March 2015, there were 1 284 funded posts but on page 43 of the 2015/16 annual report, the Department reports that “funded positions increased from 1 218 to 1 341(NT structure grew by 57 positions). How did the Department derive these numbers? Why is the Department reporting inconsistent figures?

- 5.1. The numbers on page 43 is incorrect. The 1218 represented headcount not funded positions, and an additional 2 were added with the incorrect assumption that Minister and Deputy Minister were not included on page 209. Correct information should have been 1284 and 1339, structure grew with 55 position

2.2.4. Audit Report

The Auditor General (AG) has expressed an **unqualified** audit opinion of the Department's 2015/16 Annual Report. This means that the financial statements presents fairly the financial position of the Department. National Treasury has for the last three consecutive years obtained an unqualified audit opinion from the AG. However, the AG expressed its opinion with emphasis of matter. The matter include- material impairments of R13 billion were recognised in the accounts as a result of investment in South African Airways.

The AG also reported on the usefulness and reliability of the reported performance information against predetermined objectives of selected programmes in the annual performance report, non-compliance with legislation and internal control.

2.2.4.1. Reliability of information

Programmes 4, 7 and 8- the reported achievements against planned the targets were not reliable when compared to the source information in the Annual Plans. With regard to Programme 8, this was due to the fact that “proper indicator definitions were not used to predetermine the evidence and method of calculation of actual achievements” (NT, 2015(c).

2.2.4.2. Internal Controls

Leadership - the accounting officer guides, review and develops systems of internal control. The AG has in fact called on strengthening [of internal controls at the Department to enable increased compliance with the PFMA and Treasury Regulations.

Financial and Performance Management – Financial information submitted for audit were not free from misstatement.

Investigations – An investigation of irregular appointment of service providers by NT is underway conducted by Public Service Commission. The investigation could have an impact on the department’s financial performance and compliance related matters.

Comments/Questions

- The AG has in effect said that the Departments’ performance information might not be reliable. How is the Department addressing this issue?
- Bearing in mind that this is a recurring issue, when is the Public Service Commission investigation likely to be completed?
- In terms of Section 40(1) of the PFMA, financial statements are meant to be prepared in accordance with the prescribed framework. Can the Department indicate the submission and verification process of their financial statements to the AG? In other words, does NT have a system in place to check for such errors?

NT Response:

1. The AG has in effect said that the Departments’ performance information might not be reliable. How is the Department addressing this issue?

The AG’s comment specifically refer to the following:

- 1.1. Programmes 4, 7 and 8- the reported achievements against the planned targets were not reliable when compared to the source information in the Annual Plans. This has been clarified in detail in the Programme table above. Generally the MTEF annual target was refined and consolidated into the annual quarterly target. This gave rise to the impression that targets had been omitted and or amended however performance was consistently reported on albeit in targets worded differently.

- 1.2. With regard to Programme 8, this was due to the fact that “proper indicator definitions were not used to predetermine the evidence and method of calculation of actual achievements” (NT, 2015). This has been clarified in detail in the Programme table above, noting that of the 22 technical indicator descriptions 4 were raised by the AG which constitutes only 18% of the technical indicators.
- 1.3. It must be noted that the learnings from the Audit report 2013/14 could only be implemented in the financial year 2016/17 leading to the probability of year on year repeat technical findings.
- 1.4. NT has initiated a process to strengthen the Strategy, Planning, Monitoring and Evaluation function of the department including but not limited to increasing capacity and strengthening systems, procedures and culture.

2. Bearing in mind that this is a recurring issue, when is the Public Service Commission investigation likely to be completed.

- 2.1. According to the Public Service Commission the investigation is finalised and is awaiting final submission to the NT. The Director General of the NT had written a formal letter to the PSC enquiring as to the status and requesting confirmation of when this matter will be finalised. The NT is awaiting a response from the PSC on this request.

3. In terms of Section 40(1) of the PFMA, financial statements are meant to be prepared in accordance with the prescribed framework. Can the Department indicate the submission and verification process of their financial statements to the AG? In other words, does NT have a system in place to check for such errors?

- 3.1. Yes there is a system in place.
 - 3.1.1. Internally annual financial statement (AFS) information is sent in advance to all process owners for their inputs.
 - 3.1.2. Office of the Chief Financial Officer verifies information received and finalise AFS
 - 3.1.3. Draft AFS is circulated to all Deputy Directors General (DDGs) and the Director General (DG) for their inputs
 - 3.1.4. Draft AFS is sent to internal Audit for review and inputs to ensure errors are picked up in advance
 - 3.1.5. Also AFS are sent to the audit committee and are approved prior submission to the Auditor General
- 3.2. New process to be implemented:
 - 3.2.1. Checklist with all changes in modified cash standards,
 - 3.2.2. signed off and certification from respective Chief Directors and DDGs, to confirm accuracy and completeness of information provided for the preparation of AFS

3. KEY ISSUES FOR CONSIDERATION BY PARLIAMENT

Overall, NT has performed relatively well albeit it was a challenging one for South Africa both externally and internally. In the past year, 2015/16, there has been further revisions in the GDP outlook. National Treasury has been successful in delivering on its mandate over the past financial year and this was achieved through diligent and effective leadership.

While recognising progress, the issue of gender equity remains a major challenge for the Department. Broader transformation at senior management should be addressed. Furthermore, support and ensuring that SOEs under the NT comply with the PFMA and other applicable legislation.

4. REFERENCES

National Treasury (NTa) (2015) Strategic Plan 2015/16 – 2019/20

National Treasury (NTb) (2015) Annual Performance Plan 2015/16

National Treasury (NTc) (2016) Annual Report 2015/16



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA