Public Expenditure and Financial Accountability Assessment

PEFA Report
Republic of South Africa
Western Cape Province

Final Report
31 January 2014

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Acknowledgments

This assessment of the public financial management in Western Cape, South Africa made use of the PEFA performance measurement framework. The PEFA assessment of the Western Cape Province was conducted between October and November 2013 and is based on information covering the period April 2010 to March 2013. The assessment was based on the scope of work defined by the National Treasury. Numerous meetings and discussions have been held with Western Cape Provincial Treasury led by its head, Dr Johan Stegmann , supported by a facilitation team of senior managers (Ms Analiese Pick, Ms Julinda Gantana and Marcia Korsten), and CFOs of the WCDOH, Human Settlements and Housing, Education, Health, Economic Development and Tourism and head of assurance under the Premier’s Office. Dr Stegmann not only attended the key meetings, but availed himself to resolve key challenges. His support and that of his staff was instrumental in the successful completion of the assessment. Special mention is made of Chris Adams from the National Treasury who helped and facilitated the team to secure appointments and obtain key information for the assessment.

List of abbreviations and acronyms

AccGen	Accountant-General
AG	Auditor-General
AFROSAI	Africa Organisation of Supreme Audit Institution
AGA	Autonomous government agencies
AO	Accounting officer
ASB	Accounting Standards Board
BAS	Basic accounting system
B-BBEEA	Broad-Based Black Economic Empowerment Act
BC	Budget council
BIU	Business intelligence unit
BO	Budget office
BS	Budget support
COMAF	Communication of audit findings
CC	Commitment control
CFI	Consolidated financial information
CFO	Chief financial officer
COFOG	Classifications of the functions of government
CPI	Consumer price index
DDG	Deputy director-general
DE	Department of Education
DG	Director-general
DH	Department of Health
DHS	Department of Human Settlements
DORA	Division of Revenue Act
DORB	Division of Revenue Bill
DPW	Department of Public Works
DOT	Department of Transport
EPRE	Estimates of provincial revenue and expenditure
FFC	Financial and Fiscal Commission
FMIP	Financial management improvement programme
FY	Fiscal year
GDP	Gross domestic product
GFS	Government financial statistics
GFSM	Government financial statistics manual
GNI	Gross national income
GRAP	Generally Recognised Accounting Practice
HDI	Human development index
HOD	Head of department, also referred to as accounting officer
HR	Human resources
IA	Internal audit
ICT	Information and communications technology
ID	Identification document
IDASA	Institute for Democracy in South Africa
IDC	International development cooperation
IFMIS	Integrated financial management information systems
IGR	Intergovernmental relations (Division)
IIA	Institute of Internal Auditors
IMF	International Monetary Fund
INTOSAI	International Organisation of Supreme Audit Institutions
ISA	International Standards on Auditing
JBC	Joint budget committee
LG	Local government
MCB	Ministers' committee on budget
MEC	Member of the executive council

MF	Minister of Finance
MFMA	Municipal Finance Management Act
MTBPS	Medium-term budget policy statement
MTEC	Medium-term expenditure committee
MTEF	Medium-term expenditure framework
NA	National Assembly
NCOP	National Council of Provinces
NDM	National department minister
NDP	National Development Plan
NRF	National revenue fund
NT	National Treasury
ODA	Official development assistance
OMA	Offices, ministries, agencies
OSD	Occupational specific dispensation
OTP	Office of the Premier
PAA	Public Audit Act
PAIA	Promotion of Access to Information Act
PARC	Provincial audit and risk committee
PCF	Portfolio committee on finance
PE	Public entity
PEFA	Public expenditure and financial accountability
PETS	Public expenditure tracking survey
PF	Public finance
PFM	Public finance management
PFM PMF	Public finance management performance management Framework
PFMA	Public Finance Management Act
PI	Performance indicator
PIAS	Provincial internal audit services
PPP	Public private partnership
PRF	Provincial revenue fund
PT	Provincial treasury
PU	Procurement unit
RDP	Reconstruction and Development Programme
S&T	Subsistence and travel
SA	South Africa
SACCI	South African Chamber of Commerce and Industry
SACU	Southern African Customs Union
SADC	Southern African Development Community
SARB	South African Reserve Bank
SARS	South African Revenue Service
SASAMS	South African school administration and management system
SBS	Sector budget support
SCM	Supply chain management
SCOPA	Standing committee on public accounts
SEIFSA	Steel and Engineering Industries Federation of South Africa
SITA	State Information and Technology Agency
SMME	Small, medium and micro enterprise
SNG	Sub-national government
SOE	State-owned enterprise
TOR	Terms of reference
TSA	Treasury single account
VAT	Value Added Tax
WCDOH	Western Cape Department of Health
WCPG	Western Cape provincial government
ZAR	South African Rand

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Summary assessment

1. Integrated assessment of PFM performance

In the section below, a summary of the performance of PFM systems, procedures and practices for Western Cape as measured through the PEFA assessment are described in terms of six critical dimensions of PFM as defined in the PEFA methodology (PEFA:2013). These are:

- Credibility of the budget;
- Comprehensiveness and transparency of the budget process;
- Policy-based budgeting;
- Predictability and control in budget execution;
- Accounting, recording and reporting; and
- External scrutiny and audit.

While donor practices were also considered, they were not scored but detail is provided to enable independent judgement. Thus donor funds are considered as part of the discussion by way of their impact on the country's PFM in each section on the six critical dimensions of PFM.

Predictability of transfers from a higher level of government

The predictability of transfers from the National Treasury to Western Cape Provincial Treasury was very high because annual deviation of both transfers and grants was low (less than 2 per cent per annum). This is based on commitment to a disbursement schedule as agreed by the National Treasury in Pretoria and Western Cape Provincial Treasury. Based on this performance, it is clear NT adheres to the payment schedule and agreed timescale.

Credibility of the budget

Western Cape has a largely credible budget system based that, during a three-year period, was characterised by fiscal discipline and prudence. Aggregate expenditure did not exceed the original budget by more than 5 per cent, and composition of expenditure performance was supported by a system that has contingency fund of less than 3 per cent and variance of budgeted expenditure was less than 5 per cent. Because of excellent and reliable in-year monitoring and reporting the arrears remained very low in relation to the budget. There are no contingency funds and zero tolerance to arrears accumulation. A low score assigned to revenue out-turn is based on underestimation of revenue which results in over-performance in relative terms and could lead to over-expenditure in an environment of good fiscal budget management.

Comprehensiveness and transparency

The budget formulation and execution is based on administrative, economic, programme and sub-programme (functional) classification aligned to GFS 2001 and COFOG standards and can produce consistent documentation according to these standards. The budget documentation is comprehensive and fulfils all the benchmarks relevant to the sub-national government. There is similarly consistency in the number and content of budget documentation at national and provincial level. Western Cape budget performance is considered to have an excellent rating based on completeness and comprehensiveness of budget documentation presented for approval.

There is no evidence of unreported extra-budgetary expenditure (other than donor-funded projects). All revenues generated directly by the departments are transferred to the provincial revenue fund (PRF) and reported on quarterly and annually in terms of the regulated reporting processes. Non-discretionary (conditional) grant projections are published annually in the Western Cape provincial government's Appropriation Bill, tabled before the Western Cape Provincial Parliament. Projected grant allocations are shown as transfer payments to municipalities in each vote (where applicable) and are provided at the programme level. Actual grant allocations are provided in each vote's quarterly and annual financial statements, as well as in the required monthly reports submitted by municipalities to the Western Cape Provincial Treasury.

Signed service level agreements and memoranda of understanding contain grant objectives, conditions, reporting requirements and payment schedules. Municipalities submit detailed monthly and bi-annual statements on projected and actual revenue and expenditure to the Provincial Treasury that detail grant allocations received from provincial departments.

All public entities under the control of the Western Cape provincial government submit fiscal reports to it least six-monthly, as well as annual audited accounts. Western Cape provincial consolidates fiscal risk issues into a report at least annually. Municipalities cannot generate fiscal liabilities for provincial and national government. However, the Provincial Treasury collects monthly revenue and expenditure statements from municipalities. Six of the seven listed elements of information are made available to the public access through electronic media, websites, and print media.

Policy based budgeting

As part of the annual budget process, WC PT issues comprehensive budget circulars with clear timelines and deadlines. Adequate time exists for provincial departments to adhere to the budget calendar. Provincial Treasury issues comprehensive budget circulars to guide the budget preparation and submission process for provincial departments. Deadlines for milestones during the provincial budget process are realistic and achievable. In two of the three years reviewed under this assessment, the budget was signed into law after two months after the start of the fiscal year.

The provincial government's MTBPS contain the high-level fiscal framework and estimates of revenue and expenditure. The annual EPRE contain detailed multi-year forecasts for each department. The Western Cape government is allowed to incur debt under certain circumstances, but no debt has been incurred for the period under review. As a policy WCG does not create public debt which is based on good practice.

Annual performance plans (APP) for each department are tabled each year in the Western Cape Provincial Parliament, detailing the reconciliations between multi-year financial projections, and performance information (including output and outcome) targets up to at least the programme level. Detailed infrastructure budget projections for the next fiscal year and the two outer years are tabled in the Provincial Parliament, contained in among other things department's APPs. Strategic plans for departments and public entities detail plans for the acquisition and management of physical and financial assets.

Predictability and control in budget execution

Websites for the individual entities include essential detail of of the process and practice of licensing. The information is comprehensive, complete and modern, and is integrated with other laws associated with illegal consumption, sale, transportation, and delivery, buying and selling of liquor in Western Cape, gambling and horse racing and motor vehicle licensing.

Four main taxes exist covering liquor licensing, gambling and racing, vehicle licensing and fees. There is no centralised tax appeal mechanism as there is no tax revenue management body. The absence of specialisation often results in lack of a harmonised approach to tax collection, investigation, arrears management and reporting.

An annual forecast of cash flows is prepared alongside the budget, and is updated monthly. While no cash release constraints are imposed on the non-development budget, quarterly releases are made on the development budget. Administrative ministries/divisions can re-allocate their budgets during the year in their total allocations for development and non-development expenditure. However, an increase in the total grant can only be made by Parliament through supplementary appropriation.

The payroll function is centralised under the Premier except for education which is decentralised. Integrity of the payroll is significantly undermined by lack of integrated processes in PERSAL, otherwise the system is robust and provides good payroll functionality. The existing legal and regulatory framework governing procurement in WCG is comprehensive and should enable competitive bidding. The legal framework makes open competitive procurement the default method of procurement. However, the use of competitive procurement methods could not be assessed for lack of data. Two of the key procurement information elements – bidding opportunities and contract awards – were available but the latter was not easily accessible. The procurement constraints may justify use of a MAPS to addresses known weaknesses. In as much as the law provides for everything, there is an issue with lack of a one-stop website with comprehensive information on opportunities, awards, complaints and appeals etc. The lack of a regulatory procurement authority, other than the Provincial Treasury, is common in South Africa. The departments are delegated power to handle procurement, but a key challenge is the lack of harmonisation across departments in handling large contracts. Based on limited assessment information, there is a chance that problems identified and shown in the form of weak scores could be symptomatic and more detailed diagnostic tools could be employed to identify gaps, challenges and areas requiring reform.

The Western Cape government appears to be adequately staffed with qualified personnel, but the key issue is the reliance of transversal systems which cannot adequately interface and communicate fully. This lack of integration clearly shows the need to build integrated FMS based on the ERP model. There is also a lack of direct linkage between budgets and the accounting process as no system exists for automatic budget checks before payments are processed. Because BAS, PERSAL etc are top down bespoke systems, it is difficult to achieve integration as the core objective of the national systems is control. An integrated budgeting and accounting system (BAS), is one of the notable reforms over the past 10 years, but the challenge is that users in provinces are simply beneficiaries. Although there appears to be no widespread infringement of financial rules and regulations, there are weaknesses and lapses which have been reported in the Comptroller and Auditor-General's reports. Internal audit function is operational but there is a need to modernise and harmonise using this function the combined assurance model. Existing internal audit functions are inadequate largely because large departments have perennial audit issues which can only be addressed by a change of audit strategy.

Accounting, recording and reporting

Reconciliation of bank accounts with the PRF and other accounts is undertaken on a daily, weekly and monthly basis. A dedicated department operates and manages Provincial Treasury operations for Western Cape. The absence of an integrated budget and accounting system (BAS) accounting system capable of producing monthly and annual expenditure reports showing comparison between budget and actual expenditure is not a major challenge because WC has qualified staff. Even though information generated appears to be robust, judging from the reviews of AG, there could be some concerns with accuracy of information, especially where manual system run transactions through spreadsheet systems. Neither the overall accounting nor management information system in ministries adequately supports real-time tracking of resources specially provided to front line delivery units. A consolidated financial statement is prepared annually covering revenue and capital expenditure of the government. Although information on revenue, expenditure and bank account balances is not always complete and timely, the omissions are not significant (recent AG reports). Government accounts are kept on a modified accrual basis and presented in the same format each year. The Western Cape team has improved financial reporting as evidenced by some of its departments being judged awarded a prize by SAIGA. Financial reporting standards for the public sector are independently reviewed and issued under the GRAP environment or framework. These are equivalent to IPSAS but customised to the needs of South Africa. Based on the information the Western Cape government has one of the best financial reporting frameworks and its annual financial statements and reports are well presented and comprehensive. Weaknesses identified and discussed above do not undermine the credibility and reliable of the financial statements.

External scrutiny and audit

The government's budget estimates are reviewed by Parliament. A committee on estimates is expected to examine such of the estimates as it thinks fit or specifically referred to it by the House. However, in reality, the estimates committee examines the entire budget and makes recommendations on ways of improving the efficiency of public expenditures. The Parliament has enough time to conclude its review of the estimates, and this is considered adequate for a meaningful debate. An adjustment mechanism produces an adjustment Bill which allows some limited changes to the budget based on justifiable need. The supplementary budget does amend some items on the budget but in the set rules and procedures. The AGSA is a constitutional body with a constitutional mandate to audit the accounts of government agencies, public bodies and publicly owned companies, a total of 22 000 auditable units, and to report to provincial Parliament. AGSA CAG carries out financial, compliance, regularity and performance audits. Audit standards are set out in an audit manual based on INTOSAI and AFROSAI standards. The annual audit plan covers all large units and a proportion of the smaller units that are audited over a cycle of 12 months to three years. Observations involving serious financial irregularities are developed into report paragraphs. In general, audit reports are submitted to the Legislature within the period set by the law, though in some cases this has not been met. The AGSA has a robust and professional relationship with SCOPA. Every year between September and December, audit reports are presented, performance of departments reviewed, and supported by audit committees, appointed under the King framework and in terms of the law.

Donor practices

The Western Cape has only one project which is donor-funded under Global Fund. This amounted to more than R420 million, and largely operates outside the WCDOH budget and systems. Because the annual amount was less than 1 per cent of the Western Cape budget, and because it is limited and confined to WCDOH, it was prudent not to rate the donor practices. In order to provide adequate historical information, the details of the Global Fund amounting to R161 million for 2012/13 were provided and analysed. Each annual report has provision to disclose donor funds.

2. PEFA performance indicators

Table 1: Summary of PEFA Assessment Scores, 2013

PFM performance indicator		Scoring method	Dimension ratings				Overall rating
			D (i)	D (ii)	D (iii)	D (iv)	
A PFM out-turns: Credibility of the budget							
HLG-1	Predictability of Transfers from a higher level of government	M1	A	A	A		**A**
PI-1	Aggregate expenditure out-turn compared to original approved budget	M1	A				**A**
PI-2	Composition of expenditure out-turn compared to original approved budget	M1	A	A			**A**
PI-3	Aggregate revenue out-turn compared to original approved budget	M1	D				**D**
PI-4	Stock and monitoring of expenditure payment arrears	M1	A	A			**A**
B Key cross-cutting issues: Comprehensiveness and transparency							
PI-5	Classification of the budget	M1	A				**A**
PI-6	Comprehensiveness of information included in budget documentation	M1	A				**A**
PI-7	Extent of unreported government operations	M1	A	A			**A**
PI-8	Transparency of inter-governmental fiscal relations	M2	A	A	A		**A**
PI-9	Oversight of aggregate fiscal risk from other public sector entities	M1	A	A			**A**
PI-10	PI-10 Public access to key fiscal information M1 B	M1	A				**A**
C: Budget cycle C(i) Policy-based budgeting							
PI-11	Orderliness and participation in the annual budget process	M2	A	A	D		**B**
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	M2	A		A	A	**A**
C(ii) Predictability and control in budget execution							
PI-13	Transparency of taxpayer obligations and liabilities	M2	A	B	C	n/a	**B**
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	M2	C	B	C		**C+**
PI-15	Effectiveness in collection of tax payments	M1	B	A	A		**B+**
PI-16.	Predictability in the availability of funds for commitment of expenditures	M1	A	A	A		**A**
PI-17	Recording and management of cash balances, debt and guarantees	M1		A	A		**A**
PI-18	Effectiveness of payroll controls	M1	B	C	A	A	**C+**
PI-19	Transparency, competition and complaints mechanisms in procurement	M2	C	B	C	D	**C**
PI-20	Effectiveness of internal controls for non-salary expenditure	M1	A	B	B		**B+**
PI-21	Effectiveness of internal audit	M1	A	B	C		**C+**
C (iii): Accounting, recording and reporting							
PI-22	Timeliness and regularity of accounts reconciliation	M2	A	A			**A**
PI-23	Availability of information on resources received by service delivery units	M1	A				**A**
PI-24	Quality and timeliness of in-year budget report	M1	A	A	A		**A**
PI-25	Quality and timeliness of annual financial statements	M1	A	A	A		**A**
C(iv) External scrutiny and audit							
PI-26	Scope, nature and follow up of external audit	M1	A	B	B		**B+**
PI-27	Legislative scrutiny of the annual budget law	M1	A	A	A	A	**A**
PI-28	Legislative scrutiny of external audit reports	M1	B	A	A		**B+**
D Donor practices							
D1	Predictability of direct budget support	M1	N/A				**N/A**
D2	Financial information provided by donors for budgeting and reporting on project and programme aid	M1	N/A				**N/A**
D3	Proportion of aid that is managed by use of national procedures	M1	N/A				**N/A**

1. Introduction

1.1 Objective

The overall objective of the report is to provide all stakeholders with an updated assessment of public financial management (PFM) in Western Cape Province of South Africa using the public expenditure and financial accountability (PEFA) methodology. This methodology allows measurement of country PFM performance over time and is an important element of the strengthened approach to PFM, which recognises the need for strong government ownership. It assesses the status of current systems, processes and procedures but it does not assess policy or capacity issues. Although recognising the ongoing reforms, the scores reflect the existing situation and therefore act as a basis against which these reforms can be monitored.

The previous PFM assessment using the original PEFA methodology was carried out in 2008 at national level and covered the entire country without drilling down to provincial level. This was reported in 2008. The government decided that a key objective of this new assessment would be to obtain greater understanding of the methodology and ownership of the outcomes at the provincial level.

1.2 Process

A complete list of persons attending the workshop and seen at interviews is included as annexure 1. International donors were not involved, but the National Treasury was represented by Chris Adams who facilitated the process throughout the assignment period. In addition to the interviews, the team reviewed various laws, regulations, internal documents and external reports. A list of the documents consulted is attached as annexure 2.

1.3 Scope

This assessment covers provincial revenue and expenditure and transfers from national government. The government's oversight of fiscal risk with respect to public bodies is covered in performance indicator PI-9. Provincial government expenditure includes statutory expenditure (administration, debt servicing and miscellaneous), non-development expenditure and development expenditure. Revenue includes both tax and non-tax revenues. For the last completed financial year 2013/10, the total public expenditure (revised estimate) was R43.7 billion. The assessment therefore covers most of total public sector expenditure in Western Cape.

2. Background information

2.1 Western Cape province: Socio-economic background

Macroeconomic profile

The Western Cape (WC) is situated on the south western tip of the African continent and is one of the nine provinces of South Africa. The province covers 129 370 km² of land.[1] The Western Cape is the third largest contributor to the national economy at 14.2 per cent.[2] The province is home to 5 822 million, which is 11.25 per cent of the South African population. The WC population contains relatively higher proportions of people between the ages 20 and 34 and may be attributed to high in-migration from other provinces possibly due to better economic prospects attracting job seekers. Afrikaans is spoken by the majority, with isiXhosa and English being the other main languages.

The socio-economic development at the provincial level indicate that living conditions in the WC were relatively high by national standards. However, there is room for improvement in education, health, transportation and housing. Levels of violent crime remained high with widespread alcohol and substance abuse, abuse of women and children and high levels of gang activity.

Table 2: Life expectancy in Western Cape, Gauteng and South Africa

Life expectancy	Western Cape	Gauteng	South Africa
Life expectancy at birth 2011-16: Females (years) (2013 for SA figure)	70.1	61.7	61.4
Life expectancy at birth 2011-16: Males (years) (2013 for SA figure)	64.2	63.3	57.7

Source 2013 Provincial and municipal economic review and outlook presentation to budget committee

Given the slowdown in the global economy, the macro economic outlook for the province is predicted to weaken in the near future before improving in 2015. While unemployment is slightly better than the national average, it remains high in all race groups and skills levels at 23.3 per cent (national 25.2 per cent). The fastest growing sectors in the WC in 2001-2011 were construction, finance/insurance and communication and business services.[3] The service sector remains the leading growth and employment sector but the export prospects presented by a favourable rand are strengthening the outlook for the agriculture, forestry, finishing and agribusiness. For example, in the wine industry, more than 50 per cent of production is exported. However, the prolonged labour unrest and the 52 per cent increase in the minimum wage could result in large scale retrenchments and increased mechanisation in the industry which would affect the unemployment rate in the near term but could lead to increased efficiency and output later.

Table 3: Economic outlook – growth projections

Fiscal Year	2012	2013	2014
Global	3.1%	3.1%	3.8%
South Africa	2.5%	1.9%	2.8%
Western Cape	2.9%	2.4%	3.2%

(Source 2013: PERO and MERO presentations to budget committee, October 2013)

2.2 Allocation of resources and budgetary outcomes

The key focus of the provincial budget expenditure is to support economic and social development and drive growth through creating infrastructure and thereby narrowing the gap between demand and supply of skills through labour intensive projects, skills development and empowerment initiatives. Funding in the 2013 MTEF aims to improve overall performance through the implementation of electronic and automated systems to monitor and track government performance. The 2013 MTEF planned to progressively upscale work opportunities through the expanded public works programme which presently sustains over a quarter of a million jobs through funding

[1] PGWC: Provincial Treasury - provincial economic review and outlook - PERO 2011
[2] Census 2011
[3] Statistics South Africa

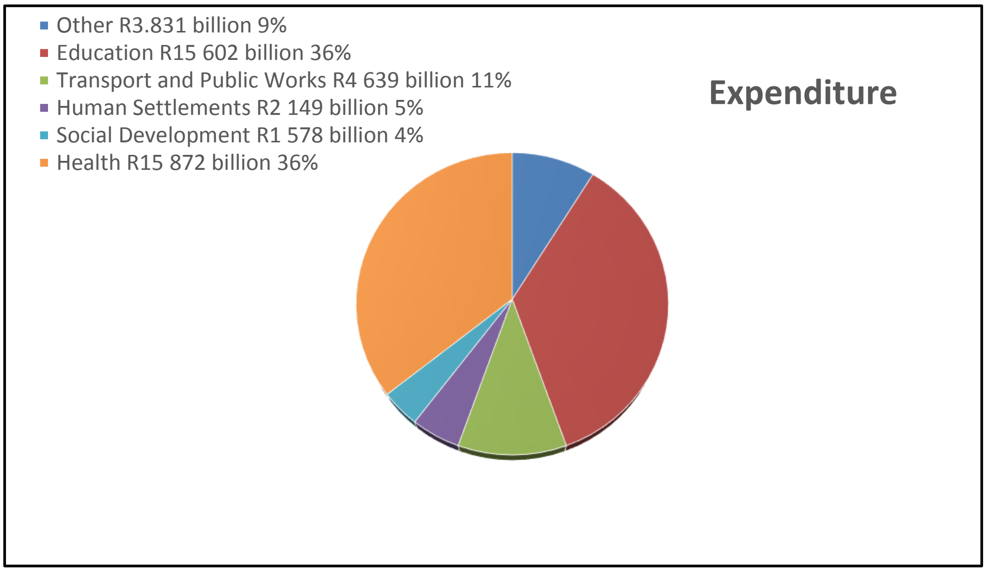
from the provincial resources of R140 million; which has nearly doubled the national incentive grant provided by the EPWP. Primarily, the EPWP beneficiaries will assist the province to build roads and education and healthcare infrastructure. Others will be trained to become neighbourhood watch coordinators, to work in Cape nature reserves, assist as coaches at after-school sports and culture centres as well as provide home-based caring for the elderly and infirm. Through the EPWP programme and other funding sources, the province will also create employment opportunities for additional fire-fighters.[4]

The province has set out the following as key strategic objectives, all of which should build the best province in the country:

- Increase opportunities for growth and jobs;
- Improve education;
- Transport;
- Health;
- Safety;
- Develop integrated human settlements;
- Optimise resource use;
- Promote social inclusion and reduce poverty; and
- Maximise the impact of service delivery;.
-

These objectives are better defined in the various votes' budgets and annual performance plans.

Figure 1: Western Cape expenditure breakdown



Most of the annual budget is directed towards providing opportunities for people in poor communities through education, health services, housing and social development programmes.

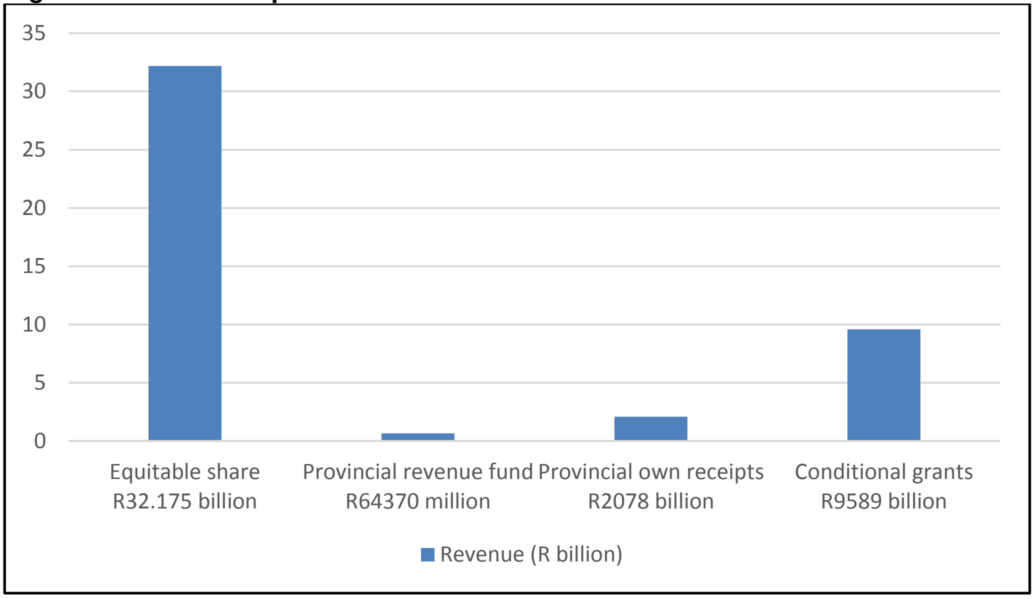
"The result of the commitment was reflected in the 2011 census which showed the Western Cape leading the way in basic service delivery. 99.1 per cent of households have access to piped water, 93.4 per cent to electricity and 96.9 per cent have toilet facilities."[5]

The results of census 2011 indicated that between 2001 and 2011, the province's population increased by 29 per cent compared with 15.5 per cent for South Africa as a whole. These changes have resulted in the Western Cape's share of the provincial equitable share (PES) increasing from 9.4 per cent to 10 per cent, to be phased in over the 2013 MTEF. As a result, the PES transfers to the province increased by R7.189 billion over the 2013 MTEF. The provincial budget thus grew by 8.62 per cent from a revised 2012/13 estimate of R40.205 billion to R43.670 billion in 2013/14[6].

[4] Medium-term budget policy statement 2013 to 2016 22 Nov 201
[5] 2013 State of the province address by Premier Helen Zille on 22 February 2013
[6] WC 2013 budget highlights

The Western Cape government finances its expenditure via three sources, viz. national transfers (provincial equitable share and conditional grants), provincial own receipts (taxes and fees/user charges) and finances from the asset finance reserve and PRF. The graph below indicates the revenue split by source.

Figure 2: Western Cape revenue



Description of the budgetary outcomes

As indicated in the table below the largest share of the budget goes to health and education year on year with transport and public works and human settlements consuming the remainder. This is in line with the strategic objectives of ensuring a more productive community which is healthier and better educated. The increase in the population as indicated by the 2011 census will increase pressure through demands for schooling and health care, as well as access to housing. To address crime and other socio-economic challenges related to poverty and unemployment the budget we will invest R81.437 million in substance abuse prevention programmes.

Table 4: Analysis of Western Cape provincial budget 2010/11 – 2012/13

	2010/11	2011/12	2012/13
Education	35.10%	36.16%	35.74%
Health	36.24%	36.23%	36.52%
Social Development	3.59%	3.56%	3.51%
Premier	1.82%	1.87%	1.87%
Provincial Parliament	0.30%	0.29%	0.31%
Provincial Treasury	0.37%	0.39%	0.41%
Community Safety	0.85%	0.83%	0.90%
Human Settlements	6.36%	4.96%	4.97%
Environmental Affairs and Development Planning	0.88%	0.94%	0.94%
Transport and Public Works	11.18%	11.36%	11.28%
Agriculture	1.42%	1.39%	1.39%
Economic Development and Tourism	0.69%	0.69%	0.79%
Cultural Affairs and Sport	0.86%	0.95%	0.98%
Local government	0.32%	0.35%	0.40%
	100%	100%	100%

Source: Western Cape team computations

Under the PFMA, provincial governments are not permitted to incur budget deficits. Debt is therefore at zero and the spending is restricted to voted funds. The province is committed to providing the best services with the resources provided and both the Premier and the head of Provincial Treasury indicated that the health funding will emphasise the prevention, detection and managing of chronic disease including providing anti-retroviral treatment to almost 158 000 HIV-positive citizens and work to further reduce the rate of mother-to-child-transmission which is already the lowest in the country at only 1.9 per cent. To improve women and child wellness the province will screen women for cervical cancer, provide neonatal classes to pregnant women and vaccinate over 100 000 infants with the full immunisation schedule. R33.327 million has been dedicated toward the roll out of an improved diagnostic test for tuberculosis, a disease which remains rife in Western Cape communities, over the next three years.

Education employs the largest number of staff in line with the province's commitment to prioritise the quality of education available to all learners. The Premier indicated in her state of the province address that the emphasis would be on keeping the learner/teacher ratio as low as possible in the foundation phase, and to that end the department allocated 650 additional educator posts to Grades 1, 2 and 3 since 2009.[7]

National development plan (NDP)

The national development plan (NDP) - Vision 2030 was tabled in the national Parliament on 15 August 2012. Its main aims are to rebuild confidence and encourage private investment, improve urban planning and public transport, promote entrepreneurship and small businesses and implement labour policies that get young people into employment and onto career paths. The Province has been chosen by the national government to pilot three crucial initiatives under the NDP: the reduction of red tape, the creation of an economic development partnership to facilitate growth and jobs, and an afterschool programme to keep young people involved in productive activities in the afternoons. The province has also added a fourth component to support and expand the youth wage subsidy to give more young people a foothold on the ladder of the economy so that they can build their careers and move out of poverty.

2.3 Legal and institutional framework of PFM

South Africa has nine provinces, namely, Eastern Cape, Free State, Gauteng, KwaZulu-Natal, Limpopo, Mpumalanga, Northern Cape, North West and Western Cape. Each province has its own provincial government with legislative powers vested in a provincial legislature and executive powers vested in a provincial Premier and exercised together with other members of a provincial executive council.

A provincial legislature has between 30 and 80 members elected for a five-year term. Provincial elections are held concurrently with national elections every five years. The provincial legislature is empowered to pass legislation in its functional areas, as well as a constitution for the province should it wish to do so. A provincial constitution is bound by the national Constitution.

The Premier is elected by the provincial legislature and is limited to two terms of five years each in office. The Premier appoints the other members of the executive council (MEC), which functions as a cabinet at provincial level. The members of the executive council are accountable individually and collectively to the provincial legislature.

The province's permanent delegates to the National Council of Provinces may attend and speak in the provisional legislature and committees, but may not vote.

The Constitution

The Constitution is the supreme law of the country. It clearly demarcates between Parliament, the executive (cabinet) and the judiciary. The powers and responsibilities of each of these institutions cannot be mistaken.

The Constitution further states that South Africa is a unitary state with three spheres of government: national, provincial, and local government (the latter represented by municipalities). The function to collect most taxes is vested with the national government. These taxes are distributed to the other spheres of government through a legislated formula, which is enacted in the annual Division of Revenue Act (DORA). This Act is promulgated every year, usually after the annual budget is approved by Parliament.

[7] 2013 State of the Province Address by Premier Helen Zille on 22 Feb 2013

The Bill of Rights, as contained in chapter 2 of the Constitution, outlines the rights and responsibilities of all citizens and institutions. Individuals and institutions have the right of freedom of expression, access to information and services and can interrogate government activities with regards to the use and management of the country's resources.

The Constitution states that Parliament will consist of

- The National Assembly; and
- The National Council of Provinces (NCOP). The NCOP represents the provinces to ensure that provincial interests are taken into account in the national sphere of government in the legislative process.

Parliament has the prerogative of establishing committees that will oversee the activities of the executive. Among these are the select committee on public accounts (SCOPA), the budget committee which oversees the budget process and select committees on different portfolios, which oversee the general activities of each of the departments and entities entrusted with a particular portfolio.

Section 100 of the Constitution deals with the national supervision of provincial administration and it states that:
(1) When a province cannot or does not fulfil an executive obligation in terms of legislation or the Constitution, the national executive may intervene by taking any appropriate steps to ensure fulfillment of that obligation, including: -

 (a) issuing a directive to the provincial executive, describing the extent of the failure to fulfil its obligations and stating any steps required to meet its obligations; and
 (b) Assuming responsibility for the relevant obligation in that province to the extent necessary.

(2) If the national executive intervenes in a province in terms of subsection (1) b,

 (a) Notice of the intervention must be tabled in the National Council of Provinces within 14 days of its first sitting after the intervention began,
 (b) The intervention must end unless otherwise approved by the Council within 30 days of its first sitting after the intervention began, and
 (c) The Council must review the intervention regularly and make any appropriate recommendations to the national executive.

Elaborating further, the national government can take over the responsibilities of a provincial government that is showing deficiencies in its financial management. The key performance indicators in this regard are the actual deficit and expenditure relative to the budget plan. Substantial overruns that appear to be more than temporary may lead the national government to invoke section 100. The Auditor-General's opinion also plays a role. This was a case for a number of provincial governments in the late 1990s and early 2000s. For example, the section was invoked for Free State and KwaZulu-Natal in 1999. In 2011/12 financial year section 100(a) was also imposed on the Provincial Treasury and the Department of Police, Roads and Transport. Both the Free State and KZN's public expenditure and financial management systems have improved markedly.

Section 155 outlines the different categories of municipalities as extracted below:

- Category A: A municipality that has exclusive municipal executive and legislative authority in its area;
- Category B: A municipality that shares municipal executive and legislative authority in its area with a category C municipality in whose area it falls; and
- Category C: A municipality that has municipal executive and legislative authority in an area that includes more than one municipality.

Chapter 13 of the Constitution stipulates broader guidelines for the regulation of financial affairs of the national, provincial and local spheres of government. Provincial governments must also pass legislation to regulate the financial affairs of that particular province and such legislation should not materially or unreasonably prejudice national economic policies.

Section 188 provides for the office of the Auditor-General (AG) to audit the annual financial statements of government agencies in all spheres.

Section 214 (1) requires Parliament to pass an Act for:
(a) The equitable division of revenue raised nationally among the national, provincial and local spheres of government;
(b) The determination of each province's equitable share of the provincial share of that revenue; and
(c) Any other allocation to provinces, local government or municipality from the national government's share of that revenue, and any conditions on which those allocations may be made.

Section 216 (1) stipulates that national legislation must establish a National Treasury and prescribe measures to ensure both transparency and expenditure control in each sphere of government by introducing:

- Generally recognised accounting practice (GRAP);
- Uniform expenditure classifications; and
- Uniform treasury norms and standards.

Section 217 (1) stipulates that an organ of state in the national, provincial or local government sphere of government or any other institution identified in national legislation, that contracts for goods and services, must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective.

Chapter 13, section 220 of the Constitution stipulates that:

(a) There is a Financial and Fiscal Commission (FFC), which makes recommendations on fiscal matters to Parliament and provincial legislatures; and
(b) The FFC is independent and subject only to the Constitution and the law, and must be impartial. [8]

Public Finance Management Act (1999)

The Constitution confers extensive powers on national government to determine the financial management framework over all organs of state, in all spheres of government. As a result, a PFMA was enacted in 1999. The Act promotes the objective of good financial management in order to maximise delivery through the efficient and effective use of limited resources. Under the PFMA, public financial management practices are to be brought up to modern international standards. An extract from the foreword to the Act is germane: the Act "represents a fundamental break from the past regime of opaqueness, hierarchical systems of management, poor information and weak accountability. The Act lays the basis for a more effective corporate governance framework for the public sector." The Act focuses on outputs and responsibilities, rather than the rule-driven approach of the previous Exchequer Act, which prescribed ex-ante controls over virtually every activity.

The principal components of the PFMA are:

- To introduce generally recognised accounting practice (GRAP);
- To stablish uniform treasury norms and standards, measures to ensure transparency and expenditure control in all spheres of government; and
- To set the operational procedure for borrowing, guarantees, procurement and oversight over the national and provincial revenue funds (PRFs).

The National Treasury is further expected to monitor and enforce these norms. The National Treasury, therefore, not only implements the budget of the national government, but plays a financial oversight role over other organs of state in all spheres of government.

Provincial governments have to establish provincial treasuries, "which are responsible for preparing and managing provincial budgets and enforcing uniform norms and standards as prescribed by the National Treasury and this Act."

Chapter 4 states that Parliament and provincial legislatures must appropriate money for each financial year for the requirements of the state and the province, respectively.

The Minister of Finance is required to table the annual budget for the financial year in the National Assembly before the start of that financial year or, in exceptional circumstances, on a date as soon as possible after the start of that financial year, as the Minister may determine. The MEC for finance in a province must table the provincial annual budget for the 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.

The National Treasury must publish a statement of actual revenue and expenditure with regard to the national revenue fund (NRF) within 30 days after the end of each month in the national government gazette. After the

[8] For example, the Ugandan Constitution (1995), drafted with the assistance of international advisers, has many similar provisions. A Constitution is not a prerequisite for good public finance management; for example, the UK does not have a written constitution. But a constitution, with strong provisions for sound public finance management, is commonplace for countries, such as South Africa, Uganda, and former communist bloc countries, undergoing rapid political change.

end of a prescribed period, but at least quarterly, every provincial treasury must submit a statement of revenue and expenditure with regard to the revenue fund for which that treasury is responsible to the National Treasury, for publication in the national government gazette within 30 days after the end of each prescribed period.

Section 38 (1) (a) (i) of the Act stipulates that the accounting officer must ensure that the department has and maintains an effective, efficient and transparent system of financial and risk management and internal control. Section 38 (1) (a) (ii) stipulates that the accounting officer must ensure that the department has and maintains systems of internal audit under the control and direction of an audit committee, complying with and operating in accordance with section 76 and 77 of the Act and the Treasury regulations.

Section 39 states that the accounting officer for a department is responsible for ensuring that:

- Expenditure of that department is in accordance with the vote of the department and the main divisions in the vote;
- Effective and appropriate steps are taken to prevent unauthorized expenditure;
- Effective and appropriate steps are taken for the purpose of subsection (1), to prevent any overspending of the vote of the department or a main division in the vote;
- Any impending under collection of revenue due, shortfalls in budgeted revenue, and overspending of the department's vote or a main division in the vote is reported to the executive authority and the relevant treasury; and
- Any remedial measures imposed by the relevant treasury in terms of this Act to prevent overspending of the vote or a main division in the vote is complied with.

Section 77 states that there must be an establishment of an audit committee. Most of the national departments and provincial departments have already established audit committees for themselves, though shared between provinces in the case of some provinces. Most of these committees consist of persons from outside the public service and some are from private audit firms.

Audit units in the departments are expected to submit audit reports to the audit committee on a continual basis. The AG takes the audit committee reports into consideration.

Municipal Financial Management Act (MFMA) of 2004

The MFMA came into effect on 1 July 2004 and follows the model of the PFMA. The National Treasury has divided the provincial governments into three categories, according to its perception (derived from a number of indicators) of capacity to implement the Act: high, medium and low. The high capacity municipalities had to start implementing MFMA almost immediately, the first benchmark being compliance with PPPFA by December 2004 and the second being compliance with most of the provisions of MFMA by June 2005. Municipalities in this category are required to prepare an implementation plan. The other categories have been given more time to prepare for implementation.

The MFMA provides for a much larger oversight role for provincial governments than up to now. Until now, the provincial governments have mainly served as a conduit through which municipal governments submit budget performance reports for consolidation into reports submitted to the National Treasury. National government transfers to municipalities have tended to be direct rather than through the provincial governments. Provincial governments are now expected to play a far more critical appraisal role in order to guide municipalities in their implementation of MFMA and to provide technical guidance.

The end result of MFMA implementation is expected to be much improved and more transparent financial management and a fall in qualified external audit reports.

Supply Chain Management Framework and Preferential Procurement Policy Framework Act

In line with section 217 of the Constitution, section 38 (1) of the PFMA mandates the accounting officer of an agency to maintain an "appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective. Reform of the procurement system under PFMA is fully in line with the ethos of the PMFA to move away from the inflexible rules-based culture of the old system and to ensure that all spending is fully geared to achieving public policy objectives at minimum cost to taxpayers and with full accountability vested in the hands of the accounting officer." In November, 2000 the National Treasury issued the general procurement guidelines. The five pillars of procurement are: value for money, open and effective competition, ethics and fair dealing, accountability and reporting, and equity.

To achieve reform of the procurement system in line with the spirit of PFMA, the procurement process is being decentralised, with the national and provincial government tender boards being phased out and departments taking over responsibility for procurement through the supply chain management framework. The State Tender Board (STB) Act was repealed in 2005 under an Act to amend the PFMA. The STB regulations were amended in 2003 by means of promulgation in the government gazette to allow accounting officers of national departments to procure goods and services either through the State Tender Board (until the STB Act has been repealed) or through the PFMA[9]. Correspondingly, provincial Tender Board Acts are being repealed and, under the auspices of the provincial treasuries, supply chain units are being established in provincial departments.

In September 2003, the Cabinet adopted a supply chain management (SCM) policy to replace the procurement and provisioning practices throughout government with an SCM function that would be an integral part of financial management and conform to international best practices. The new policy is in line with the recommendations of the country procurement assessment review (CPAR) conducted jointly by the World Bank and government agencies in 2001, though not published until 2003.

Accordingly, the National Treasury established a supply chain management office (SCMO) in December 2003. The supply chain management framework (SCMF) was promulgated in terms of section 76(4) (c) of the PFMA and section 106 (1) b of the MFMA. It effectively plays a policy making and regulatory role. It issued detailed regulations in December 2003. Departments have to install SCM units in their finance department offices and establish bid evaluation and adjudication committees (each with at least three members, one of whom should be a SCM practitioner, and none of whom should be private sector representatives or members of the legislative body). The ultimate responsibility rests with the accounting officer, who delegates SCM responsibility, in line with sections 44 and 56 of the PFMA.

The SCM approach fully integrates procurement into public financial management. It recognises that government purchases of goods and services is a major component of government spending and therefore should be planned and budgeted for properly in order to make it as cost effective as possible in terms of meeting public policy objectives at minimum cost. Bad planning for procurement and inefficient procurement leading to much higher costs than budgeted for can lead to cash flow squeezes, possibly compromising the attaining of service delivery objectives. Another feature under the old approach was the bunching of procurement requests at the end of the financial year, as departments attempted to spend their budget. Such practice reflected poorly planned and budgeted procurement, which was not adequately linked to service delivery objectives.

The sole responsibility for procurement given to the accounting officer is a crucial component of the new procurement system (and of the PMFA in general). This feature means that the AO is accountable to Parliament and has to answer for mistakes. Under the STB system, such accountability was obviously passed on to STB. With STBs including private sector representatives and perhaps politicians (councilors at local government) the potential for misspending was high.[10]

The SCMO has three chief directorates.

- Chief directorate of supply chain policy, responsible for supply chain policy development. Most important is the need for uniformity, efficiency, and transparency in procurement practices;
- Chief directorate of norms and standards, responsible for the monitoring and surveillance of compliance; and
- Chief directorate of contract management, whose mission is to facilitate the arrangement of certain transversal contracts in the instances where economies of scale can be realised through bulk purchasing covering different departments. Heads of user departments are represented on the bid evaluation committees to take the procurement decisions jointly. The decision to procure under these transversal contracts is fully devolved to accounting officers. Where there is a general lack of capacity to deal with large contracts, the SCMO will also provide support to departments. The emphasis is on the monitoring of the outcome of contracts, including achievements of government's procurement policy objectives.

The SCMO interacts with the office of the AG on all audit and compliance related issues.

[9] Regulation 2 of the STB regulations issued in 1988 was amended in terms of section 13 of the STB Act, 1968.
[10] There have been cases at the provincial level of department tender committees selecting a contractor based on price, only for the provincial tender board, dominated by private sector representatives, to overturn the recommendation and select a more expensive contractor.

The implementation of the SCM system is well underway and all national and provincial departments are expected to be fully compliant by 1 April 2005. Most national government departments have already stopped using the STB and the frequency of STB meetings has dwindled drastically from once a week to once every two months. The Departments of Agriculture and Defence continue to make partial use of STB, particularly in difficult cases.[11] In some cases a department has requested *ex post de facto* approval from STB for procurement, where procedures have not been followed, as has happened in the case of the Department of Housing. STB approval means that the department does not have to report the breach of procedure to the SCOPA. STB approval in this instance is rare, however.

The National Treasury keeps a close watch on SCM implementation. It requires monthly reporting by SCM units in all departments. Provincial treasuries have a similar requirement. SCM units have to report all transactions and demonstrate compliance with PPPFA and B-BBEEA.

The National Treasury has developed a draft regulatory framework for SCM at the local government level in line with the MFMA. If approved by Parliament under section 169 of MFMA, all local governments are expected to comply by 1 December 2004.[12] When this is accomplished, all government units in every sphere will be using uniform procurement procedures as an integral component of good financial management. Chapter 3 discusses this in more detail. A key provision in the MFMA in relation to procurement is section 117, which bans councillors from serving on tender boards.

Preferential Procurement Policy Framework Act

The Preferential Procurement Policy Framework Act (PPPFA) partly derives from section (217 (2)) of the Constitution and provides procurement preferences for historically disadvantaged people, particularly in relation to projects falling under reconstruction and development programmes (RDP). The PPPFA states that an organ of state must determine its preferential procurement policy and implement it in the following framework:

- A preference point system must be followed. For contracts with a value above R500 000 a maximum of 10 points (a preference margin of 11.11 per cent) may be allocated for specific goals provided that the lowest acceptable tender scores 90 points for price; i.e. the price quotation must be reasonably competitive as a prerequisite for being considered for a preference margin.
- For contracts with a Rand value equal to or below R500 000 and above R30 000 a maximum of 20 points (a preference margin of 25 per cent) may be allocated for specific goals provided that the lowest acceptable tender scores 80 points for price;[13]
- Any other acceptable tenders which are higher in price must score fewer points, on a *pro rata* basis, calculated on their tender prices in relation to the lowest acceptable tender, in accordance with a prescribed formula.

The contract must be awarded to the tenderer who scores the highest points, unless objective criteria in addition to specific goals justify the award to another tenderer. These are, for example, ownership by previously disadvantaged individuals (PDIs), women, disabled individuals and small and medium scale enterprises.

Division of Revenue Act

South Africa is divided into nine provinces and 284 local governments/municipalities. Provincial and local governments account for 60 per cent of total government expenditure. Transfers from the national government account for about 95 per cent of provincial government resources and between 5 per cent and 40 per cent of municipal government resources. Municipal services such as water and refuse removal are funded out of fees and tariffs.

The transfers to provinces are in two forms, as legislated under the annual Division of Revenue Act (DORA). The main form, accounting for about 80 per cent of transfers, is the equitable share grant, under which each province receives an equitable share of tax revenues, virtually all of which are assigned to the national government. The equitable share between spheres (vertical division) is not determined by formula but evolves over time, modified

[11] Scrutiny of Government Tender Bulletin of 16 July, 2004, confirms this; the GTBs are on the National Treasury website.
[12] Rather unusually, the regulations under the Act have to be "submitted to Parliament for scrutiny". This is different from the usual procedure around the world whereby the enabling Act contains a clause delegating the responsibility to the Minister for preparing implementing regulations.
[13] The preferential point system was originally introduced in 1997 following the government's Green Paper on procurement, but was given legislative force under PPPFA.

by policy challenges and by ongoing mediation of concurrent responsibilities. This can lead to provinces sometimes coming under pressure to meet assigned responsibilities, for example, the current need to pay social assistance grants to all qualifying citizens.

The equitable share of these revenues between provinces is determined by a formula established for DORA 2012/13 comprising six components or indices of relative demand for services between provinces and taking into account particular provincial circumstances. The components are:

- An education share based on the size of the school age population (ages 5-17) and the average number of learners enrolled in ordinary primary schools for the past three years. The share was increased to 48 per cent for FY 2012/13 by replacing average enrolment data with 2010-2011 enrolment figures and by changing to the 5-17 school age cohort (by using 2001 census data and the 2011 education school realities) to take account of early childhood development (i.e. the minimum school age was lowered from six to five);
- A health share (27 per cent) based on the proportion of the population with and without access to medical aid;
- A basic share (16 per cent) derived from each province's share of the country's total population; for the 2012/13 budget, this was updated with 2011 census data;
- A poverty component (3 per cent) based on the poor population includes falling in the first two quintiles of household incomes in the 2005 income and expenditure survey (IES)—the estimated size of the poor population in each province is calculated by multiplying the proportion in that province from the IES by the population figure from the 2011 mid-year population estimates;
- An economic output component (1 per cent) based on the final GDP by region (GDPR) data; and
- An institutional component (5 per cent) divided equally among the provinces.

The fiscal and financial commission (FFC) is considering moving to a costed norm approach (i.e. transfers based on estimated costs of service delivery) but insufficiency of data precludes this at present.

The equitable share to municipalities is distributed according to a formula that has two components: a basic services (S) component based on the estimated cost of delivering a basic package of social services and the number of low income households in each municipality, and an institutional (I) component, based on population size and average income. The local equitable share is being reformulated to take into account the demarcation of municipalities in 2000 and the introduction of free basic supply of water and electricity.

The equitable share grant has no conditionality and provinces have absolute discretion over how it is spent, but nevertheless spending is expected to be in tune with national priorities.

The other form is conditional grants through which the national government supports provincial and municipal governments in implementing programmes of national priority. Section 35 of the DORA (for 2004) states that all provincial departments that received conditional grants during 2001/02 - 2003/04 must report on spending against such grants, including roll-overs from previous years, in their 2003/04 annual report. Section 7 (7) of DORA requires that the accounting officer of the provincial education department certifies that funds have been spent in accordance with the purpose and the conditions of the grant.

The Intergovernmental Fiscal Relations Act (Act No. 97 of 1997)

This Act gives effect to the Constitution by setting out the process of intergovernmental consultation in enacting the Division of Revenue Bill. It establishes the budget council and the budget forum, the consultative intergovernmental forum for the budget process. Section 9 and 10(4) of the Act sets out the consultation process to be followed with the FFC, including the process of considering recommendations made with regard to the equitable division of nationally raised revenues.

The budget council is a forum between the Minister of Finance with all MECs for Finance in all the nine provinces. MECs can raise issues of provincial interest that have a bearing on their allocation of the budget. The budget forum consists of the budget council, the FFC and the South African Local Government Association (SALGA). The allocations of resources between the three spheres of government are discussed.

Most recently, the Division of Revenue Amendment Act 2010 (No. 15 of 2010) provides for the equitable division of revenue raised nationally among the national, provincial and local spheres of government for the 2010/11 financial year and the responsibilities of all three spheres pursuant to such division, and to provide for matters connected therewith.

Municipal Systems Act (Act No. 32 of 2000)

The Act introduces changes towards the manner in which municipalities are organised internally, the way they plan and use resources, monitor and measure their performance, delegate authority, render services and manage their finances and revenue. Critically, the MSA formalises a range of alternative service delivery mechanisms that could be used to complement traditional service rendering mechanisms/ arrangements used by municipalities. This Act also enables the integrated development plans (IDP). The IDP is a single and inclusive strategic plan that must be compiled and adopted by the municipality. IDPs must include a financial plan, performance management plan, disaster plan, and a spatial development framework in which all sector plans should be addressed.

Municipal Structures Act (Act No. 117 of 1998 as amended in 1999 and 2000)

The Act defined new institutional arrangements and systems for local government. Importantly, the Act laid a foundation for local government performance management and ward committee systems.

White Paper on local government of 1998

The White Paper on local government is a broad policy framework that proposes wholesale changes in the areas of political, administrative structures of local government, electoral systems, demarcations, finances, services, infrastructure development, planning and so forth. The White Paper maps out a vision of developmental local government that is committed to working actively with citizens to identify sustainable ways of meeting their social, economic and material needs and thereby improve their quality of life. Developmental local government envisages the transformation of municipal administrations into rationalised, representative, less bureaucratic, people centered, efficient, transparent, accountable and responsive entities.

Public Audit Act, 2004 (Act No. 25 of 2004)

This Act gives effect to the provisions of the Constitution establishing and assigning functions to an AG: to provide for the auditing of institutions in the public sector, to provide for accountability arrangements of the AG, to repeal certain obsolete legislation, and to provide for matters connected therewith.

The legislative branch — portfolio committee

For the above purposes the role and powers of a portfolio committee are established by the Provincial Legislature Act, (No. 3 of 1996).

Roles

- The main function of the portfolio committee is to examine the accounting and financial matters raised by the AG for investigation.
- The committee can make recommendations with a view to the better use of public funds.
- The committee shall also scrutinise the regularity, efficiency and effectiveness of the collection of taxes.
- The committee should not concern itself with the policies of government or with determining their merit. The committee should be concerned with ensuring that the policies and programmes of government are implemented in an effective, efficient, and economical manner, and that the taxpayer is receiving value for the money spent.
- The committee and the AG and his or her representatives must work together to achieve maximum accountability to the legislature.
- It is important that the committee establishes and maintains a constructive working relationship with the provincial government and statutory bodies concerned.

Powers

The committee shall have permanent referral, as they become available, of:

- The public accounts;
  - All AG reports on provincial accounts;
  - All reports by the AG on institutions in the province which are submitted to the provincial legislature;
  - All financial statements and all audit reports of all corporations where applicable; and

- Other agencies receiving funding from the provincial government.

- The committee has the right to investigate or review all past, current and committed expenditures of government and organisations in the province, receiving funds from such government.
- The committee has the right to request the provincial legislature, at short notice, to refer to it any financial problem/matter that comes to its attention.
- The committee has the right to request, on its own initiative, the AG, in the existing framework, to perform specific reviews or tasks.
- The committee shall report to the provincial legislature at least annually, have the report debated in the provincial legislature and have the right to request the provincial executive authority to table a comprehensive response to the committee's report within 60 days.
- The committee shall, as determined by the powers, privileges and immunities of the Provincial Legislature Act, No. 3 of 1996, have the right of access to all financial information and other documents necessary for its investigations.
- The committee shall have the right to call MECs, witnesses from the civil service, expert witnesses and private citizens to testify and provide information (under oath or affirmation if necessary). This includes individuals currently responsible for matters under consideration, as well as those who were responsible at the time of the events, if not the same person.
- The committee may hold public servants accountable for their performance of the administrative duties and the implementation of activities which have been delegated to them (refer to chapter 5 of the PFMA).
- The committee has the right to meet when the legislature is in session, recessed or prorogued.
- The committee may amend the rules through due process at any time.

3. Assessment of the PFM systems, processes and institutions

3.1 Credibility of the budget

HLG1 Predictability of transfers from a higher level of government

Dimensions to be assessed (scoring method M1):
(i) Annual deviation of actual total HLG transfers from the original total estimated amount provided by HLG to the SN entity for inclusion in the latter's budget
ii) Annual variance between actual and estimated transfers of earmarked grants
iii) In-year timeliness of transfers from HLG (compliance with timetables for in-year distribution of disbursements agreed within one month of the start of the SN fiscal year

Total receipts from the National Treasury constitute between 81 per cent and 95 per cent (excluding financing). Over a period of three years, the Western Cape's revenue from the National Treasury has increased from 81 per cent of the province's revenue to 95 per cent based on the 2012/13 fiscal year budget and performance. Equitable share is by far the largest single source (72 per cent) followed by conditional grants (22per cent). Western Cape's own revenue sources have the potential to grow based on the performance of the province during the last three years. During the period under review own revenue sources constituted six per cent per annum. Potential performance improvements may be expected from the road motor transport, gambling, liquor and horse racing taxes and improved performance in health fee for services and efficiency improvements in various areas of revenue management.

Table 5: Composition of revenue sources for Western Cape

	2009/10		2010/11		2011/12		2012/13	
R'000		%		%		%		%
Total receipts from national	28 064 895	81%	32 536 439	87%	35 349 580	88%	37 957 292	95%
Equitable share	24 455 824	71%	27 052 442	72%	29 119 423	72%	29 119 423	73%
Conditional grants	8 080 615	23%	8 297 138	22%	8 837 869	22%	8 837 869	22%
Own revenue sources	1 937 415	6%	2 067 681	6%	2 228 649	6%	2 045 365	5%
Total revenue	**34 473 854**		**37 417 261**		**40 185 941**		**40 002 657**	

Source: National Treasury and Western Cape Treasury official documents 2010-2013

(i) Annual deviation of actual total HLG transfers from the original total estimated amount provided by HLG to the SN entity for inclusion in the latter's budget

National Treasury transfers to the Western Cape Provincial Treasury deviated from the originally approved budget by less than 2 per cent in every year during the past three years. It deviated by 2 per cent in 2010/11, 1 per cent in 2011/12, and 1 per cent in 2012/13.

Table 6: Receipts from National Treasury to Western Cape

	2010/11			2011/12			2012/13		
R'000	DORA	Received	%	DORA	Received	%	DORA	Received	%
Equitable share	24 026 091.00	24 455 824.00	1.02	26 754 333.00	27 052 442.00	1.01	28 772 188.00	29 119 423.00	1.01
Conditional grants	7 669 665.00	7 804 307.00	1.02	8 156 070.00	8 200 377.00	1.01	8 809 041.00	8 837 869.00	1.00
Totals	**31 695 756.00**	**32 260 131.00**	**1.02**	**34 910 403.00**	**35 252 819.00**	**1.01**	**37 581 229.00**	**37 957 292.00**	**1.01**

The provincial portion of the equitable share increased from an adjusted R24.455 billion in 2010/11 to R27.52 billion in 2011/12 thus representing a year-to-year growth of 11 per cent. In 2012/13 it increased by 8 per cent. Simultaneously conditional grants increased from an adjusted R7.804 billion to R8.200 billion in 2011/12 thus indicating an annual growth of 5.0 per cent. In 2012/13 it increased by 8 per cent (table 3.1). The transfers are inclusive of infrastructure development allocations.

Table 7: Grants from National Treasury to Western Cape (R millions)

	Received		Received		Received
Equitable share	24 455 824	111%	27 052 442	119%	29 119 423
Conditional grants	7 804 307	105%	8 200 377	113%	8 837 869
Totals	32 260 131	109%	35 252 819	118%	37 957 292

Source: National Treasury and Provincial Treasury Financial reports (2010-2013)

(ii) Annual variance between actual and estimated transfers of earmarked grants

Variance in the provision of earmarked grants did not exceed two percentage points in any of the last three years. The equitable share grants to Western Cape Province deviated from the originally approved budget by 2 per cent in 2010/11, 1 per cent in 2011/12 and less than 1 per cent in 2012/13.

(iii) In-year timeliness of transfers from HLG (compliance with timetables for in-year distribution of disbursements agreed within of month of the start of the SN fiscal year

A disbursement schedule is constituted in the form of a memorandum of understanding or agreement and thus constitutes a backbone of the relationship between the National Treasury and Western Cape provincial government through the Provincial Treasury. The equitable share and conditional grants are based on historical trends and future projections based on the returns and data from education and health, the two largest recipients of the grants. There is an even distribution of funds throughout the period which was aligned to the plan.

Indicator	Score	Evaluation
HLG-1 Predictability of transfers from a higher level of government	**A**	**Scoring method M1**
(i) Annual deviation of actual total HLG transfers from the original total estimated amount provided by HLG to the SN entity for inclusion in the latter's budget.	A	Over the last three years of assessment HLG transfers have been less than 2 per cent.
(ii) Annual variance between actual and estimated transfers of earmarked grants.	A	Variance in provision of earmarked grant (composition of revenue) were below 2 per cent between 2010/11 and 2012/13).
(iii) In-year timeliness of transfers from HLG (compliance with timetables for in-year distribution of disbursements agreed within of month of the start of the SN fiscal year).	A	A disbursement timetable forms part of the agreement between NT and Western Cape provincial government which was the basis for doing business during the three-year period. (2010/11, 2011/12 and 2012/13). This demonstrated mutual respect and high level of regard to the requirements of the PFMA.

PI-1 Aggregate expenditure out-turn compared to original approved budget

Dimensions to be assessed (scoring method M1): ***(i) The difference between actual primary expenditure and the originally budgeted primary expenditure (i.e. excluding debt service charges, but also excluding externally financed project expenditure)***

In the last three years, actual expenditure did not deviate from budgeted expenditure by an amount equivalent to more than 5 per cent of budgeted expenditure. The deviation against the original budget was greatest in 2010/2011 at 2.5 per cent. For the years 2011/12 and 2012/13 the deviations were less than 1 per cent.

The results below are for the last three years for which information was available. As can be seen the deviation of budgeted to actual was not more than 5 per cent in any of the last three years.

Table 8: Aggregate expenditure out-turn compared to original approved budget

R'000	2010/11	2011/12	2012/13
Primary original estimate	33 241 492	36 838 952	39 916 784
Primary out-turn	34 059 649	36 949 272	39 979 745
Aggregate expenditure deviation, R million	818 157	110 320	62 961
Aggregate expenditure deviation, %	2.5%	0.3%	0.2%

Source: WC Provincial Treasury

Section 38 to 42 of the PFMA sets out the accounting officer's responsibilities relating to public finance management including budgetary control. These responsibilities include taking steps to prevent unauthorised expenditure.

One of the indicators under the corporate governance and review assessment is that actual expenditure falls within planned projections. As part of the in-year monitoring reporting, monthly departments indicate areas where there may be either positive or negative variances to budget. The departments, through the accounting officers, are held accountable for ensuring that steps are taken to address the material variances to budget.

Indicator	Score	Evaluation
PI-1 Aggregate expenditure out-turn compared to original approved budget	**A**	**Scoring method M1**
(i) Difference between real primary expenditure and originally budgeted primary expenditure (debt service charges and also expenditure on projects from external financing excluded).	A	Actual expenditure to budgeted expenditure has been less than 5 per cent for the fiscal years 2010/11, 2011/12 and 2012/13.

PI-2 Composition of expenditure out-turn compared to original approved budget

Dimensions to be assessed (scoring method M1):
(i) Extent to which the variance in the composition of primary expenditure exceeded the aggregate variance (as defined in PI-1) in the past three years excluding contingency items
(ii) The average amount of expenditure charged to the contingency vote over the last three years

An original budget is prepared based on the approved estimates of revenue and expenditure. This is then updated through the adjusted budget in the framework of budget adjustments allowed by the law.

The validity of the adjustments made to the original budget is controlled since the PFMA legislates what types of adjustments can be made. Generally adjustments are triggered by unexpected circumstances or additional funds which were not available at the time of the original budget. Thus the adjustments could include provisions for costs of an exceptional nature, adjustments due to material movements in economic events and additional appropriation funds being made available to the province. As per the PFMA, the use of funds for expenditure of an exceptional nature cannot exceed 2 per cent of the total amount appropriated during the year.

The utilisation of savings requires both Treasury and legislative approval, thus ensuring there is a balancing process. Contingency funds are created from the provincial allocation which is either not used or purposely set aside for possible future unexpected expenditure.

Contingency funds were provided for in the budget. In a media briefing in October 2011, the Finance Minister indicated that the National Treasury was considering the creation of a reserve to support economic development.

The present contingency reserves are disclosed in the budgetary documentation which is available to the public via the Western Cape Provincial Parliament website and are on average less than 1 per cent for the three years inspected. The comparison of actual to budget per vote was as follows:

Table 9: Analysis of Western Cape actual expenditure against budget per vote

Vote	2010/11		2011/12		2012/13	
R'000	Budget	Actual	Budget	Actual	Budget	Actual
Education	11 845 691	11 955 743	13 331 843	13 361 153	14 229 057	14 288 110
Health	11 962 863	12 344 628	13 395 060	13 387 763	14 632 361	14 600 857
Social Development	1 219 287	1 222 183	1 331 611	1 317 002	1 411 512	1 402 227
Premier	545 168	620 918	697 197	692 445	699 802	747 165
Provincial Parliament	105 733	103 211	118 495	107 888	125 390	122 553
Provincial Treasury	160 470	127 500	144 976	142 619	154 286	162 283
Community Safety	287 808	288 542	310 978	306 599	358 414	360 233
Housing	2 060 623	2 165 120	1 836 006	1 834 400	1 920 894	1 987 458
Environmental Affairs and Development Planning	304 949	299 970	351 262	348 467	379 273	376 880
Transport and Public Works	3 686 548	3 807 886	4 116 260	4 198 575	4 608 897	4 510 843
Agriculture	428 995	483 485	501 718	514 559	559 792	555 633
Economic Development and Tourism	241 478	235 751	254 414	256 089	291 117	314 344
Cultural Affairs and Sport	289 241	294 023	313 158	351 888	390 761	390 550
Local government	102 638	110 689	135 974	129 825	155 228	160 609
Total	**33 241 492**	**34 059 649**	**36 838 952**	**36 949 272**	**39 916 784**	**39 979 745**

Source: WC Provincial Treasury

Table 10: Overall expenditure deviation and variance for 2010/11 – 2012/13:

	2010/11	2011/12	2012/13
Total primary expenditure deviation	2.5%	0.3%	0.2%
Total primary expenditure variance	1.7%	0.6%	0.9%
Variance over expenditure deviation	0.8%	-0.4%	-0.8%

Indicator	Score	Evaluation
PI-2 Deviations in composition of expenditure out-turn compared to the original approved budget	**A**	**Scoring method M1**
(i) Degree to which the variation in composition of primary expenditure has exceeded the global deviation in primary expenditure (as defined in PI-1) in the past three years.	A	Variance in expenditure to the original budget did not exceed 5 per cent for the three years inspected.
(ii) The average amount of expenditure charged to the contingency vote over the last three years.	A	Actual expenditure charged to the contingency was less than 1 per cent for the three years assessed.

PI-3 Aggregate revenue out-turn compared to original approved budget

Dimension to be assessed (scoring method M1) ***(i) Real domestic income collection in comparison with estimates in the original approved budget***

PI-3 is a one-dimensional indicator measuring actual domestic revenue collection compared to domestic revenue estimates in the original approved budget over the previous three fiscal years. The scoring relates to actual provincial revenue collection. This indicator measures reliability of planning and accuracy of revenue forecast rather than tax/revenue administration performance and taxation revenue collection efficiency. It refers to all domestic and provincial revenues which might be dominated by revenues other than taxes such as revenues from health fees and charges charged to the medical aid funds societies and health insurance schemes. In summary, the indicator provides only a very general impression of revenue performance. It ensures that revenues do not fall too far below planned figures but does not permit an accurate performance measurement because it relates only to negative variations. The indicator should ideally incorporate both positive and negative deviations which currently is not possible.

The Western Cape government finances its provincial expenditure through three major sources: national transfers in the form of provincial equitable share (PES) and conditional grants, provincial own receipts which include taxes fees. and user charges which are channelled through the PRF.

The main contributors to provincial own receipts are the Departments of Transport Health and Provincial Treasury and consist of motor vehicle licences, hospital fees, and gambling and racing taxes. As per the overview of provincial revenue and expenditure 2013, motor vehicle licence fees have not increased since 2006. Regulations have been drafted to increase the licence fees in 2013/14 and the impact of the increase will be felt in future years. Hospital fees include payments received from patients visiting state institutions and claims from the road accident fund (RAF) for patients treated as a result of road accidents. The Department of Health has actively engaged with the RAF in order to obtain monies owed to it by the fund. This has resulted in greater than budgeted revenue. Transfers are excluded from the calculation below.

If own revenue is greater than budgeted departments are allowed to retain, the revenue is to be used on approved projects. By allowing departments to provide plans for use of the funds in the future, departments are motivated to increase their revenue collection. This retention of funds must be approved as provided for in the legislation. Any additional revenue which is not approved for use on future projects reverts to the PRF.

Thus as the national and provincial budgets are constrained by declining economic performance, departments' need for funds have increased due to demands for increased service delivery. As a result the creation and retention of own revenue to meet departmental demands becomes a bigger factor in ensuring that departments have monies available for capital budgets in the future.

Table 11: Deviation between revenue estimates and out-turns 2010/11 – 2012/13

R'000	2010/11	2011/12	2012/13
Revenue estimates	1 665 560	1 673 512	1 747 424
Revenue out-turns	1 951 644	2 058 507	2 164 548
Deviation	286 084	384 995	417 124
Deviation %	117%	123%	124%

Indicator	Score	Evaluation
PI-3 Deviations in aggregate revenue out-turn compared with the original approved budget	**D**	**Scoring method M1**
(i) Real collection of domestic income in comparison with estimates in the original approved budget.	D	Domestic revenue collection exceeded 116 per cent in all three of the last three budget years. The ratio of aggregate revenue out-turn to original approved budget were 117 per cent 123 per cent and 124 per cent respectively.

PI-4 Stock and monitoring of expenditure payment arrears

Dimensions to be assessed (scoring method M1):
(i) Stock of expenditure payment arrears
(ii) Availability of data to monitor the stock of expenditure payment arrears

The consolidated Western Cape provincial government annual financial statements disclose the total stock of payments due in the notes to the financial statements. However not all these payments would be overdue as the payments only become overdue 30 days after receipt of invoice. Nevertheless, the expenditure accruals at the financial year end as a percentage of the total expenditure is below 2 per cent for all the periods assessed.

The decrease in payments due in 2012/13 is as a result of efforts to track the overdue payments on a monthly basis and obtain explanations from departments for overdue payments. This follows legislated requirements for departments to clear their debtors within 30 days of invoicing. Because it's a reportable requirement, departments are encouraged to look at improving their own processes to ensure that as far as possible payments are made within 30 days of receipt of invoice.

Table 12: Ratio of expenditure accruals to total expenditure, 2010/11 – 2012/13

R'000	2010/11	2011/12	2012/13
Expenditure accruals	336 393	432 634	418 865
Total expenditure	34 063 305	36 957 080	39 991 785
Ratio	0.99%	1.17%	1.05%
Year on year change		18.54%	-10.53%

Data is available for each department. The annual financial statements disclose the total payments due within 30 days and amounts which are due which are older than 30 days and thus overdue. The 30 days is calculated from the date the invoice is received to when the payment is processed against the invoice.

Table 13: Breakdown of payments due by four selected departments, 2010/11

Departments R'000	2010/11			
	Total 30 days	Total > 30 days	Total expenditure	> 30 days as a % of total expenditure
Economic Development and Tourism	916	60	235 751	0.03%
Education	19 061	13 533	11 955 743	0.11%
Health	144 199	41 731	12 346 518	0.34%
Human Settlements	27 643	14 220	2 165 120	0.66%
Transport and Public Works	49 813	141	3 807 886	0.00%

Table 14: Breakdown of payments due by four selected departments, 2011/12

Departments R'000	2011/12			
	Total 30 days	Total > 30 days	Total expenditure	> 30 days as a % of total expenditure
Economic Development and Tourism	706	231	256 089	0.09%
Education	30 365	6 378	13 361 153	0.05%
Health	201 603	41 428	13 395 386	0.31%
Human Settlements	13 419	19 049	1 834 400	1.04%
Transport and Public Works	63 882	4 406	4 198 575	0.10%

Table 15: Breakdown of payments due by four selected departments, 2012/13

Departments R'000	2012/13			
	Total 30 days	Total > 30 days	Total expenditure	> 30 days as a % of total expenditure
Economic Development and Tourism	650	791	314 344	0.25%
Education	42 355	5 199	14 288 110	0.04%
Health	246 701	37 132	14 608 174	0.25%
Human Settlements	78 313	19 853	1 991 579	1.00%
Transport and Public Works	119 122	652	4 510 843	0.01%

All the selected departments had amounts which were more than 30 days after the invoice date. However only the Department of Human Settlements reached 1 per cent of the amount due for more than 30 days as a per cent of total expenditure. As highlighted in the department's annual financial statements, the amounts greater than 30 days are due to the certification principle used in the department for housing subsidies. For housing subsidies, payments are made within 30 days of certification of the claim by the department's inspectors as per the agreements with the municipalities. With subsidies, the 30-day period therefore starts after certification of the claims. This may sometimes differ from the invoice period which would have been received first as an indicator that the certification process can be done.

The province has a zero tolerance to late payments. In addition, the implementation of this policy has also received national media coverage. In an address at the broad-based black economic empowerment summit marking 10 years of BBBEE on 3 October 2013 the President acknowledged that late payments constituted a major constraint to small and medium enterprises and emphasised that a policy had been put in place to address it.

Provincial Treasury launched the policy through workshops in late 2011 and treasury instruction 34/2011 for the departments to track their late payments was issued. A more recent Provincial Treasury circular was issued in April 2013 (circular 17/2013) where reference was made to a letter dated 7 February 2013 from the Director-General of the Presidency addressed to the Director-General of the province asking whether processes were in place to address and track the invoices settled after 30 days.

As part of the instituted process Provincial Treasury requested departments to report on the aging analysis of their payments on a monthly basis. Part of this submission is providing reasons for delayed payments. From the evidence inspected at Provincial Treasury, this process of tracking late payments is underway and is being followed rigorously.

Indicator	Score	Evaluation
PI-4 Stock and monitoring of expenditure payment arrears	**A**	**Scoring method M1**
(i) Stock of expenditure payment arrears	A	The stock of arrears is less than 2 per cent for the individual departments sampled as well as for the province.
(ii) Availability of data in order to monitor the stock of expenditure payment arrears	A	Routine monthly procedures have been instituted to track late payments. These form part of monthly submissions to Provincial Treasury by the provincial departments. Annual financial statements include disclosure of accruals and arrears.

3.2 Comprehensiveness and transparency

PI-5 Classification of the budget

Dimensions to be assessed (scoring method M1): ***(i) The classification system used to formulate, execute and report on the province's budget***

The Constitution of South Africa requires the employment of GRAP uniform expenditure classifications and norms and standards (section 216(1)) in government. The National Treasury is required to prescribe uniform expenditure classifications and monitor and assess the implementation of treasury norms and standards in provinces, in terms of the Public Finance Management Act (PFMA) (Act No. 1 of 1999), section 6[14]. The National Treasury is also required to prescribe annual budget formats (PFMA Section 27(3)). Provincial Treasuries must enforce the implementation of uniform expenditure classifications in provincial departments (PFMA section 18).

National Treasury requires provinces to follow the centrally standardised standard chart of accounts (SCOA) and the new economic reporting format (ERF) for budgeting accounting and reporting purposes. SCOA is derived from and is an extension to the IMF's government finance statistics (GFS) 2001 standard. Western Cape government departments employs the National Treasury's SCOA and therefore the format of these departments' budgets and reports mirror the format of central government's SCOA. Provinces are required to advise the National Treasury of new SCOA revenue expenditure assets and liability items in order for the SCOA to be updated and revised. The SCOA is designed to ensure comprehensive reporting through identification of key departments funding and revenue sources which enables the individual budgeting and financial reporting including donor funds. Every government entity is required to adopt the classification of the functions of government (COFOG) classification system embedded in the GFSM 2001.

Western Cape government's budget documentation for the 2010/11 2011/12 and 2012/13 fiscal years is evidently classified and structured in line with the GFS and the COFOG classification systems. In terms of the classification of revenue and expenditure the comprehensive estimates of provincial revenue and expenditure (EPRE[15]) of all three fiscal years under review as well as the current (2013/14) and two outer fiscal years is structured on the basis of administrative economic and functional classifications at the aggregate (for the whole province) and programme (main divisions of a vote) level. Administratively provincial revenue and expenditure estimates are provided at the departmental (vote) level and disaggregated for each department at the programme level. Donor funding is excluded from vote appropriations.

The economic classification categories employed up to the programme level in Western Cape's EPRE are:

- Expenditure: current payments transfers and subsidies payments for capital assets payments for financial assets; and
- Revenue: tax and non-tax revenue (where applicable) treasury funding departmental receipts.

The functional classification categories for expenditure employed up to the programme level in Western Cape's EPRE are:

- Departmental receipts: sales of goods and services other than capital assets;
- interest dividends and rent on land sales of capital assets financial transactions in assets and liabilities etc;
- Treasury funding: equitable share conditional grants financing;
- Current payments: compensation of employee goods and services interest and rent on land;
- Payments for capital assets: buildings and other fixed structures machinery and equipment heritage assets specialised military assets biological assets land and sub-soil assets software and other intangible assets; and
- Transfers and subsidies: for example, to universities and technical colleges, households, municipalities, public entities etc.

The in-year-monitoring and reporting tool employed by Provincial Treasury (the IYM tool), although not publicly available, contains monthly revenue and expenditure reports for each provincial department (vote) disaggregated both in terms of administrative classifications (i.e. sub-programme level) and the economic and functional classifications of revenue and expenditure of each programme. The end-of-fiscal-year annual reports of Western

[14] PFMA (Act 1 of 1999).

[15] Western Cape Provincial Government. 2013. "Estimates of Provincial Revenue and Expenditure 2013." Government Printers: Cape Town.

Cape departments contain appropriation statements that disaggregate revenue and expenditure for the last fiscal year and the year under review in terms of administrative functional and economic classifications to the sub-programme level.

All transfer payments to public entities in control of Western Cape departments (whether public enterprises or autonomous government agencies) are budgeted for and reported on in terms of the budget documentation which includes the consolidated EPRE and appropriation statements.

Indicator	Score	Evaluation
PI-5 Classification of the budget	**A**	**Scoring method M1**
(i) The classification system used to formulate, execute and report on the provincial government budget.	A	The budget formulation and execution is based on administrative economic programme and sub-programme (functional) classification aligned to GFS 2001 and COFOG standards and can produce consistent documentation according to these standards.

PI-6 Comprehensiveness of information included in budget documentation

Dimensions to be assessed (scoring method M1): ***(i) Share of the above listed information contained in the budgetary documentation most recently issued by the central government***

Budget documentation (as defined as budget proposals money bills and reports on budget execution) is tabled in the Western Cape Provincial Parliament in accordance with both the Constitution (see for example Section 114 120) and the PFMA (see for example Sections 19(3) 27(2) 32(2) and 65(1)(a)).

The budget documentation of the Western Cape provincial government for the period under review includes the following:

- **The annual *budget speech*** by the provincial Minister of Finance to the Western Cape Provincial Parliament outlines the province's budget priorities (both existing and new) and related budgetary allocations.
- **The annual *Appropriations Bill*** is tabled each year in the Western Cape Provincial Parliament and includes the proposed budget envelopes for every vote (Department) in the province as well as frameworks for transfers and subsidies to municipalities and public entities.
- ***Estimates of provincial revenue and expenditure* (EPRE)** is tabled at the start of the financial year which includes the detailed breakdown of past current and future fiscal year revenue and expenditure as well as narratives on the background to each vote's programme and sub-programme initiatives and priorities.
- **The *budget review*** is a high-level document that summarises EPRE in terms of the province's economic outlook fiscal policy framework and three-year forward revenue estimates.
- **An *annual performance plan*** of each department is tabled and includes the detailed description of projects and programmes. the current and future resource requirements. and the related performance information (predetermined objectives objectives outcomes outputs and related targets).
- **An *annual report*** of each department and each public entity under its control is tabled after the end of each financial year. Annual reports on the financial and non-financial performance of the respective department for each programme contain, among other things, the audited annual financial statements performance report of the accounting officer, the report of the AG and report of the audit committee. Annual reports contain appropriation statements on a department's revenue and expenditure for the previous year and the year under review.
- ***Quarterly provincial revenue and expenditure statements*** for the province required by Section 32(2) of the PFMA[16] are submitted by the Western Cape Provincial Treasury and gazetted within 30 days after the end of the quarter and are therefore available for public scrutiny and oversight. These statements provide total revenue and expenditure for each provincial department disaggregated in the economic classifications.
- **The province's annual *medium-term budget policy statement*** is a public document that contains economic forecasts and assignment of the provincial budget over the next three years. It is a based on the National Treasury's medium-term budget policy statement and is a function of adjustments to the current year's budget.
- ***Budget circulars*** issued by the Western Cape Provincial Treasury during the fiscal year (for example three in 2012/13 in preparation for the 2013/14 budget) communicate the province's future budget objectives including efficiency in personnel budgets and non-personnel expenditure (goods and services). Budget circulars also include a) instructions on planning and budgeting for procurement and infrastructure b) fiscal policy objectives (such as the credibility of revenue estimates) and c) service delivery objectives (such as effectiveness and alignment of budgets and alignment of provincial planning frameworks with national ones).

[16] In-year financial and non-financial (performance) reports for each Department: 5.3 Evaluation of performance [Section 27(4) read with 36(5) of the PFMA

Table 16: Available budget documentation

Elements of budget documentation	Availability	Notes
(i) Macro-economic assumptions including at state level - estimates of economic growth in the SNG jurisdiction estimates of inflation and exchange rates and at local government level – estimates of inflation.	Yes	Estimates for provincial and national macroeconomic growth (as measured through GDP growth), interest rates, provincial and national population growth provincial and national unemployment rates, inflation and Rand exchange rates against major currencies are among numerous other macroeconomic estimates contained in the overview of the provincial revenue and expenditure 2013.
(ii) Fiscal deficit (where relevant) defined according to GFS or other internationally recognised standard.	N/A	Provincial governments are not allowed to have fiscal deficits.
(iii) Deficit financing describing anticipated composition (where relevant).	N/A	Provincial governments are not allowed to have fiscal deficits.
(iv) Debt stock including details at least for the beginning of the current year (where relevant).	N/A	Western Cape government has not incurred debt during the period under review.
(v) Financial assets including details at least for the beginning of the current year.	Yes	The province's consolidated annual financial statements tabled in the Provincial Parliament contain the statement of financial position which details the aggregate financial assets of the province in terms of current and non-current assets.
(vi) Prior year's budget out-turn presented in the same format as the budget proposal	Yes	The prior year's budget (2011/12) outturn is included in the EPRE 2013 in the same format as the 2013/14 budget proposal.
(vii) Current year's budget (either the revised budget or the estimated outturn) presented in the same format as the budget proposal.	Yes	The EPRE contains the current year's revised budget (2012/13) in the same format as the 2013/14 budget proposal.
(viii) Summarised budget data for both revenue and expenditure according to the main heads of the classification used including data for current and previous year.	Yes	The EPRE contains summarised estimates of three past, the current (2012/13), and three following fiscal years on revenue and expenditure estimates for all functional areas (votes) disaggregated to the sub-programme level, as well as aggregate revenue and expenditure in terms of economic classifications for the whole provincial government. Quarterly revenue and expenditure statements for each department in terms of the economic classifications are gazetted.
(ix) Explanation of budget implications of new policy initiatives with estimates of the budgetary impact all major revenue policy changes and/or some major changes to expenditure programmes.	Yes	The overview of provincial revenue and expenditure 2013 contains explanations of new policy initiatives, the additional allocations to functional areas (votes) to fund these initiatives, and major changes to existing expenditure programmes.

Indicator	Score	Evaluation
PI-6 Comprehensiveness of information included in budgetary documentation	**A**	**Scoring method M1**
(i) Proportion of information mentioned above and contained in the most recent budgetary documentation published by the central government.	A	The budget documentation is comprehensive and fulfils all the benchmarks relevant to the sub-national government.

PI-7 Extent of unreported government operations

Dimensions to be assessed (scoring method M1): ***(i) Level of extra-budgetary expenditure (not including projects financed by donors) that is not declared – in other words that does not appear in fiscal reports*** ***(ii) Information on income and expenditure in relation to projects financed by donors included in the fiscal reports***

All indications are that no unreported extra-budgetary expenditure except for donor-funded programmes is incurred by the Western Cape government. The most significant public sector entity that collect revenue and that receives either support or financial assistance from the provincial government and whose operations are not reported on directly by the provincial government are schools that charge fees. Schools are thus separate legal entities in terms of the Schools Act of South Africa (Act No. 84 of 1996) and are not part of the expenditure assignment of the Western Cape Education Department. Schools are not public entities in terms of the PFMA. Schools fees are accounted for in the financial statements of the Western Cape Education Department although the operations and the expenditure of school governing bodies are not considered unreported in this assessment.

A range of institutional arrangements that allow for fiscal discipline and the avoidance of unreported government operations in the Western Cape are described below.

Expenditure of budgeted amounts on purposes other than what it was appropriated for or overspending of a vote or a main division in a vote is unauthorised in terms of Section 1 of the PFMA. Such unauthorised expenditure is identified by the core accounting system employed by the Western Cape i.e. BAS. It is noted that because of its structure and design BAS is not configured to functionally capture and identify unreported expenditure.

Western Cape government operates a single PRF that is the sole fund for accounting for all provincial revenue (e.g. donor funding, school fees for the Department of Education, and patient fees for Department of Health) and expenditure (as per the Constitution section 226(1)). Stringent budgeting accounting and reporting requirements apply to the management of this fund (see for example PFMA sections 21 to 25).

Western Cape Provincial Treasury's IYM tool compiles and reports on detailed monthly departmental revenue and expenditure in comparison with appropriated amounts. Quarterly statements of provincial revenue and expenditure statements for each province in terms of economic classifications are gazetted in terms of section 32(2) of the PFMA.

Western Cape government funds a number of public entities although all transfer payments to these entities are reflected in the budgets' quarterly revenue and expenditure statements and annual financial statements of transferring departments. Audited annual financial statements for departments and the public entities under their control, as well as the consolidated statements at the provincial level, contain appropriation statements that account for total annual revenue and expenditure. The content and timing of the compilation and tabling of annual reports and the annual financial statements are strictly regulated (see for example PFMA Section 40(1-3) for Departments PFMA Section 55 for public entities and National Treasury regulation 18 of 2005).

The AG reports on the financial and regulatory audits in departments for the period under review contain no mention of unreported extra-budgetary expenditure. The external audit covers internal controls which, among other things, would identify unreported extra-budgetary expenditure. In general, the largest spending Western Cape Departments (health and education) do not suffer from materially inadequate internal controls for the period under review. The aggregation of departmental revenue and expenditure into the consolidated annual financial statements is another way of reconciling the sources and uses of funds with original budget estimates.

A small amount of donor funding is provided directly to Western Cape government departments. Donor funding received via the national reconstruction and development programme (RDP) funding stream is not considered for this assessment. Donor funds received directly are included in the financial statements of departments under "departmental receipts" but are not appropriated in terms of a departmental vote by the Western Cape Provincial Parliament. The most significant is from the Global Fund's rolling continuation channel (called the "RCC-I") for the Department of Health. The Department of Health makes transfer payments from Global Fund contributions to non-governmental organisations for health's HIV/Aids-related programmes. The department therefore only serves as a conduit of funding; it is not in charge of these programmes. These transfer payments are accounted for in the Department of Health's annual budget and quarterly revenue and expenditure statements. Annual financial statements need to contain financial and non-financial information on donor funding[17].

For the period under review, the Global Fund donor funding received by the Department of Health - confirmed by the donor's management letter and reflected in the departmental receipts - is less than 2 per cent of the department's annual expenditure. The total budgeted amount funding from the Global Fund for the period under review (1 April 2010 to 31 March 2013) was R465 514 552. Actual receipts of funding from the Global Fund for the period under review were R423 106 000 (2010/11: R112 976 000; 2011/12: R148 570 000; 2012/13: R161 560 000 (US$15.340 million)). Actual receipts are far less than 1 per cent of total annual expenditure of the Western Cape government for that period. Non-financial performance reporting on the activities and projects of donor-funded programmes are contained in the annual reports of departments. For example, reporting on the financial transfers to and performance of Global Fund funded programmes occur in the annual reports of the Department of Health for the period under review.

For the period under review there is no evidence of loan-financed projects undertaken in Western Cape Departments.

Indicator	Score	Evaluation
PI-7 Extent of unreported government operations	**A**	**Scoring method M1**
(i) Level of extra-budgetary expenditure (as distinct from that for projects financed by donors) which is not declared, in other words does not appear in fiscal reports.	A	There is no evidence of unreported extra-budgetary expenditure (other than donor-funded projects). All revenues generated directly by the departments are transferred to the PRF and reported on quarterly and annually in terms of the regulated reporting processes.
(ii) Information on income and expenditure relating to projects financed by donors that is included in fiscal reports.	A	Donor-funded project expenditure is insignificant (below 1 per cent of total provincial government expenditure).

[17] For example the requirement of the 2005 National Treasury Regulation 18(3)(1)(f) for annual financial statements to report on "the use of foreign aid assistance detailing the source and intended use of the assistance (including the value of any aid-in-kind in rand) performance information on the institution's use of the assistance and any pending applications for assistance."

PI-8 Transparency of inter-governmental fiscal relations

Dimensions to be assessed (scoring method M2): ***(i) Transparent systems based on regulations governing horizontal allocations to municipalities of unconditional and conditional transfers from provincial government (budgeted and real allocations)*** ***(ii) Timely provision of reliable information to municipalities on the allocations to be made to them by provincial government for the following year*** ***(iii) Degree to which consolidated general government fiscal data (at least on income and expenditure) is collected and made available, broken down by sector categories***

This indicator only covers fiscal transfers from the Western Cape provincial government to local government and not fiscal transfers from national government.

The Constitution provides for the transparent and equitable division of nationally collected revenue between the three spheres of government namely national provincial and local (see Sections 214 and 227). The annual Division of Revenue Bill (DORB) lays down the division of nationally collected revenue between the three spheres and regulates the rules-based transfers of discretionary equitable share allocations and non-discretionary (conditional) grant allocations to provincial and local governments. Apart from discretionary and non-discretionary grant allocations directly from national government, provincial governments also transfer conditional grants to local government including municipalities.

The DORB requires the province to publish and gazette the projections of intergovernmental transfers to municipalities once the Bill is enacted[18]. Once enacted, DORA provides the official confirmation of intergovernmental transfers to provinces, thereby enabling provinces to table their annual Appropriations Bills and gazette grant transfers to municipalities. The Appropriations Bill contain the high-level projected allocations to each vote and the projected grant allocations (under the item “transfer payments”) to municipalities in each vote’s programmes. Therefore the manner in which provincial resources are allocated to municipalities in each sector such as health education or housing, as well as the functional areas i.e. the different programmes, is open for public scrutiny.

Provincial grants to municipalities are aligned to national provincial and local government priority areas and are categorised in terms of the delivery of mandated local government basic services e.g. water and electricity provision. Apart from ex-ante budget information, ex ante performance information on the intended use and applicable performance indicators are included in the annual performance plans of transferring departments.

Provincial grants to municipalities are predictable and facilitate planning and budgeting due to the early gazeting of projected grant allocations over the medium-term timeframe. These grant allocations are not rules-based to the extent that there is a slice of provincial resources that need to be divided between all municipalities. These grant allocations are for approved projects, and require that recipient municipalities qualify in terms of specific criteria. For example, in the case of the Western Cape Department of Human Settlements, qualifying and accredited municipalities receive grant allocations from the department to deliver on housing projects. Continued grant allocations are a function of the satisfactory delivery on projects and municipal service delivery. This means that not all Western Cape municipalities receive funding from the province in a given year.

These allocations are transparent in that the condition frameworks, i.e. the conditions that municipalities should adhere to in order to receive grant allocations, are gazetted. Service level agreements and memoranda of understanding between the transferring departments and receiving municipalities detailing project objectives and criteria for the use of the grant funding, milestones, reporting requirements and payment schedules are signed prior to any transfers.

Financial information is collected by the Western Cape provincial government from municipalities as per the requirements of the PFMA and MFMA. Municipalities submit monthly revenue and expenditure returns to the Provincial Treasury as per section 71 of the MFMA and more detailed financial and non-financial information every six months as per section 72 of the MFMA. These reports detail the receipt and execution of grant transfers from the Western Cape provincial government departments. Municipalities are required to report quarterly to the provincial department on their performance against the transferred amounts. The municipalities’ performance on

[18] See for example the 1 March 2012 Provincial Notice by the Western Cape Provincial Treasury: “Gazetting of allocations to municipalities not listed in the Division of Revenue Bill” 2012 (DOR BILL) (B4 of 2012).

these grants are monitored monthly by means of the Provincial Treasury's IYM tool. Further assessment occurs during quarterly visits to municipalities.

Both municipalities and transferring departments report annually on the performance of provincial grant allocations to municipalities. As noted in PI-7 above, the content and timing of the compilation and tabling of annual reports and the annual financial statements are strictly regulated for provincial departments and their public entities. The MFMA likewise requires similar standards for municipalities to be met. Where Western Cape provincial departments make grant transfer payments to municipalities, these payments are detailed up to the programme level in their annual financial statements. In the Western Cape Department of Human Settlements, transfer payments are linked to non-financial performance in the performance information section of its annual reports for the period under review.

Indicator	Score	Evaluation
PI-8 Transparency of intergovernmental fiscal relations	**A**	**Scoring method M2**
i) Transparent systems based on regulations regarding horizontal allocation between local governments of unconditional and conditional transfers from provincial government (budgeted and real allocations)	A	Non-discretionary (conditional) grant projections are published annually in the Western Cape provincial government's Appropriation Bill tabled before the Western Cape Provincial Parliament. Projected grant allocations are shown as transfer payments to municipalities in each vote (where applicable) and are provided at the programme level. Actual grant allocations are provided in each vote's quarterly and annual financial statements as well as in the required monthly reports submitted by municipalities to the Western Cape Provincial Treasury. Signed service level agreements and memoranda of understanding contain grant objectives conditions reporting requirements and payment schedules. Annual performance plans of transferring departments contain performance information related to the expenditure of provincial grants to municipalities.
ii) Punctual provision of reliable information to local governments about the allocations to be made to them by provincial government in the coming year	A	The projected grant allocations from the Western Cape provincial government to municipalities in the provinces for the next financial year and the two outer years were gazetted on or before 2 March of each fiscal year under review. This is four months before the start of the local government financial year i.e. 1 July of each year. These notices also contain the related grant conditions.
iii) Degree to which consolidated fiscal data are gathered and made known (at least in terms of income and expenditure) relating to general government, broken down by sector categories	A	Municipalities submit detailed monthly and bi-annual statements on projected and actual revenue and expenditure to the Provincial Treasury that detail grant allocations received from provincial departments. Provincial departmental annual reports links performance with financial information in the performance information section. Provincial departmental annual financial statements detail all transfer payments and the purpose of the payments made including grant allocations to municipalities per programme (i.e. in line with functional classification).

PI-9 Oversight of aggregate fiscal risk from other public sector entities

Dimensions to be assessed (scoring method M1):
(i) Degree of province monitoring of the main autonomous public organisations and state companies
(ii) Degree to which the province monitors the fiscal position of local government

During FY 2012/13 the Western Cape Provincial government made transfer payments to the following public entities under its control:

- Casidra (Pty) Ltd a provincial government business enterprise;
- Western Cape Cultural Commission;
- Western Cape Gambling and Racing Board;
- Western Cape Investment and Trade Promotion Agency (Wesgro)
- Western Cape Language Committee vi. Western Cape Liquor Board;
- Western Cape Nature Conservation Board;
- Western Cape Destination Marketing Organisation;
- Western Cape provincial youth commission; and
- Heritage Western Cape.

The annual budget review reports on past and future fiscal year transfer payments to entities from the respective votes (see for example 2013 EPRE page 95 and page 96). Total transfers to all public entities (including those not mentioned in the PFMA) over the period under review were:

- 2010/11: R413.453 million
- 2011/12: R378.168 million
- 2012/13: R399 704 million

Three public entities received more than 75 per cent of total transfer payments over the period under review:

- Western Cape Nature Conservation Board: just over 50 per cent
- Casidra (Pty) Ltd: just over 25 per cent.

One public entity the Western Cape Gambling and Racing Board under the control of the Provincial Treasury is the single largest collector among the public entities of revenue for the provincial government. For the period under review the board collected the following total casino and horse racing taxes:

- 2010/11: R322.644 million
- 2011/12: R350.603 million
- 2012/13: R303.177 million

Other entities, such as Western Cape Nature Conservation Board, also collect significant amounts of revenue but these revenues are ring-fenced in the entity and not reflected in the PRF.

Chapter 6 of the PFMA gives a definition of financial management accountability for public entities, including fiscal planning, budgeting, financial management, cash management, internal controls, procurement, reporting, auditing, and oversight. A public entity board or controlling body is recognised as the accounting authority for the purposes of the PFMA and is responsible to the MEC of the relevant department under whose oversight the entity falls. The MEC and public entity's board meet on a monthly basis. In terms of section 50 of the PFMA, the accounting authority for a public entity must act in the best interests of the public entity in managing its financial affairs and must on request disclose to the MEC or the legislature all material facts which in any way may influence the decisions or actions of the executive authority or that legislature. The annual financial statements of public entities are consolidated with the relevant provincial department. All departmental annual financial statements are consolidated into the consolidated statements for the whole Western Cape provincial government.

Many public entities have been created as statutory bodies pursuant to the provisions of a particular provincial legislative law, for example the Western Cape Gambling and Racing Act for the creation of the Western Cape Gambling and Racing Board. The Western Cape provincial government shares concurrent jurisdiction over this matter with the national government. The board reports directly to the MEC for Finance Economic Development and Tourism and reports in its 2012/13 annual report that it is "strictly guided by the sound policy determinations that are issued by the Western Cape Executive Council."

A dedicated unit in the Western Cape Provincial Treasury performs fiscal oversight over public entities under the control of provincial departments. Departments have the following mechanisms to rely on to perform fiscal oversight over the entities under their control:

- Signed memoranda of agreements detailing financial and non-financial performance targets for the public entity.
- Written assurance from the public entity that it has or will be implementing efficient effective and transparent financial management and internal controls systems (see section 38(j) of the PFMA).
- Monthly oversight meetings between the public entity and the responsible MEC.
- Monthly quarterly and annual reports on revenue and expenditure by the public entity to the relevant department.
-

The Western Cape Gambling and Racing Board, for example, reports in its 2012/13 annual report that it delivered the following to the provincial government:
- Four quarterly reports and annual report single half yearly report;
- Four PFMA reports and one IYM report;
- Annual report on the financial and non-financial performance of the public entity which includes the audited annual financial statements report of the external auditor and the report of the audit committee;
- External audit reports and related management letters on the financial statements regulatory compliance and performance against pre-determined objectives of the public entity; and
- Regular as well as ad-hoc reports of the audit committee of the public entity.

The Western Cape Provincial Parliament reserves the right to summon the MEC and the public entity to account for any applicable matter.

The public has various mechanisms of performing oversight. The public can scrutinise budget documentation tabled in the Western Cape provincial department, including the annual budget and the annual report (containing the performance report audited annual financial statements external audit report audit committee report etc.).

Public Entities are legal entities that are allowed to source loan financing for their operations, but this is closely monitored by the relevant department and the Western Cape Provincial Treasury. All indications are that Western Cape provincial government has not provided loans guarantees or other forms of loans to public entities under its control during the period under review.

Municipalities are distinct legal entities whose finances, including the powers to borrow and levy taxes, are provided for in the Constitution and the MFMA among others. They therefore cannot generate fiscal liabilities for the provincial government. However, the Provincial Treasury collects monthly revenue and expenditure statements from municipalities as per section 71 of the MFMA and is in a position to identify fiscal risks which could inform possible remediation or interventions whether by itself or by national government.

Indicator	Score	Evaluation
PI-9 Oversight of aggregate fiscal risk caused by other public sector institutions	**A**	**Scoring method M1**
(i) Degree to which the provincial government monitors the autonomous public organisms (AGAs) and public companies (EPs)	A	All public entities under the control of the Western Cape provincial government submit fiscal reports to it at least six-monthly as well as annual audited accounts. Western Cape provincial government consolidates fiscal risk issues into a report at least annually.
(ii) Degree to which the provincial government monitors the fiscal position of sub-provincial governments.	A	Municipalities cannot generate fiscal liabilities for provincial and national government. However the Provincial Treasury collects monthly revenue and expenditure statements from municipalities as per section 71 of the MFMA and is in a position to identify fiscal risks which could inform remediation or interventions.

PI-10 Public access to key fiscal information

Dimensions to be assessed (scoring method M1): ***(i) Number of the elements regarding public access to information, mentioned in table 25 that are used (an element can only be considered for the purposes of this evaluation if it fulfils all the requirements)***

Public access to key fiscal information is required by the Constitution. Information should be timely, accessible and accurate to foster transparency of public administration (see sections 32 and 195). Through the application of the Promotion of Access to Information Act (No. 2 of 2000), the public could apply to access information from government when public interest prevails. Although a court of law would grant an order for access, the Act is a significant tool in ensuring transparency in public governance.

All Western Cape provincial government budget documents listed in PI-6, except for Provincial Treasury budget circulars, are public documents available at various stages of the budget cycle. They are either tabled in the Western Cape Provincial Parliament or gazette, after which they can be accessed by the public in printed or electronic format. Budget discussions in the Western Cape Provincial Parliament are open to the public. All indications are that requested documents are available free of charge at the offices of the Provincial Treasury. A fair degree of the budget documents is available on the official website of the provincial government (www.westerncape.gov.za or www.capegateway.gov.za). Printed copies of the budget documents especially the budget review and the EPRE are sent to public libraries and tertiary institutions.

The budget documentation listed in PI-6 is in English and is available on request from the Western Cape Provincial Treasury in any of the two other official languages of the Western Cape, namely Afrikaans and isiXhosa. The budget documentation is in general comprehensive and appropriately laid out. Over the period of review, the EPRE and budget review have been shortened to some extent which makes for even more user-friendliness.

Documents tabled in the Western Cape Provincial Parliament can be obtained soon after tabling from the public relations unit. The Hansard recording system allows for public access in the three official languages to the speeches and deliberations of proceedings that were open for the public. In some instances, committee coordinators of legislative committees could be approached directly to obtain documents that were tabled in public hearings.

Table 17: Summary of fiscal information

Elements of fiscal documentation	Availability	Notes
1. Annual budget documentation: A complete set of documents can be obtained by the public through appropriate means when it is submitted to the legislature.	Yes	Copies of the budget documents are available to the general public when these are tabled in the legislature. Budget documentation is uploaded on provincial government's official website. Printed copies are available on request.
2. In-year budget execution reports: The reports are routinely made available to the public through appropriate means within one month of their completion.	Yes	Quarterly provincial revenue and expenditure statements for the province required by section 32(2) of the PFMA are submitted by the Western Cape Provincial Treasury and gazetted within 30 days after the end of the quarter and are therefore available for public scrutiny and oversight.
3. Year-end financial statements: The statements are made available to the public through appropriate means within six months of completed audit.	Yes	Copies of the financial statements are made available to the general public by respective provincial departments within six months of the end of the financial year.
4. External audit reports: All reports on provincial government consolidated operations are made available to the public through appropriate means within six months of completed audit.	Yes	The report of the AG is made available to the public when tabled in the legislature together with the annual reports of respective provincial departments.
5. Contract awards: Award of all contracts with value above approx. USD100 000 equivalent are published at least quarterly through appropriate means.	Yes	Contracts awarded are published monthly in the tender bulletin on the official website of the Western Cape provincial government (http://www.westerncape.gov.za/tenders/op portunities/westerncape). Published award values start from well below USD100 000 equivalent.
6. Resources available to primary service units: Information is publicised through appropriate means at least annually or available on request for primary service units for which that level of government is specifically responsible (e.g. elementary schools or primary health clinics).	No	Reports on resources availed to primary service delivery units are not issued although the BAS system has the capacity to issue by district and department.
7. Fees and charges for major services are posted at the service delivery site and in other appropriate locations/media.	Yes	Public hospital patient fees classifications and related codes are provided on the official website of the Western Cape provincial government. School fees and exemptions are explained on the official website of the Western Cape provincial government with information on among other things the relevant regulations guidelines a school search function.

Indicator	Score	Evaluation
PI-10 Public access to key fiscal information	**A**	**Scoring method M1**
Number of elements listed above regarding public access to information that are fulfilled.	A	Six of the seven listed elements of information are made available to the public access through electronic media websites and print media.

3.3 Policy-based budgeting

PI-11 Orderliness and participation in the annual budget process

Dimensions to be assessed (scoring method M2): ***(i) Existence and observance of a fixed budget calendar*** ***(ii) Guidance on the preparation of budget submissions*** ***(iii) Timely approval of the budget by the legislature***

The Western Cape Provincial Treasury is the driver of the annual budget formulation process in the Western Cape provincial government. The prime tool of the Provincial Treasury is the issuance of budget circulars. Budget circulars issued during the fiscal year (for example three in 2012/13 in preparation for the 2013/14 budget) communicate the province's future budget objectives including efficiency in personnel budgets and non-personnel expenditure (goods and services). Budget calendars contain a core circular and often detailed budget guidelines in the form of annexes. Budget circulars also include a) instructions on planning and budgeting for procurement and infrastructure b) fiscal policy objectives (such as the credibility of revenue estimates) and c) service delivery objectives (such as effectiveness and alignment of budgets and alignment of provincial planning frameworks with national ones).

The Budget circulars issued during 2013 contain the following information:

- **Budget circular 1:** "To assist provincial departments and public/trading entities to prepare their revenue and expenditure plans for the 2013 medium-term expenditure framework (MTEF)."
- **Budget circular 2:** "To provide accounting officers with the background to the preliminary allocations for the 2013 MTEF; and to communicate the requirements for the second draft departmental annual performance plans (APPs) and estimates of provincial revenue and expenditure (EPRE)."
- **Budget circular 3:** "The objectives and details of the provincial government medium-term expenditure committee 2 (PG MTEC 2) discussions and the budget process ahead and what is required of votes and entities for the provincial government MTEC 2 engagements Mini-MTECs and budget process ahead leading to the finalisation of the provincial budget for 2013/14."

During interviews with CFOs from provincial departments it was confirmed that although the deadlines for milestones in the provincial budget process as provided by the Provincial Treasury in the budget circulars are tight they are realistic and achievable. CFOs expressed their satisfaction with the transparency exhibited in terms of the clear stipulations guidelines and deadlines provided in the budget circulars.

The PFMA (Section 27) requires that a budget for national government be tabled in the National Assembly before the beginning of the financial year or as soon as possible after the beginning of the financial year in exceptional circumstances. The financial year for national and provincial government is set for 1 March to 28 February. For provinces, the PFM requires the MEC for Finance in any given province to table the provincial annual budget in the legislature within two weeks after the national budget was introduced in the National Assembly unless the Minister of Finance approves an extension. Together with the Appropriations Bill which provides for national government's budget and the estimates of national expenditure which provides detailed multi-year budgetary projections, the Minister of Finance also tables the national Division of Revenue Bill (DORB). DORB establishes the allocations of available funds to national departments, provincial government and local government. Specifically this Bill establishes the annual discretionary (namely the provincial government equitable share) and non-discretionary (conditional grants from national departments) allocations to provincial governments.

Although the estimates in the Division of Revenue Act (DORA) have never differed from those in DORB, the size and type of discretionary and non-discretionary funding that provincial governments will receive in the new financial year are only officially confirmed after the enactment of DORB. Timely approval of the budget of the Western Cape provincial government therefore is dependent on the enactment of DORB, something which is out of the control of the Western Cape government and specifically the Provincial Treasury.

The enactments of DORB for the last three fiscal years and the current fiscal year are provided in the table below. The delay between the Western Cape provincial government's Appropriations Bill (the annual money bill or budget law) tabling and enactment has been on average more than 2 months for the period under review as well as the current financial year. These delays are also depicted in the table below:

Table 18: Delays between tabling and enactment of Appropriations Bill

Financial year	Enactment of Division of Revenue Bill (DORB)	Tabling of Western Cape Appropriations Bill (i.e. provincial annual budget)	Enactment of Western Cape Appropriations Bill (i.e. approval of provincial annual budget)	Delay between tabling and enactment of provincial Appropriations Bill
2010/11	31 March 2010	2 March 2010	31 March 2010	28 days
2011/12	27 April 2011	1 March 2011	4 May 2011	2 months 3 days
2012/13	15 May 2012	1 March 2012	2 May 2012	2 months 1 day
2013/14	7 June 2013	7 March 2013	13 June 2013	3 months 6 days

Indicator	Score	Evaluation
PI-11 Orderliness and participation in the annual budget process	**B**	**Scoring method M2**
(i) Existence and observance of a fixed budgetary calendar	A	Provincial Treasury issues comprehensive budget circulars with clear timelines and deadlines in the annual budget process. Adequate time exists for provincial departments to adhere to the budget calendar.
(ii) Directives on the preparation of budgetary documents	A	Provincial Treasury issues comprehensive budget circulars to guide the budget preparation and submission process for provincial departments. Deadlines for milestones during the provincial budget process are realistic and achievable.
(iii) Timely approval of the budget by the Legislature	D	In two of the three years reviewed under this assessment the budget was signed into law after two months after the start of the fiscal year.

PI-12 Multi-year perspective in fiscal planning expenditure policy and budgeting

Dimensions to be assessed (Scoring method M2): ***(i) Preparation of multi -year fiscal forecasts and functional allocation*** ***(ii) Scope and frequency of debt sustainability analysis*** ***(iii) Existence of sector strategies with multi-year costing of recurrent and investment expenditure*** ***(iv) Linkages between investment budgets and forward expenditure estimates***

Multi-year fiscal planning and budgeting in the Western Cape provincial government is based on the national MTEF process as evidenced by among other things the requirements of the budget circulars issued by the Western Cape Provincial Treasury to provincial departments each year. Institutionalised and managed by the National Treasury the national MTEF planning process starts well in advance of the tabling of the annual budget in February each year, typically in June or July of the preceding year. The steps generally taken during the national and provincial processes are described below.

The macroeconomic and fiscal framework is provided by the National Treasury including the aggregate fiscal resource envelopes for the whole of government. The National Treasury issues guidelines for national and provincial governments on preparing MTEF budget submissions[19]. Departmental MTEF budget submissions are submitted to the relevant treasury (national departments to the National Treasury and provincial departments to provincial treasuries) at the end of June each year in preparation for the tabling of the national budget in February and provincial budgets soon after. The budget process in July and August starts with treasury spending teams and budget examiners engaging departmental MTEF budget submissions in rigorous review and evaluation, in regular consultation with departments. This includes negotiation of allocations' reprioritisation and funding levels of programmes including savings and critical assessment of policy options against departmental strategic priorities and service delivery achievements.

Medium-term allocation involves the medium-term expenditure committee (MTEC) hearings and discussions at national and provincial level between September and October and marks the beginning of the allocation stage. The MTECs are technical committees that formulate recommendations to political decision makers on the changes to the medium-term allocations of departments given the division of revenue between the three spheres of government. The MTEC hearings and discussions are therefore focused mainly on reprioritisation in baseline allocations and allocations for the third year of the medium- term expenditure period. The MTECs make recommendations to the Minister of Finance or the relevant MEC for Finance on changes to the three-year allocations for departments.

The Minister of Finance tables the medium-term budget policy statement (MTBPS) before Parliament at the end of October each year. The MTBPS sets out government's medium-term macroeconomic and fiscal position and its broad policy and spending priorities over the next three-year period four months before the detailed budget is presented to Parliament. The availability of resources in the medium-term perspective of national government paves the way for provincial governments to plan their own expenditure and revenue projects as they are largely dependent on the fiscal transfers from nationally collected revenue. Thus, soon after the tabling of the national MTBPS, provincial treasuries table the provincial MTBPSs.

In November the Minister of Finance reviews the final allocations to provincial and local government and tables these before the budget council and the Budget forum. The recommendations of the ministers' committee on the budget, the budget council, and the budget forum are submitted to Cabinet for further consideration. Cabinet's consideration of changes to the MTEF allocation of national votes provincial and local government takes account of government's overarching medium-term policy priorities, departmental strategic priorities and plans and progress in meeting service delivery objectives and targets.

Final MTEF allocations are set out in the relevant National Treasury allocation letters to departments and provincial treasuries annually in mid-November. These detail the rationale and conditions of the final allocations for national votes and provinces for the new medium-term expenditure period. The preparation of the budget documentation commences for both national and provincial governments.

The PFMA (Section 28(1)) requires that the MEC for Finance in a province must annually table in the Provincial Parliament a multi-year budget projection of a) the estimated revenue expected to be raised during each year of the multi-year period and b) the estimated expenditure expected to be incurred per vote during each of the multi-year period differentiating between capital and recurrent expenditure. For the period under review these multi-

[19] http://www.treasury.gov.za/publications/guidelines/

year budget projections are contained in the Western Cape's estimate of provincial revenue and expenditure (EPRE) tabled in the Western Cape Provincial Parliament by the Western Cape MEC for Finance. The EPRE also contain detailed estimates of past fiscal years' budget estimates (i.e. actual revenue and expenditure). The EPRE mirrors the national ENE and outlines departmental strategic priorities policy developments legislation and other factors affecting expenditure alongside departmental spending plans. Estimates are per department (administrative classification) and disaggregated to the sub-programme level in terms of economic, and functional classifications up to the sub-programme level. Details of departmental outputs and service delivery measures are provided as another step towards setting "measurable objectives" in line with Section 27(4) of the PFMA.

In conclusion the Western Cape provincial government's EPRE are based on the fiscal frameworks presented by national government (e.g. the national MTBPS). The EPRE are also a function of the Western Cape provincial government's share of nationally collected revenue - first detailed in the DORB tabled by the Minister of Finance in Parliament and later officially confirmed in the DORA. Only once DORB has been enacted does the Western Cape government have official confirmation of its share of nationally collected revenue although the next financial year's estimates have never differed from the DORB to the DORA. Therefore the EPRE has also never been adjusted with the enactment of the provincial Appropriations Act.

A provincial growth and development strategy (PGDS) for the Western Cape is tabled at the start of the new electoral cycle in the Provincial Parliament by the Premier. The PGDS provides high-level commitment to national and provincial service delivery priorities. Departments and their public entities subsequently table their strategic plans which are in alignment with the PGDS. Strategic planning linked to the MTEF is legislatively required for all national and provincial departments and public entities (see for example Part III(B) of the public service regulations of 2001 and treasury regulation 5 of 2005 as amended in 2007).

Strategic plans should among other things be consistent with the department's or entity's medium-term revenue and expenditure estimates and contain details of "proposed acquisitions of fixed or movable capital assets, planned capital investments, and rehabilitation and maintenance of physical assets" as well as details of "proposed acquisitions of financial assets or capital transfers and plans for the management of financial assets and liabilities." Thus big spending departments (such as health and education) have to harmonise between long-term performance information and financial estimates in their strategic plans that full within the period under review. The Western Cape Education Department's strategic plan for the 2010/11 to 2013/14 period contains only high-level qualitative links to infrastructure plans while the Department of Health's strategic plan for the same period contains more detailed financial and non-financial information on infrastructure investment and maintenance expenditure over the medium-term.

The Western Cape provincial departments table APPs along with their annual budgets in the Western Cape Provincial Parliament each year. APPs describe how the department's approved resource envelope (i.e. its budget envelope received from the provincial government as well as own revenue) will be spent in terms of its programme (functional) areas. For at least the two departments with the largest budgets (namely health and education) the APPs for the period under review reconciled performance targets with their annual budgets and MTEF (i.e. estimates for the two outer years). Specifically this means that fiscal projections were matched with non-financial performance in terms of targeted outputs and outcomes at least up to the programme level. Financial estimates are presented using national chart of accounts classifications i.e. economic and functional revenue and expenditure classifications. In general, targeted outputs and outcomes are based on each department and public entity's long-term strategic plan. Therefore due to the multi-year perspective of departmental APPs they can be considered detailed and fully costed sector strategies.

At the local government level municipalities are required by law to develop and implement medium- to long-term integrated development plans (IDPs) that should inform the allocations in the budgets and service delivery targets contained in the annual service delivery and budget implementation plans (SDBIPs).

As for linkages between investment budgets and forward expenditure estimates, infrastructure budget projections for the next fiscal year and the two outer years are tabled in the Provincial Parliament with, among other things, departmental APPs. Large spending departments in the Western Cape provincial government (e.g. health and education) typically manage significant infrastructure budgets. For example the Western Cape Education Department manages significant infrastructure spending on schools in terms of the education infrastructure grant it receives from the National Department of Basic Education. This department with all other provincial departments developed infrastructure plans (as per National Treasury stipulations) for the 2010/11 fiscal year in compliance with the regulations of the government Immovable Asset Management Act (GIAMA) (Act No. 19 of 2007). The infrastructure plans have been replaced by the user asset management plan (U-AMP) as stipulated by the National Department of Public Works. For example the Western Cape Education Department's infrastructure plan for the MTEF from 2010 – 2013 is a multi-year expenditure plan based on the projected estimates over the medium-term.

In its APPs for the period under review the Education Department also provided multi-year infrastructure investment and maintenance expenditure estimates for example under “Programme 2: public ordinary schools.” Estimates are provided in terms of the following classifications among others:

- Categories (e.g. new and replacement assets);
- Funding source (e.g. the Department’s share of the provincial Equitable Share);
- Service provider (e.g. the provincial Department of Transport and Public Works);
- Timelines and deadlines;
- Type of infrastructure (e.g. “new primary school”); and
- Expenditure to date and total expenditure available for the future fiscal years.

A similar format is followed by provincial Department of Health in its APPs for the period under review.

Indicator	Score	Evaluation
PI-12 Multi-year perspective in fiscal planning, expenditure policy and budgeting	**A**	**Scoring method M2**
(i) Multi-annual fiscal forecasts and functional allocations	A	The provincial government’s MTBPS contains the high-level fiscal framework and estimates of revenue and expenditure. The annual EPRE contain detailed multi-year forecasts for each Department.
(ii) Scope and frequency of debt sustainability analyses	N/A	The Western Cape government is allowed to incur debt under certain circumstances. However no debt has been incurred for the period under review. As a policy, based on good practice, WCG does not create public debt.
(iii) Existence of sector strategies with cost determination	A	Annual performance plans (APP) for each Department are tabled each year in the Western Cape Provincial Parliament detailing the reconciliations between multi-year financial projections and performance information (including output and outcome) targets up to at least the programme level.
(iv) Links between investment budgets and future expenditure estimates	A	Detailed infrastructure budget projections for the next fiscal year and the two outer years are tabled in the Provincial Parliament

3.4 Predictability and control in budget execution

PI-13 Transparency of taxpayer obligations and liabilities

Dimensions to be assessed (scoring method M2):
(i) Clarity and comprehensiveness of tax liabilities
(ii) Access by taxpayers to information on their tax responsibilities and administrative procedures
(iii) Existence and functioning of a tax appeals mechanism

The tax revenue for Western Cape government is made up of horse racing and gambling taxes, liquor licences, and motor vehicle licences. The table below shows tax revenue averaging R1.3 billion excluding non-tax revenue of R900 million per annum. This will gradually decrease over the years to around 3 per cent of total annual budget as transfers from national government increase faster than the increase in revenue sources. In addition improvements in non-tax revenue will also weaken any future increase in tax revenue. This revenue derives from tax revenue which is under the jurisdiction of the Provincial Treasury and is required to be channelled through the PRF. Five agencies are mainly involved in the collection: Gambling and Horse Racing Board, Liquor Licensing Board, Provincial Treasury, and the Departments of Economic Development and Tourism, and Transport and Public Works. Municipalities collect vehicle licences on behalf of the Department of Transport and Public works. These collection agencies charge collection fees used to administer and fund the tax collection system.

Table 19: Analysis of tax revenue

R'000	2010/11	2011/12	2012/13
Total budget	34 031 044	36 919 125	40 205 184
Tax revenue sources	1 230 722	1 312 930	1 269 312
Revenue as % of budget	3.62%	3.56%	3.16%

Source: WC Provincial financial reports 2010-2013

At between 3.12 and 3.6 per cent the revenue was considered high and assessed as provincial taxes. Likewise the nature of the receipts could be considered a tax in terms of the definition. Since these taxes derive from the mandate of provincial governments to levy taxes, as long as those taxes do not conflict with existing taxes under the SARS regulatory framework, these are within the scope of this assessment. Except for motor vehicles the taxpayers include companies and individuals in possession of gambling or liquor licences. The excise duty on these products is collected by South African revenue authority (SARS) and this collection is independent of the provincial government. Similarly, motor vehicle licences are levied on anyone who owns a vehicle, whether individuals or companies.

Tax revenue of 3.6 per cent is significant because SA government requires all provincial governments and administration to balance the budget. A deficit of 3.6 per cent could increase to 7 per cent in a period of two years, thus undermining macroeconomic and fiscal targets. A shortfall of 3.6 per cent would require some programmes to be cut to ensure the budget is balanced. In as much as this revenue may not fall into the category of income tax, excise duty or VAT, it can be accommodated under other taxes thus making a legitimate category created by law.

The provincial tax revenue derives from vehicle licences and associated taxes, gambling and racing taxes, and liquor licensing fines and charges. There are other taxes in various departments which are too numerous to mention which contribute to the tax revenue of the Western Cape provincial government. The Department of Transport and Public Works is responsible for:

- Issuing of public transport operating licences;
- Construction and maintenance of health and education facilities and general buildings;
- Registration and licensing of vehicles;
- Issuing of driving licences;
- Certification of motor vehicles to be roadworthy for use on public roads; and
- Issuing of permits for abnormal loads and events on public roads.

Licence fees and charges falling under the Liquor Board are governed by the Western Cape Liquor Act 2008 (Act No. 4 of 2008). The Act, which supersedes previous legislation, is supported by liquor regulations of December 21 2011. These regulations are issued by the Minister of Finance and Economic Development for Western Cape under the provisions of the Liquor Act. The Act and regulations provide for the licensing for the retail sale and the micro-manufacture of liquor in the Western Cape Province; and to provide for incidental matters. The Act provides for the appointment of the board setting up the tribunal and appeal mechanism, administrative matters for the board to discharge its mandate, establishment of social and educational fund, licensing and associated terms and conditions, transfers, appeals and enforcement. The law is not only comprehensive but clear and enforceable.

The Western Cape gambling and racing laws provide for:

- The establishment of a gambling and racing board,
- The licensing of persons conducting gambling and for the licensing of persons engaged in gambling and the manufacture and sale of gambling machines and gambling devices;
- The restriction regulation and control of gambling; to provide for taxes on gambling and fees for applications and investigations;
- The repeal of the Horse Racing and Betting Ordinance 1968 and to provide for matters incidental to this.

The law provides for establishment of Western Cape Gambling and Racing Board hearings investigations and enquiries licensing and approval taxation and financial arrangements to impose gambling tax and set tax payable upon conviction general provisions on all matters related and incidental to gambling and horse racing under all types of institutions and situations including fines and penalties. Chapter IV of the gambling legislation deals with licensing and approval. Section 26, read with section 2(2), reiterates the limited right to gambling for which it provides. Section 27 sets out the kinds of licences which may be granted by the Western Cape Gambling and Racing Board. Section 28 provides that a limited class of person qualifies for a licence to conduct gambling. Section 29 in turn sets out those entities and persons who may not participate in the conduct of gambling business. Persons excluded include any person who does not qualify as stipulated in the law, political office-bearers, the spouse of certain disqualified persons, and any legal entity in respect of which the State, an organ of the state or any organisation with which the state is concerned has any financial interest in any gambling activity. Section 30 further extends the disqualification to obtain a gambling licence to persons having certain direct or indirect interests. It introduces the notion of "the power to exercise a significant influence over the gambling business" of another.

The Act limits discretion as the fees are determined by the Minister. The role of the board is to implement the Act. It also sets out fines and penalties and assigns inspections and investigations to the provincial police administration with a provision for the appointment of inspectors to police officers of rank of inspector or above. The Act does not give discretionary power without safeguards but it excludes awarding discretion to matters of determining the level of fees penalties and fines. Every detail is defined and clearly laid out.

In schedule II of the Gambling and Racing Act, all the taxes fees for licences prescribed in terms of the law are listed. These adequately cover the needs of the gambling and racing industry. The separation of powers between the chief executive of WCGRB, the board itself and enforcement which is assigned to SAPS removes any form of collusive behaviour participation by people who have conflicts of interest and ensures transparency in the process.

There is no room in the legislation for any employee of the WCGRB to exercise authority outside the law. An important element is the following requirements: quarterly reporting (QPR) annual performance reporting audit by the AGSA and internal audit by the Premier’s office which is part of a shared service. The penalties are applied by the courts which are independent of WCGRB although no special tax court exists for the purpose.

Indicator	Score	Evaluation
PI-13 Transparency of taxpayers' obligations and liabilities	**A**	**Scoring method M2**
(i) Clarity and comprehensiveness of tax liabilities.	A	The Western Cape Liquor Licensing authority was recently created and has only operated for 12 months. Thus the application of key questions for rating indicators does not include this institution. Evidence from the Department of Transport and Public Works and WCGRB has been used to assess the PFM performance. Even with the above limitations the laws covering gambling vehicle licensing and liquor licensing are not only comprehensive but also include areas of administrative discretion limiting and ensuring there is little or no room for abuse.
(ii) Access by taxpayers to information about responsibilities and administrative procedures in relation to taxes.	B	Websites for the individual entities includes essential detail of the processes and procedures of licensing. The information is comprehensive and complete, and modern and integrated with other laws associated with illegal consumption sale transportation and delivery buying and selling of liquor in the Western Cape gambling and horse racing industry and motor vehicle licensing. For example WCGRB publishes performance information through quarterly reports and discloses i. Number of awareness and social responsibility programmes conducted; ii. Number of recommended licences issued with delegated authority; and iii. Number of investigations conducted. Because of the hierarchical and public nature of the process, taxpayers have access to the board through the website and other communication media. **For the liquor board,** the Act and its regulations are available on the website which provides a roadmap by means of which interested parties can be informed educated and briefed without physically attending a seminar or workshop. In as much as the SAPS provides representing the designated inspectors for the liquor board, there is adequate geographic coverage at least for legal liquor operators and consumers. WCGRB conducts provincial and rural campaigns as well as in the coastal and tourism areas. The coverage is sufficiently wide and fairly distributed. The website includes information on licence holders, FAQ, reporting illegal gambling and an anti-corruption hotline. In addition, the website includes information about law enforcement, licensing and registration, contact and self-help material. This is adequate for purposes of guiding, informing, educating, answering and enabling any member of the public to seek the help and assistance. For doing business purposes, the information is complete.
(iii) Existence and functioning of a tax appeals mechanism.	C	A tax appeals system of administrative procedures has been established at each individual department/agency that has not been consolidated at provincial level. The tax appeals mechanism needs consolidation and redesign to create and establish a centralised oversight, including possible revision and harmonisation of the baseline tax laws under the province. Tax appeals mechanisms at the departmental or collection agency level meet the test of being fair, transparent and effective save for the lack of harmonised procedures at the WCG provincial administration level.

		The Western Cape liquor authority was recently set up and started operating on 1 April 2012. In this respect there is no expectation that an appeals mechanism would have been operational during an effective period of less than 12 months (August 2012 to March 2013) save for the system they inherited from the Department of Economic Development and Tourism which WCLA took over. The gambling and racing laws provide adequately for taxpayers to appeal to the CEO or board. There are adequate safeguards in that the mandate of the board cannot be delegated. Thus WCGRB provides for the procedure and process which is correctly followed. The appeal mechanism as provided is fair, transparent and effective and thus harmonised with national law.

PI-14 Effectiveness of measures for taxpayer registration and tax assessment

Dimensions to be assessed (scoring method M2): ***(i) Controls in the taxpayer registration system*** ***(ii) Effectiveness of penalties for non-compliance with registration and declaration obligations*** ***(iii) Planning and control of tax auditing programmes***

A normal taxation regime has companies and individuals as taxpayers. These tax regimes have developed over the years and when a tax identification system was introduced and institutionalised in revenue authorities it became a standard. In the context of the international discourse on tax evasion and tax avoidance indicator, PI-14 provides important information because it addresses the key functions of revenue collection and the examination functions of revenue administrations. Accordingly the indicator measures the effectiveness of tax assessments based on three dimensions: (i) the taxpayer registration system and its linkages to other governmental information systems and financial sector regulations; (ii) the effectiveness of the penalty systems for non-compliance; and (iii) the planning of tax audits and fraud investigations. At national level, South Africa has fully implemented effective measures for taxpayer registration and tax assessment. In the provinces, the experiences and results are different. An important observation from the evidence gathered is that provincial tax administrations are designed as departmental and standalone institutions that are governed by their various statutes and regulations. There is no provincial tax authority operating under the aegis of the Western Cape provincial government and thus there is no mirror image of the tax registration system which exists in SARS at provincial level. Thus existing data standards and structures for operating the tax function will not be standard across the provincial departments assigned the mandate to administer the various secondary tax statutes and regulations. Notwithstanding this, an attempt has been made to score PI-14 and PI-15 on the basis of the available information as a way of building good practice and as reference material for future repeat assessments.

Each department has a taxpayer registration system mandated by law. The maintenance of Master data on taxpayers whether individuals or corporate varies between manual databases/master data to automated databases. In the absence of a complete audit of these databases, documentary evidence obtained so far indicates this at a much higher level. Revenue systems are linked with Provincial Treasury systems to enable transaction processing i.e. reconciliations transfers on daily weekly and monthly basis and reporting of monthly and quarterly performance. Across the board, the linkages are weak and not comprehensive. Within the PFM functions, gaps exist with systems unable to communicate and interface seamlessly. The databases for tax/revenue systems tend to be either manual or partially automated and in cases where a national database exists they are a sub-database of the system (vehicle licences, health systems, liquor licensing, and gambling and racing,) and from an independence point of view considered to have a weak linkage. Surveys of potential tax payers do not exist because the systems have not matured to mirror a national tax system such as SARS. Recent SCOPA discussions highlighted the extent of problems faced by the Department of Transport and Public Works which emanated from many car owners not paying their licences, and this needs to be investigated and reported.

The WC liquor authority was still in its first year of operation and could not have operated sufficiently to have developed to have full taxpayer system for the liquor licences in various categories. For seven months of the year there was only one employee - the CEO - who led the formation and institutionalisation of the authority. On the basis of inadequate data from the newly established WCLA it is included from substantive assessment. In another three years, the Western Cape liquor authority would have accumulated data, recruited a full staff complement, and implemented various aspects. On the basis of the annual reports, annual performance reports and audit reports, it will be possible to undertake an assessment.

Indicator	Score	Evaluation
PI-14 Effectiveness of measures for taxpayer registration and tax assessment	**C**	**Scoring method M2**
(i) Application of controls in the taxpayer registration system	C	The departmental revenue units administering various taxes do not include tax payer registration systems which assigns a tax identification number (TIN) to each tax payer because they are all designed as required by their respective laws. However equivalent registration systems do exist in which master data is used to track each taxpayer. Because each registration system operates out of the Provincial Treasury, the systems are a combination of manual and electronic databases with some linked to other relevant government registration systems i.e. vehicle licensing and liquor licensing systems. Unlike SARS, there are no taxpayer surveys to help strengthen taxpayer registration systems.
(ii) Effectiveness of sanctions for failure to register and declare taxes	B	Penalties are as provided in the statutes. Enforcement is in the hands of the law enforcement authorities, an agency separate from liquor licensing board. In each unit there are independent units with mandates for inspection, investigation and enforcement. That's sufficient from a separation of power point of view. For WSGRB, penalties are sufficiently high and enforced by the SAPS and the courts. These are defined in the law and enforced as required. Through quarterly reports, the public is regularly informed. Independent audit units exist except in WCLA where this is being developed.
(iii) Planning and control of tax audit programmes	C	There are special internal investigative units, but there is no clarity that this constitutes a special tax audit unit. Without a confirmed tax audit unit, this qualifies for a C. It is important to note that no general tax audit plans and programmes were available. A specialised tax audit unit that investigates and operates across departments is necessary. The use of departmental inspectors and internal control units is not adequate considering that tax revenue and collection is a specialised area of importance for the provincial government. Apart from the police being appointed to be investigators there are no special inspectors or tax auditors. However WCGRB carries out and reports on quarterly compliance audits. General investigations and special probity investigations are carried out regularly. A uniform and harmonized approach to audit and investigations across tax collection departments would be beneficial in the medium-term.

PI-15 Effectiveness in the collection of tax payments

Dimensions to be assessed (scoring method M1): ***(i) The collection ratio for gross tax arrears, being the percentage of tax arrears at the beginning of fiscal year, which was collected during that fiscal year (average of the last two fiscal years)*** ***(ii) Effectiveness of the transfer of tax payments to the Treasury by the revenue administration*** ***(iii) Frequency with which the Treasury completely reconciles accounts reflecting tax valuations, payments, records of late returns and income***

There is limited disaggregation from within the annual financial statements and reports. The aggregated information is not structured to answer the questions of gross and net disclosure and reporting. This will need to be addressed in the future i.e. disclosure of tax arrears on a gross and net basis. Based on limited information obtained from WCGRB, and the decentralised nature of the motor vehicle licensing system, there is strong departmental oversight and weak central oversight. Consolidation of tax revenue, whether through PRF or accounting systems, could be strengthened further to enable tax oversight mirroring a revenue authority control model.

- The average debt collection ratio in the two most recent fiscal years was 75-90 per cent and the total amount of tax arrears is significant (R100.7 million / R957 million and R99.3 million / R901 million).
- The transfers are undertaken daily and weekly.

Based on PI-17 and PI-22, both which were assessed to have an A rating, funds and accounts reconciliation are carried regularly (monthly) transfers done almost instantly (daily).

Indicator	Score	Evaluation
PI-15 Effectiveness of tax collection	**B**	**Scoring methods M1**
(i) Collection ratio for gross tax arrears, being the percentage of tax arrears at the beginning of fiscal year, which was collected during that fiscal year (average of the last two fiscal years).	B	The annual financial statements and notes to the financial statements regularly report analyses tax arrears for at least two years. Using the Department of Transport and Public Works for fiscal years 2010/11 and 2011/12, the report provides a note which analyses tax revenue by source/category. The information is captured above and provides sufficient detail to enable computation of arrears at the end of each fiscal year. Based on this information the average debt collection ratio was between 75 per cent- 90 per cent and significant which is regarded as an average of 10 per cent. As per quoted report the information is reported quarterly in annual performance reports and updated monthly quarterly and annually.
(ii) Effectiveness in the transfer of recovered taxes to the Treasury by the revenue administration.	A	Taxpayers have the option of paying directly to the collection agencies. Municipalities collect the largest tax revenue in WC. They are designated to collect all licence fees on behalf of Transport and Public Works and other categories. The funds are transferred into the Provincial Revenue Fund which is under the control and management of the Provincial Treasury. The various arrangements for tax revenue collection are modern, systematic and satisfactory. The Provincial Treasury uses commercial banks to transact receipt and banking of tax and non-tax revenue funds. There is zero tolerance for any delay in transmitting funds into the PRF. As a result of the mechanism and policy there is effectively no delay in the collection transmission and banking of funds from all the Western Cape collection departments. (See PI-17 and PI-22).
(iii) Frequency of complete accounts reconciliation between tax assessments, collections, arrears records and transfers to Provincial Treasury.	A	This dimension seeks to assess if the difference between tax assessed and tax received by the Provincial Treasury can be explained. The revenue collection departments/agencies keep records on aggregate tax collections and transfers to the Treasury in the accounting system. Based on PI-17 and PI-22 assessments it was confirmed by the Provincial Treasury that revenue departments keep up to date records for each taxpayer (corporate or individual) on tax assessment tax due and tax paid and maintained in their data systems. The information maintained is in a disaggregated form to enable assessment reporting (a) amounts not yet due (b) amounts in arrears (the difference between what is due and what has been paid in) inclusive of amounts in dispute in appeals or other legal system and considered bad debt and in principle collectable and (c) collected by the department which is in transit or to be transferred to Provincial Treasury. At the time of assessment, Western Cape liquor authority had just been established and run for a year.

PI-16 Predictability in the availability of funds for commitment of expenditures

Dimensions to be assessed (scoring method M1): ***(i) Degree to which cash-flow forecasts and monitoring are carried out*** ***(ii) Reliability and time horizon of the information on maximum limits and payment commitments provided to the MDA during the year*** ***(iii) Frequency and transparency of adjustments to budgetary allocations at a level higher than MDA administrations***

Section 214(1) of the Constitution requires an Act of Parliament to provide for the equitable division of revenue raised nationally among the national provincial and local spheres of government, the determination of each province's equitable share of the provincial share of that revenue, and any other allocations to provinces local government or municipalities from the national government's share of that revenue and any conditions on which those allocations may be made. The Division of Revenue Act (DORA) is passed annually and provides for reliable information on the availability of funds to provinces who manage votes and consequently are responsible for service delivery. The South African treasury model provides the regulatory framework which legislates the annual value of funds that will be received by the province from the National Treasury based on the approved and published provincial budgets. The PFMA section 38 (2) prescribes that an accounting officer may not commit a department to any liability for which money has not been appropriated. Chapter 4 section 26 annual appropriations provides for Parliament and each provincial legislature to appropriate money for each financial year for the requirements of the state and the province respectively. Thus predictability for provincial and departmental authorities in the availability of funds is facilitated by the budget process which provides for regular and reliable funds transfer in the form of appropriation and conditional grants from the National Treasury in accordance with pre-determined cash flow schedules.

The passing of the annual budget law grants full authority to spend at the beginning of the year. However the National Treasury and the Provincial Treasuries in practice impose delays on votes in incurring new commitments and making related payments by agreeing on a monthly cash flow model.

The Provincial Treasury prepares an annual cash projection schedule detailing the value of the funds which will be required from the National Treasury on a monthly basis based on the projections received from the various departments. The departments will formulate and document monthly cash projections based on known and anticipated commitments for both recurrent and capital expenditures which in aggregate should not exceed the individual annual voted (approved) budget.

Further guidance relating to the management of cash flows and funding can be found in the National Treasury regulations 2005 Chapter 31 and Western Cape Provincial Treasury instructions issued in terms of section 18(2)(a) of the PFMA on 2 November 2009 by the provincial Minister for Finance, Economic Development and Tourism. Chapter 15 provides the framework for the regulation of cash management in the Provincial Treasury and related votes as they relate to the receipting of cash and the management of petty cash.

Treasury circular no 36/2009: The purpose of this circular is to inform accounting officers of the current prescripts regarding the Provincial Treasury's control over the PRF as well as additional prescripts that will enable the Provincial Treasury to ensure a favourable bank balance not only in the provincial exchequer account but also in the relevant Paymaster-General accounts (PMG's) of the departments. It should be noted that the above sections which provide the operational instruction to the departments and the Provincial Treasury cash management section were last updated in 2009 and still refer to cheques. Presently the use of cheques as a payment method has been almost completely replaced by electronic funds transfers.

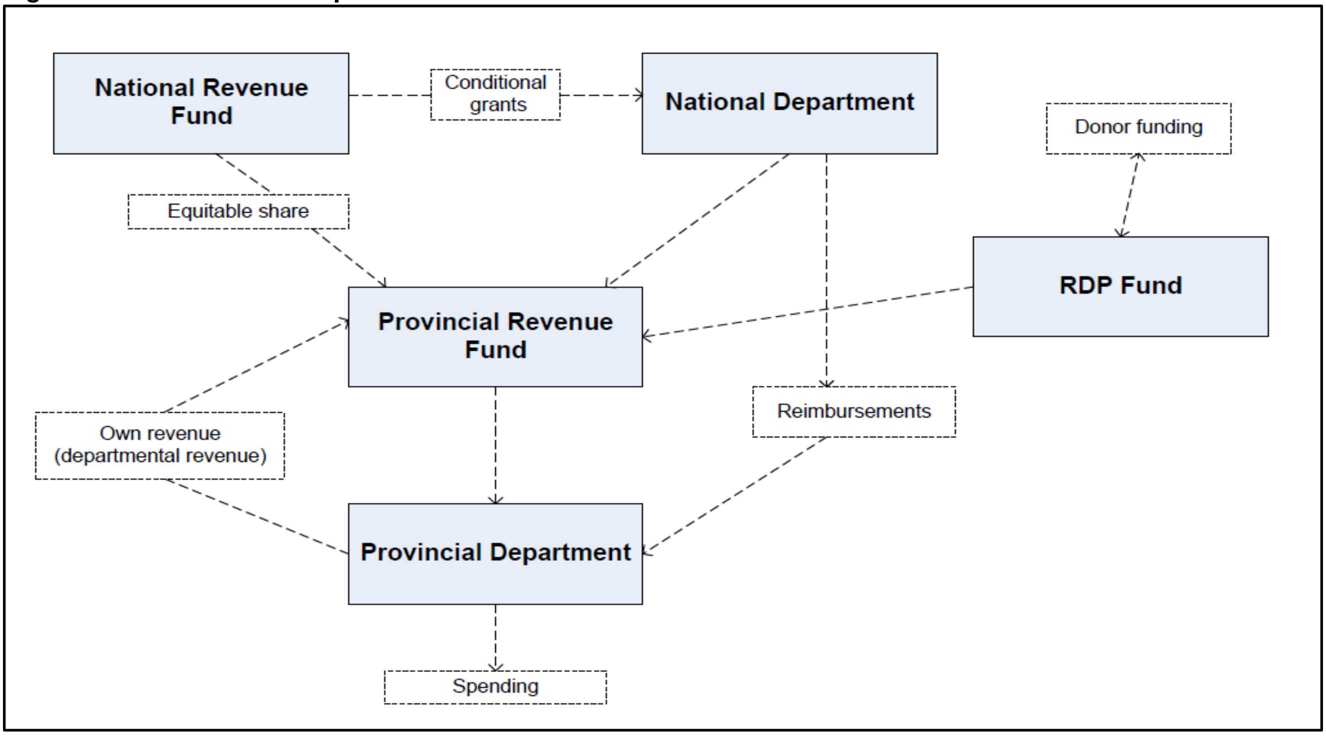
The provincial government of the Western Cape operates a banking system which includes a banking account in the name of the province and 14 individual accounts in the name of each vote/department with the Nedbank commercial banking institution. The Provincial Treasury department includes a cash management section responsible for the releasing of funds to the votes based on the agreed cash projection schedules and the anticipated daily and weekly cash flow requests received from the departments. Thus the Provincial Treasury, through the activities of the cash management section, controls the release of funds, thereby monitoring progress on budget implementation and managing the cash resources of the province. Excess funds based on timing mismatches between the value of funds received by the province from National Treasury and the value of funds drawn by the departments are invested in a money market call account with National Treasury or approved commercial banks. These investments generate interest on the daily balance. This facilitates the efficient use of funds. The Provincial Treasury has implemented an automatic sweeping arrangement with the commercial bank whereby any departmental accounts which are in overdraft will be zero balanced by funding from the Provincial

Treasury Paymaster-General account. Departments will capture payment information in the transversal accounting system called the basic accounting system (BAS) and the Provincial Treasury will be responsible for releasing these payments when the funds are made available as per the weekly cash flow process. Monthly the departments will prepare in-year monitoring (IYM) reports in which both actual and budgeted expenditure will be recorded and compared to determine resource availability and projected shortfall.

It should be noted that both the cash flow forecasts and the IYM reports are prepared in a spreadsheet which could be prone to errors and unintended adjustments. The province is aware of the risks and has implemented a reform to identify suitable software to assist with the budget preparation and monitoring processes.

Funds received by the various departments are banked directly into the departments' revenue accounts and are required to be transferred daily back to Provincial Treasury as these funds form part of the voted funds.

Figure 3: Flow of funds at provincial level



Source: Provincial Treasury FS[20]

Once a year the province will undertake an adjustment budget process to revise and update budget estimates of provincial expenditure in terms of the three-year rolling medium-term expenditure framework (MTEF). This informs the Provincial Adjustment Appropriation Bill. This Bill seeks the approval and adoption of the revised spending plans. Both the departments and the province will review the expenditure and funding to date and the anticipated (committed/recurring) funding requirements for the remainder of the year considering the funding received and the funding available.

Should a department require cash funding in advance of the cash flow projections, the head of department may apply to the cash management section indicating the reasons and requesting approval for the advanced funding. Once granted the department will have to revise the future cash requests to accommodate the accelerated allocation. These situations are discouraged. The cash management team reviews the departments' cash management accuracy and predictability of draw-downs regularly through the daily cash management process described in PI-17 to identify departments which may not be exercising disciplined cash management and these are reported to the MEC's office.

Section 16 of the PFMA regulates the use of funds in emergency situations and permits the Minister of Finance in the province to authorise the use of funds from the provincial revenue fund to defray expenditure of an exceptional nature which is currently not provided for and which cannot, without serious prejudice to the public interest in the province, be postponed to a future appropriation by the Provincial Legislature. Provincial Treasury circular 54 of 2011 provides that the departments should first finance any in-year spending pressures through

[20] Refer Guide for the preparation of the Revenue Fund template issued by National Treasury 2012.

budget reprioritisation and, if funds are still, required then fully motivated submissions can be made to the minister. This provides an adjustment mechanism which regulates adjustment to the budget priorities in a systematic and transparent manner while also granting the flexibility required for “black swan” events.

Indicator	Score	Evaluation
PI-16 Predictability of availability of funds for commitment of expenditure	**A**	**Scoring method M1**
(i) Degree to which cash flow forecasting and monitoring is carried out	A	A cash flow forecast is prepared for the fiscal year and is updated monthly on the basis of actual cash inflows and outflows.
(ii) Reliability and time horizon of the periodic information during the year providing the MDAs with information about maximum limits and payment commitments	A	Departments are able to plan and commit expenditure for at least six months in advance in accordance with the budgeted appropriations.
(iii) Frequency and transparency of the adjustments made to the budgetary allocations available at a level higher than MDA administrations	A	Significant in-year adjustments to budget allocations take place only once or twice in a year and are done in a transparent and predictable way.

PI-17 Recording and management of cash balances debt and guarantees

Dimensions to be assessed (scoring method M2): ***(i) Quality of debt data recording and reporting*** ***(ii) Degree of consolidation of the government's cash balance*** ***(iii) Systems for contracting loans and issuance of guarantees***

The maintenance of a debt data system and regular reporting of the debt portfolio are critical for ensuring data integrity and accurate debt service budgeting, timely service payments, and well planned debt roll-over.

The PFMA permits a province to borrow money or issue a guarantee indemnity or security or enter into any other transaction which binds or may bind the institution or the revenue fund to any future financial commitment, subject to approval by the minister and provided the budget includes information to this effect.

An important requirement for avoiding unnecessary borrowing and interest costs is that cash balances in all departmental and provincial bank accounts are identified and consolidated. To facilitate this, the PT has put a structure in place whereby the various votes sweep balances into the main exchequer account. The sweep however does not relate to cash on hand and is designed to prevent overdrafts in vote accounts. The cash management team will review the daily cash requirements and related funding and will consolidate funds by transferring cash to accounts which require funding and cash from accounts in surplus. Aggregated surpluses are placed in money market accounts with commercial banks or in the corporation public deposit account.

The department/vote banking accounts have further sub accounts linked to them which are used for petty cash and various revenue receipts. These accounts sweep to the main account daily and are thus zero balance accounts.

Critical to debt management performance is also the proper recording and reporting of government issued guarantees and the approval of all guarantees by a single government entity against adequate and transparent criteria. Section 66 of the PFMA permits a province to issue a guarantee provided it is approved in writing by the MEC for Finance in that province.

Western Cape Provincial Treasury instructions refers to chapter 13 of the National Treasury regulations for loan guarantees and other commitments relating to the provincial votes. The accounting officer of a department is responsible to ensure that guarantees are not issued without approval and is required to implement misconduct proceedings should a transgression occur. The delegation of powers issued by the the Western Cape in terms of section 13.1.3 does not permit the delegation of responsibility relating to transgression of regulations affecting of loans guarantees and other commitments. All contingent liabilities are to be reported by the department in the annual report.

While the issuing of guarantees is discouraged should the need arise, it would be incumbent on the department to justify why the guarantee is required and state in writing that should the liability manifest that the vote would be in a position to fund the full liability. The justification would be submitted to the Minister of Finance in the province and would be signed and approved by him.

The Department of Public Works has made application for guarantees in terms of "gravel pits" and has completed the necessary request for approval. However a process has yet to be developed to record and report on guarantees should these be approved.

Indicator	Score	Evaluation
PI-17 Recording and management of cash balances, debt and guarantees	**A**	**Scoring method M2**
i) Quality of the records and reports presented on debt data	N/A	The province has not incurred debt and thus the indicator in not applicable. However the Department of Public Works has made application for guarantees in terms of “gravel pits” and a process has yet to be developed to record and report on guarantees.
ii) Degree of consolidation of government cash balances	A	All cash balances are calculated daily and consolidated.
iii) Systems for contracting loans and issuance guarantees	A	Provincial contracting of loans and the issuance of guarantees are concluded in the limitation and regulation provided by the PFMA and treasury instructions in chapter 13 require the approval of the MEC for Finance and Economic Development and Tourism.

PI-18 Effectiveness of payroll controls

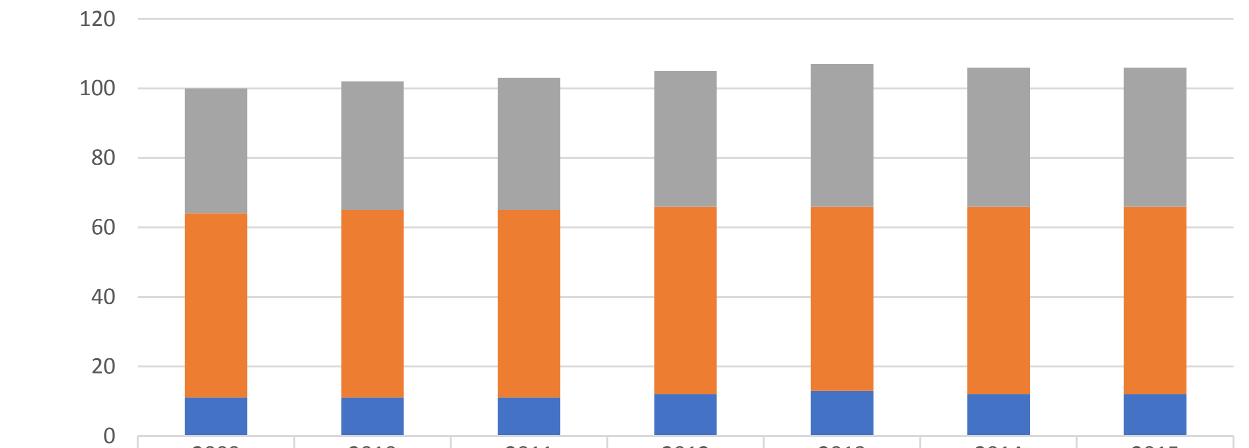
Dimensions to be assessed (scoring method M1): ***(i) Degree of integration and reconciliation between personnel records and payroll data*** ***(ii) Timeliness in the introduction of changes to the personnel records and payroll*** ***(iii) Internal control over changes to personnel records and payrolls data*** ***(iv) Existence of payroll audits to identify control weaknesses and/ or ghost workers***

The provincial government of the Western Cape's (WCPG) payroll for public servants is controlled and administered using the integrated human resource personnel and salary system known as PERSAL. PERSAL is used by all national and provincial departments and caters for all aspects of government regulations and prescripts. PERSAL is interfaced with BAS which ensures that all payroll related expense information is automatically loaded into BAS. As part of the month-end closure procedures performed by the departments (monthly IYM), reconciliation between the information in BAS and PERSAL is prepared and documented to determine that all information has transferred correctly.

The WCPG payroll administration function has been centralised in the department of the premier central service centre (CSC) servicing all departments/votes except for the two largest - education and health. Payroll controls relating to the physical verification of staff is cascaded from the central payroll processing units to the various pay points and assigned to paymasters.

Refer below table depicting the PGWC payroll split by staff headcount.

Figure 4: Quantity of staff per component (%)



	2009	2010	2011	2012	2013	2014	2015
Health	36	37	38	39	41	40	40
Education	53	54	54	54	53	54	54
CSC	11	11	11	12	13	12	12

All appointment termination and other payroll related adjustments must be effected on PERSAL. PERSAL provides audit trails to identify and document changes which are made to staff details in the system. The system requires a process of three tiers of approval namely create, authorise and approve. Segregation of duties is maintained by ensuring that a single user cannot perform more than one of the three functions.

Access controls restrict access to authorised users by way of password controls. PERSAL security is the responsibility of the Provincial Treasury. Users are required to log into the system with a username and password. However, going forward, a biometric login process will be implemented to prevent the sharing of access. PERSAL is configured to lock access after three failed attempts and inactivate access if the user has not logged in after 30 days. To reactivate access, the user's manager needs to complete a written request for reinstatement. Access is automatically terminated if the user is terminated in PERSAL.

PERSAL includes built in validly checks such as not permitting the appointment of someone whose identity number is on the death register of the Department of Home Affairs. Likewise, should an individual's name appear on the death register, their salary will be stopped by National Treasury and the department will be informed to investigate why a termination has not been effected on PERSAL.

The compensation of employees is governed by the National and Provincial Treasury regulations and instructions and includes requirements such as segregation of duties between authorisation of appointments, authorisation of payments, and recording of those payments. The requirement to ensure that all posts are adequately funded, that staff are paid directly into designated accounts, and that, prior to payment, the certification of the existence of the staff being paid has been made.

While there is no software link between the payroll system PERSAL and the security systems or other time, an attendance systems reliance is placed on the payroll certification to detect ghost and invalid employees before the salary is transferred into the banking account. Both national and provincial regulations require the appointment of paymasters who are required to review the payroll information including the staff to be paid for their respective paypoints and to certify that the information is correct or highlight required changes prior to the payment of the salaries. Timelines are stipulated with the intention that the changes will be made in a timely manner.

In addition to PERSAL the Department of Education has developed an in-house time and attendance system and payroll certification tool known as HC-LMS. Educators and other staff are required to indicate their attendance by signing the attendance registers which are captured in HC-LMS. Prior to the payment of salaries, the paymasters are required to check the information which has been transferred from PERSAL to HC-LMS and to certify that the information is accurate and that the individuals should receive payment. Paymasters perform the certification electronically in the system and communicate changes in real time to the salaries support unit who are able to stop payments if necessary and alert HR of changes that they may not have made in a timely manner.

For the Department of Health monthly closing dates are assigned to the permanent and temporary payrolls, and a 15-day window for the distribution of the pay sheets to the paymasters who are required to certify the accuracy of the payroll information and the existence of the employees stated therein and to return the information to the payroll unit within 10 days is allowed. Sufficient time is thus provided to ensure that the payroll information is correct or salaries are recalled if necessary before funds are transferred.

In terms of TPW instruction 8of 2013 sets out the standard operating procedure(SOP) for the distribution of payroll reports and salary advices to the respective pay points namely, certification of payrolls retention of certified payrolls, improvement of internal control measures, and appropriate updating of PERSAL.

The SOP provides for the appointment of paymasters which are required to review the payroll information and communicate discrepancies as soon as possible to the CSC who are to effect the necessary payroll updates and acknowledge receipt and its implementation. Monthly reconciliations are performed to ensure that all paymasters discharge the duties as instructed.

To ensure that the information from the PERSAL system integrates completely with BAS, monthly reconciliations are prepared and documented as per Provincial Treasury circular 24/2012. The PERSAL system requires an approved vacant post before a staff member can be appointed on the payroll, thus ensuring that staff are only appointed to funded posts and preventing more than one staff member from being appointed to the same post.

Payrolls are prepared monthly with fixed closing dates. Changes to the payroll are made prior to the pay runs as the certification process requires that the payroll be certified as correct by the paymaster prior to payment. Hence adjustments should not be required and should be corrected in the next pay run at the latest. All appointment terminations and other payroll related adjustments must be made on PERSAL. Each department directly manages posts and personnel changes. Controls and procedures exist for all changes. Audit trails are built-in into the system.

PERSAL provides audit trails to identify and document changes which are made to staff details in the system. Exception reports are issued each month and used to identify anomalies and any extreme changes from one pay period to the next.

HR managers are required to confirm their conformance with the prescripts including the review of exception reports on a quarterly basis. For the Department of Economic Development and Tourism, the internal control unit includes operational audits in the HR function with the purpose of obtaining a clean audit from the AG.

The AG performs various payroll relates reviews including the review of the effectiveness of the payroll certification process. Issues are reported to management either as management letter points or in the briefing by the AGs to SCOPA depending on the significance of the control weakness. 2013 no breaches in the certification controls were considered significant and reported to SCOPA.

Indicator	Score	Evaluation
PI-18 Effectiveness of payroll controls	**C**	**Scoring method M1**
(i) Degree of integration and reconciliation between personnel registers and payroll data	B	Personnel data and payroll data are not directly linked in the form of time and attendance but reliance is placed on the certification of the payroll prior to payment hence the payroll is supported by full documentation for all changes made to personnel records each month and checked.
(ii) Timeliness of changes to personnel records and the payroll	C	The salary reversal account for education noted 401 entries of which 77 were older than three months. Hence up to three month's delay occurs in updating of changes to the personnel records and payroll but affects only a minority of changes. Retroactive adjustments are made occasionally.
(iii) Internal control of changes to the staff register and payroll	A	Authority to change records and payroll is restricted and results in an audit trail. PERSAL has access controls for segregation of duties and audit trails of changes made.
(iv) Payroll auditing to identify weaknesses and/ or ghost workers	A	A strong system of annual payroll audits exists in the work done by the AG to identify control weaknesses and/or ghost workers.

PI-19 Transparency competition and complaints mechanisms in procurement

Dimensions to be assessed (scoring method M2):
(i) Transparency, comprehensiveness and competition in the legal and regulatory framework
(ii) Use of competitive procurement methods
(iii) Public access to complete, reliable and timely procurement information
(iv) Existence of an adequate administrative procurement complaints system

Table 20: Value of goods and services

Goods and services	FY 2011/12	%	FY 2012/13	%
EDT	44 727	1	68 734	1
Education	1 228 815	17	1 274 013	16
Health	4 132 882	56	4 499 855	56
Human settlements	80 792	1	100 286	1
Transport and Public Works	1 183 767	16	1 398 499	17
Total sample	6 670 983	90	7 341 387	91
As % of provincial spend	90%		91%	
Province	7 404 992		8 096 382	

Procurement of goods and services for the provincial government and departments is regulated at the highest level firstly by the Constitution[21] (section 217) and the PFMA (section 38) which requires an institution to maintain a procurement system that meets the five-pillar criteria of being fair, equitable, transparent competitive and cost-effective,

In terms of section 76(4)(c) of the PFMA the National Treasury then issued regulations framework for supply chain management accompanied by a policy strategy to provide guidance for uniformity in the implementation of the five pillars.

Following from the National Treasury regulations and in line with section 18(2)(a) of the PFMA, a Provincial Treasury must issue instructions consistent with this Act. The Western Cape Provincial Treasury issued instructions chapter 16A supply chain management: goods and services and chapter, and 16b: supply chain management for the delivery and maintenance of infrastructure on 28 March 2012 which apply to Western Cape provincial government (WCPG) departments, provincial public entities, and provincial government business enterprises.

From 1 January 2004, the Provincial Treasury abolished the provincial tender board and transferred the entire responsibility and accountability for procurement to the accounting officers of each of the departments and entities.

Part 2 of the Western Cape Provincial Treasury instructions: chapter 16A supply chain management: goods and services requires the accounting officer or accounting authority of an institution to which these instructions apply to develop, document, maintain, and implement an effective and efficient supply chain management system which is consistent with the following procurement related legislation:

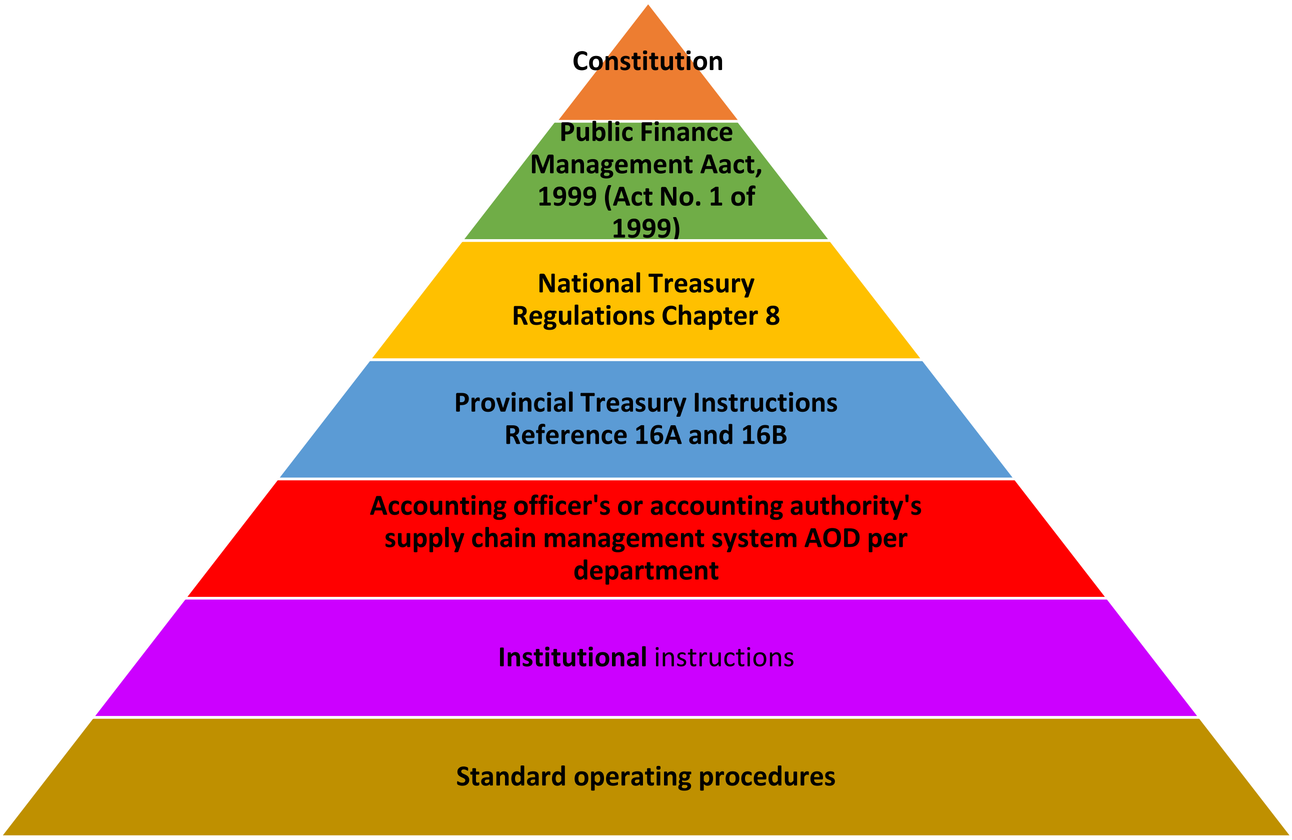
- Preferential Procurement Policy Framework Act 2000 (Act No. 5 of 2000)
- Broad Based Black Economic Empowerment Act 2003 (Act No. 53 of 2003)
- State Information Technology Act 1998 (Act No. 88 of 1998)
- Construction Industry Development Board Act 2000 (Act No. 38 of 2000)
- Prevention and Combating of Corrupt Activities Act 2004 (Act No. 12 of 2004)
- Promotion of Administrative Justice Act 2000 (Act No. 3 of 2000)
- Promotion of Access to Information Act 2000(Act No. 2 of 2000)

Provincial Departments have thus developed guidelines to effect the requirements which are known as the accounting officer system (AOs) applicable to their department and which expand on the requirements in the Provincial Treasury instructions chapter 16A.

[21] Constitution of the Republic of South Africa Second Amendment Act, 2003 (Act No. 3 of 2003)

The legal and regulatory framework is thus organised hierarchically and precedence has been clearly established as illustrated in the figure below:

Figure 5: Legal and regulatory framework



The PGWC has prepared a blueprint AOS which has been circulated to all departments with the intention of customizing it to suit the departments' requirements. This is in response to the issues raised whereby the previous AOS was updated via circulars as updates to the legislation dictated. Thus the blueprint aims to consolidate the various AOS versions and circulars which may have become too fragmented and inconsistent with the province's requirements. Input from the various departmental AOS and supply chain units' representatives through the SCM forum was used in the formulation of the blueprint. The document should however be benchmarked against international best practice and reviewed by legal and procurement/contract management specialists to facilitate completeness.

The provincial government of the Western Cape has established a website which includes a link for prospective suppliers and includes information such as access to tender opportunities, the tender process, tender support, and links to open tenders forms and regulations. The website also indicates numbers to call should more information be required. The website includes a listing of open tenders and step by step instructions on how to prepare and submit a tender as well as information on the scoring and award process. Furthermore the relevant legislation and prescripts would also be available on the South African government website and various other related bodies such as the construction industry development board.

Western Cape Provincial Treasury instructions: chapter 16A defines "supply chain management" as the design, planning, execution, control, and monitoring of supply chain activities in the delivery of goods or services with the objective of creating net value and providing oversight and co-ordination of information and finances in the supply chain. Goods means "corporeal movable things fixed property and any real right in any such thing or fixed property". "Services" means "anything done or to be done including the granting assignment cession or surrender of any right and the making available of any facility or advantage".

The procurement of leasing services is not included in these documents but regulated elsewhere. While all procurement related activities are regulated there is no one single document which links all the prescripts and clearly defined the regulation of all procurement undertaken using government funds.

As required by the PFMA, the AO must establish a separate SCM unit in the CFO's unit and ensure that the unit is staffed with the necessary knowledge and skills as set out in the dictionaries issued by the National or Provincial Treasuries.

Defined lines of responsibility for the approval of procurement contracts are detailed in the accounting officers' delegation of authority as required by section 44 of the PFMA. Each department has a documented delegation of authority (DOA) signed by the department's AO.

The Department of Transport and Public Works and DEDT have centralised the SCM functions which are hierarchical and consists of a director various deputy directors who are supported by assistant directors and various staff including procurement contract and strategic sourcing specialists.

The Department of Health is decentralised based on value per identified need. This means that institutions can procure currently up to a value of R500 000. Anything over this will be referred to the SCM unit under the CFO (head office) for a formal bid. The only exception is the three large central hospitals namely Red Cross, Groote Schuur, and Tygerberg who have the same procurement authority as head office. Likewise the Department of Education has centralised the larger value purchases in the education head office and permits the districts to procure using the trade world functionality.

The structured procurement functions, together with the detailed defined job descriptions for all staff members, facilitate the application of the necessary skills and knowledge.

The SCM forum has been established and includes representative for each department SCM units. This forum is responsible for formulating possible interventions to address SCM process gaps including resourcing and elevating this to the CFO forums where necessary. It should be noted that as some of the SCM functions in the Department of Health are decentralised to the hospitals and in the Department of Education to districts. In addition, interdepartmental forums should be considered to ensure uniform knowledge and co-operation throughout the process.

Chapter 16A supply chain management: goods and services requires the SCM function to operate the following committees which are responsible for ensuring that the requisites of fair equitable transparent competitive and cost-effective procurement are implemented.

Table 21: Functions of committees

Committee	Function
Bid specification (BSC)	Compile unambiguous and unbiased specifications for requirements
Bid evaluation (BEC)	Evaluate bids in terms of the evaluation criteria stipulated in the bidding documents.
Bid Adjudication (BAC)	Makes recommendations/reports to the delegated officials regarding the award or otherwise

The various departmental AOS include prescripts for the functioning and staffing of the various committees. The prescripts cover the following:

- Codes of conduct;
- Quorums;
- Membership;
- Powers and delegations;
- Roles and responsibilities;
- Meeting protocol including the use of attendance register and minuting of meeting;
- Voting;
- Use of specialists;
- Documenting valid and accountable reasons/motivations for disqualifications; and
- Ensuring that scoring is fair consistent and correctly calculated and applied.

Each department has established its own bid evaluation and adjudication committee which is responsible for recommending the approval by the relevant DOA of selected suppliers after the evaluation of tender submissions. The members are appointed by the department's accounting officer and are required to sign a declaration of independence prior to each meeting. The bid evaluation committee's comments will be reviewed and considered by the BAC. This process should enable the selection to be independent and match the five pillars as prescribed by the Constitution.

Limited bidding applies where there is a single identified service provider only or when the use of the open bidding process is either impractical or impossible. A department may procure goods and services by limited bidding in certain circumstances as prescribed in the Western Cape Provincial Treasury instructions 16A 5.2.1. All limited bids over the value of R1 million must be reported to the Provincial Treasury and the AG within ten working days and over R5 million be executed in consultation with the Provincial Treasury prior to the award being made by an institution. This provision does not exempt failure to document the reasons to justify why competitive bidding was not the preferred method.

The legal framework provides for the publishing of the advertisement of bids for goods and services estimated to cost in excess of R500 000 in the government tenders bulletins accessible on the National Treasury website. Goods and services below this value are advertised on the electronic purchasing system known as Ariba Tradeworld or Sourcelink. As of 1 April 2013 all departments will be required to only conduct business registered on the Western Cape supplier data base which will be administered by the Ariba Tradeworld and which has an established supplier help desk. The various departmental accounting officer systems supported by the National Treasury Regulations framework for supply chain management require the publishing of contract award information in the gazette and other media which was used to advertise the tender.

National Treasury regulations in terms of the PFMA 1999: framework for supply chain management as published in gazette no. 25767 dated 5 December 2003 requires all tender awards to the value of R500 000 and above to be published in the gazette and other media where the original bid was published. Likewise the various departmental AOS include this requirement.

Standard bidding documents are used, which include clear requirements thereby assisting the bidder by providing uniformity in the biding process with the aim of affording equal opportunity to all prospective bidders.

Complaints system

The National Treasury prescribes that each Provincial Treasury must establish a mechanism to receive and consider complaints regarding alleged non-compliance with the prescribed minimum norms and standards, and to make recommendations for remedial actions to be taken if non-compliance of any norms and standards is established, including recommendations of criminal steps to be taken in the case of corruption fraud or other criminal offences.

Provincial Treasury instructions require the accounting officer of a department through the accounting officers' system to permit an individual who feels aggrieved by a decisions or actions taken by the department in the implementation of its supply chain management system to lodge a complaint against such decision or action in the form of a written objection to the department within 14 days of the decision or action. The accounting officer must institute a mechanism to record and deal with such alleged grievances or complaints adequately. It should thus be noted that the present process does not make provision for the establishment and functioning of an independent administrative procurement complaints system. It does however provide for the lodging of written complaints and require that these have been addressed by an individual appointed by the accounting officer and makes provision for the accounting officer to appoint an individual who is independent of the supply chain process. Furthermore the prescripts do not affect a person's right to approach a court at any time and also make provision for the referral of the complaint to the Provincial Treasury if not resolved after 60 days. These mechanisms do not affect a person's right to approach a court at any time.

The PFMA defines irregular expenditure as expenditure incurred in contravention of the requirement of legislation/prescripts. Expenditure not incurred by open competition and which was not suitably justified would thus be deemed irregular. The table below lists the reported irregular expenditure for the 2012/13 financial year.

Table 22: Irregular expenditure 2012/13

R'000	Actual Expenditure R'000		Irregular R'000		% of Expenditure	
Department	FY 2013/14	FY 2012/13	FY 2013/14	FY 2012/13	2013/14	2012/13
Economic Development and Tourism	314 344	259 089	522	3 287	0.2%	1.3%
Transport and Public Works	768 640	763 263	37 784	30 988	4.9%	4.1%
Health	675 514	637 208	86 673	67 363	12.8%	10.6%
Education	510 807	532 038	6 924	7 901	1.4%	1.5%
Human Settlements	1 987 458	1 834 400	989	2 628	0.0%	0.1%
Total	4 256 763	4 025 998	132 892	112 167	3.1%	2.8%

It is important that the departments spending the largest proposition of the total budget for the province have the most robust mechanisms for providing access to the public regarding procurement plans, tenders contract awards, and complaints resolution processes.

It should be noted that while WCDOH spent the largest portion of the total provincial budget, it does not have an individual website for the publishing of procurement information and has the most decentralised procurement unit of the sample reviewed. The observation has been noted by the department's CFO who mentioned a reform in which the department is compiling a list of key suppliers so as to procure in a more consolidated manner.

The process as implemented by the sampled departments has made provision for the alleged aggrieved party to contact the departments supply chain unit to present a written narrative of the nature of the compliant to the supply chain officials. The department will log the complaint in a register in the form of an excel spreadsheet and will use this to track the progress of the correspondence and the complaint. While most complaints may relate to general queries or requests for addition information as to who received the award, some complaints progress to the department's legal units and, in the case of health, to the media.

Review of the PGWC website and the website for the three largest departments - Health Education and Transport and Public Works - noted that while the National Treasury instructions were available and indicated the prescripts in 16A8, no further guidance was provided as to how an alleged aggrieved stakeholder could find an independent impartial sounding board to hear and assess the complaint and assist with the facilitation of the resolution with various parties. A complaint from a construction supplier noted that they were not aware of the requirements to lodge the compliant in writing.

The AOS for the Department of Education included appendix C: grievance mechanism which provides for the establishment and functioning of a grievance review committee (GRC) which would be staffed by independent impartial person who would, however, would be appointed by the AO.

The province should give consideration to the establishment of an independent complaints review board to whom parties who feel aggrieved by the present process can receive a hearing by an independent impartial body. Inclusion of the various civil society groups should be considered to provide a filter for potential trivial frivolous vexatious or without merit cases.

Indicator	Score	Evaluation
PI-19 Competition, value for money and controls in procurements	**C**	**Scoring method M2**
i) Transparency, comprehensiveness and competition in the legal and regulatory framework	C	While the regulatory framework is robust and organised in a hierarchy accessible via websites and other provincial and governmental organisations, the complaints mechanism is possibly restrictive and not well published. Likewise the procurement prescripts do not include leasing which is regulated through different legal requirements.
ii) Use of competitive procurement methods	B	When contracts are awarded by methods other than open competition, they are justified in accordance with the legal requirements and if not, they are considered as irregular expenditure and reported as such. The value of reported irregular expenditure amounted to 3.1 per cent and hence at least 97 per cent of procurement was open and competitive or was justified.
(iii) Public access to complete, reliable and timely procurement information	C	Procurement plans are not published. Infrastructure plans are indicated in the budget information which is available to the public but this is not a formal procurement plan. Bidding opportunities and contract awards are published in the government gazette. The complaints process is formally articulated and communicated to the bidders. Prospective bidders are informed if they are successful and, in the case of health, also if they are not successful. However they are not specifically informed of their rights to lodge objections and the process which they should follow. Hence at least two of the procurement information elements are complete and reliable for departments' representing over 50 per cent of procurement operations (by value) and are made available to the public through appropriate means.
(iv) Existence of an adequate administrative procurement complaints system	C	Complaints are directed to the SCM units and the accounting officer who is ultimately responsible for the SCM function and hence the complaints mechanism does not provide for a body which is independent and autonomous.

PI-20 Effectiveness of internal controls for non-salary expenditure

Dimensions to be assessed (scoring method M1): ***i) Effectiveness of expenditure commitment controls*** ***ii) Scope, relevance and understanding of other internal control regulations and procedures*** ***iii) Degree of compliance with regulations on the processing and registration of transactions***

Comprehensive expenditure commitment prescripts exist in the form of the PFMA and related Treasury regulations and instructions. The PFMA mandates that the accounting officer maintains effective efficient and transparent systems of financial and risk management and internal control which include processes which effectively limit commitments to actual cash availability and approved budget allocations and provides for full and proper records of the financial affairs of the department. Overspending of a vote or a main division in a vote constitutes “unauthorised expenditure” per the PFMA and will require reporting to the Treasury and disciplinary steps against the official who made or permitted the overspending.

Budgets are prepared and approved as part of the annual budget process and include procurement plans for infrastructure and large value purchases. The departments have different methods of regulating expenditure other than infrastructure expenditure. For example, the Department of Health will review the present expenditure plus estimated cost to provide the necessary services to year end against the budget to determine if there is a risk commitments that may exceed budget. The Department of Human Settlements will route all requisitions via the budget department for pre-approval prior to making the commitment. It should be noted that the present ERP system BAS is not configured to control commitments hence the “work around” processes developed by the various departments.

Additionally monthly budget verses actual expenditure reports are prepared and reviewed during the in-year monitoring process. Daily weekly and monthly cash flow statements are prepared as detailed in PI-17 and would detect excessive expenditure in a timely manner should this occur. Furthermore the departments prepare annual risk registers including controls which are used by the internal audit department to determine the audit plan and provide management with an assessment of the adequacy and effectiveness of the identified and implemented controls. The external audit which is performed by the AG provides further assurance to both the accounting officer and SCOPA as to the effectiveness of the department’s compliance with the relevant prescripts. The departments are then tasked with implementing actions to address any control/compliance deficiencies.

Numerous National and Provincial Treasuries instructions and circulars provide the necessary structure for a comprehensive set of controls that are widely understood. Some departments have further refined these prescripts with departmental circulars and standard operating procedures.

A self-assessment process has been developed and implemented in the various departments which requires the departmental CFO to report on the degree of compliance to a set of questions/statements known as corporate governance review and outlook (CGRO). Control weaknesses identified in this and other reviews by other assurance providers are then assigned action plans for remediation so as to build a culture of compliance and drive the attainment of a “clean audit”.

A transversal procurement system known as LOGIS is used by all departments and this system includes the three-way match functionality which necessitates the matching of the price per the approved order and quantity per the receipt to the information on the invoice supporting the charge by the supplier. It is possible to process a payment directly on BAS, thereby circumventing these procedures. However all payments require authorisation as per the delegation of authorities.

Compliance units have been established by all the sampled departments and while their roles and coverage differ they are generally tasked with identifying and preventing improperly authorised expenditure resulting from control breaches. Some units are tasked with reviewing all transactions prior to their completion and document these reviews in the form of checklists, while others will post-audit a sample of transactions to identify and report on expenditure which may constitute irregular expenditure. The PFMA defines irregular expenditure as expenditure incurred in contravention of the requirement of legislation/ prescripts and requires the immediate reporting it to the Treasury and tender boards and also in the annual reports with possible discussion at SCOPA. Furthermore disciplinary actions must be taken against an official who makes or permits irregular expenditure. The internal control units also monitor various other compliance requirements like payment within 30 days and the correct allocation of the actual expenditure both in the programme vote and standard chart of accounts.

Based on the above initiatives it is possible that the constant review and checking could either be the formula for the successful audit outcomes or may contribute to excessive review and lead to inefficiency in staff use and unnecessary delays. Consideration should be given to the standardisation of the various control functions, including automation, to determine the optimal level and use of resources.

Departmental management and Provincial Treasury monitor irregular expenditure and report this annually in the annual reports.

Table 23: Actual irregular expenditure for the past two financial years:

Department	Actual Expenditure		Irregular[22]		% of Exp	
R'000	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
Economic Development and Tourism	314 344	259 089	522	3 287	0.2	1.3
Transport and Public Works	768 640	763 263	37 784	30 988	4.9	4.1
Health	675 514	637 208	86 673	67 363	12.8	10.6
Education	510 807	532 038	[23]6 924	7901	1.4	1.5
Human Settlements	1 987 458	1 834 400	989	2 628	0.0	0.1

[24]*Source: Western Cape financial reports 2010-2013*

Indicator	Score	Evaluation
PI-20 Effectiveness of internal controls on non-salary expenditure	**B+**	**Scoring method M1**
(i) Effectiveness of controls on expenditure commitments	A	The PFMA National and Provincial Treasury regulations and instructions together with the budget and cash management prescripts and procedures contribute to a comprehensive set of expenditure commitment controls which are in place and effectively limit commitments to actual cash availability and approved budget allocations.
(ii) Scope, relevance and understanding of other internal control regulations and procedures	B	Other internal control rules and procedures incorporate a comprehensive set of controls which are widely understood including internal control units who perform either pre-and post compliance reviews but may in some areas be excessive and since the units do not conform to standardised terms of reference may in some departments lead to inefficiency in staff use and unnecessary delays.
(iii) Degree of compliance with the regulations for processing and registering transactions.	B	Non-compliance with procurement prescripts is considered "irregular expenditure". Review of the incident of irregular expenditure over the sample of departments noted occasionally non-compliance without adequate justification.

[22] Excludes amounts condoned
[23] AG noted that the amounts may be understated
[24] Source – annual reports

PI-21 Effectiveness of internal audit

Dimensions to be assessed (scoring method M1):
(i) Scope and quality of internal audit function
(ii) Frequency and distribution of reports
(iii) Management response to internal audit findings

Internal audit is offered independently by the shared internal audit activity in the corporate services centre in the department of the Premier. The internal audit unit is the responsibility of the chief audit executive reporting to the deputy director-general: corporate Assurance. As stipulated by the PFMA (sections 38(1)(a) 76(4)(d) and 77) and the treasury regulations (chapter 3), the accounting officer of the province must maintain an internal audit function under the control and direction of an audit committee. The unit must comply with and operate in accordance with regulations and instructions which prescribed as to the appointment composition and functioning of the audit committees and which are further defined in the audit committee charter and terms of reference. Both the internal audit functions and audit committees are assigned to the various departments based on clusters as indicated below which ensures that all departments are included in the internal audit scope and coverage.

The internal audit function through the audit committee provides quarterly feedback to the departments' management on the performance of the internal control systems. Reporting to line management whereby management is afforded the opportunity to formally discuss and develop solutions to control weaknesses identified takes place during the audits. Management actions are included in the report and followed up to ensure these are implemented.

The internal audit function is mandated by Western Cape Provincial Treasury instruction 2009 to meet international standards in terms of professional independence, breadth of mandate, access to information and power to report, and the use of professional audit methods, including risk assessment techniques. The instruction provides for annual assessments by the chief audit executive of the application of the approved internal audit methodology and quality assurance. An external quality review is required every five years. Results of the internal quality review conducted in November 2012 noted that the objective was to assess conformance to the Institute of Internal Audit Standards for the Professional Practice of Internal Auditing (IASPPIA) and prepare for the external assessment. The internal audit function received the best possible rating as defined in the IASPPIA. However, the report noted that the external assessment was last performed in 2006 and that the internal audit function lacked capacity both in quality and quantity of specialised resources. This concern was echoed by the external auditor and the audit committees in the 2013 annual reports. The Department of the Premier assurance function has noted the concern raised and considering the limitation on funding is developing a combined assurance framework and approach to address this issue.

The internal audit function is focused on reporting on significant systemic issues in relation to:

- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations;
- Safeguarding of assets; and
- Compliance with laws regulations and contracts.

A risk based approach is followed and the scopes of the audits focus on the strategic high rated risk areas identified by management in the enterprise risk management process. Audits are performed throughout the year with quarterly reporting of audit results and progress of audit completion schedules to the audit committees.

Review of the fourth quarter internal audit report to the audit committees which were issued in June 2013 noted delays in the completion of internal audit operational plans which may be related to the manager level vacancies reported and delays in the approval of the audit plans. Internal audit reports are issued as the audits are completed and in line with the operational plans to the head of the relevant department, the relevant chief financial officer, the AG, and line management, including internal control units. Reports include a rating scale to communicate the overall assessment of the system of internal control for the scope of the review and comment on the extent to which the risk treatment identified by management mitigates the risks including the effectiveness thereof. A summary of the engagements findings as they relate to each of the risks addressed will also be included in the audit committee quarterly reports.

Internal audit will monitor the implementation effectiveness of the agreed management action plans after the expiration of the implementation dates indicated in the audit reports. The implementation rate is considered acceptable if the department achieves an 80 per cent implementation rate. The Departments of Health and Education managed to exceed the acceptable levels. However the Departments of Human Settlements and

Public Works experienced challenges in obtaining stakeholder co-operation and implementing the actions within the agreed timelines. Internal audit will list all finding which have not been remediated in the audit committee reports including reasons for delays. After this the internal control units will be expected to follow up and monitor the successful implementation of the actions.

Indicator	Score	Evaluation
PI-21 Effectiveness of internal audit	**C+**	**M1 scoring method**
(i) Scope and quality of internal audit function	A	The internal audit function which resides under the Department of the Premier provides internal audit services to all departments and generally meets professional standards. The internal audit function received the best possible rating as defined in the IASPPIA during the internal assessment performed in 2012. However the report noted that the external assessment was last performed in 2006 and that the internal audit function lacked capacity both in quality and quantity of specialised resources. Audits focus on systemic issues and are risk based. It should be noted that the internal audit does not cover the IT environment as the systems are not very sophisticated and coverage is part of the external audit.
(ii) Frequency and distribution of reports	B	A fixed time schedule is developed and reporting is monitored against the schedule. Where delays were noted in the issuing of certain reports due to capacity constraints, these were brought to the attention of the audit committees who received quarterly feedback on progress. Committees also received detailed information on the overall assessment of the system of internal control for the scope of the audits undertaken.
(iii) Management response to internal audit findings	C	A fair degree of action is taken by many managers on major issues but often with delay. It was noted that on average implementation across the five departments was 70 per cent of the agreed action items.

3.5 Accounting recording and reporting

PI-22 Timeliness and regularity of accounts reconciliation

Dimensions to be assessed (scoring method M2): ***(i) Regularity of bank account reconciliations*** **(*ii*) *Regularity of reconciliation and clearance of suspense accounts and advances***

The Provincial Treasury circular 19 of 2013 was issued to inform accounting officers (AO) of their duties in relation to sections 40 and 41 of the PFMA and replaced circular 24 of 2012. The circular requires the AO to complete and certify by signing the template document if they have performed the stated performance indicator requirements including that of bank reconciliation and the clearing of related difference. The AO is required to submit proof of such activities.

The provincial government of the Western Cape operates a banking account in the name of the province and 14 individual accounts in the name of each vote/department. Each vote is responsible for the recording of receipts payments and other movements in the vote's banking account in BAS. Payments are recorded in terms of manner and time. The transactions recorded in BAS are compared monthly to the movements in the banking institution and reflected in BAS report RP020BS. The report is signed off by the person who activated the process which performed the reconciliation (the CFO or delegated official) reviewing the content of the reconciliation. Reconciling difference are explained and documented in the monthly reporting pack which is provided to Provincial Treasury. The reconciliation process must be completed by the 21st day after the month end.

PFMA section 32 requires that at least quarterly every provincial treasury must submit to the National Treasury a statement of revenue and expenditure with regard to the PRF for which that treasury is responsible for publication in the national government gazette within 30 days after the end of each prescribed period.

Section 17(1) of the National Treasury regulations requires that all suspense accounts be cleared and assigned to the correct cost centres on a monthly basis. The Provincial Treasury circular 19 of 2013 issued to inform accounting officers (AO) of their duties in relation to section 40 and 41 of the PFMA and replaced circular 24 of 2012 required the monthly review and reporting of balances in suspense accounts which should reflect a zero balance. Annexure G provides a listing of the relevant accounts which generally relate to unallocated receipts/debts and interface control accounts.

Indicator	Score	Evaluation
PI-22 Timeliness and regularity of accounts reconciliation	**A**	**Scoring method M2**
(i) Frequency of reconciliation of bank accounts	A	Bank reconciliation for all departmental bank accounts take place at least monthly at aggregate and detailed levels usually within four weeks of the end of the period.
(ii) Frequency of reconciliation and clearance of suspense accounts and advances	A	Reconciliation and clearance of suspense accounts and advances takes place monthly, mostly within a month from end of period and with few balances brought forward.

PI-23 Availability of information on resources received by service delivery units

Dimensions to be assessed (scoring method M1): ***(i) Compilation and processing of information to show the resources effectively received (in money or in kind) by the majority of frontline service delivery units (with particular focus on primary schools and primary health care clinics) in relation to the resources made available by the relevant sector or sectors, regardless of the level of government responsible for the functioning and funding of these units***

The Division of Revenue Act (DORA) requires departments to submit quarterly non-financial performance information to the relevant treasury (S11 (4)(b) and S12(2)(c)). The PFMA states in section 3(a) that the annual reports should represent the activities of the department for the period concerned.

The National Treasury guide for the implementation of provincial quarterly performance is followed in terms of its outlined

- Roles and responsibilities;
- Standardised and non-standardised reporting formats;
- Reporting dates; and
- Publication of 2013/14 performance information

Departments prepare annual performance plans. The annual performance plans are divided into programmes and indicate the performance indicators and annual targets per programme. These are available for public scrutiny on the Western Cape government website as well as the individual department websites.

As indicated in the budget documentation the budgets are aligned to the government's prescribed outcomes. Budgeting is done per programme and thus shows its alignment to the annual performance plans.

The departments prepare and submit quarterly performance reports to Provincial Treasury. As part of its oversight function Provincial Treasury gives feedback on the quarterly performance reports.

The website of the Western Cape government shows the executive projects dashboard (EPD) and gives information around the effective implementation of the Western Cape government's strategic objectives.

The EPD allows members of the public to view the following:

- A list of projects undertaken by various Western Cape government departments;
- Purposes of each project;
- Amount of time spent on each project; and
- A summarised project progress report on completion.

The strategic objectives and the attainment of these objectives also form part of the annual financial statements of the departments as required by section 3 (a) of the PFMA. Evidence supporting the progress against achievement of the performance objectives should be available for audit by the AG.

Scrutiny of progress against annual performance plans is done whenever the annual reports are scrutinised at a legislative committee and provincial legislature level. The annual reports provide details of achievement against performance indicators for each programme. Reasons for not reaching or only partially meeting targets/objectives are explained in a narrative.

The relevant minister and department heads appear before the committees and present their annual reports. Internal audit and the AG also attend the sessions. The public can attend these briefings and are given the opportunity to ask the relevant department any questions.

Departments highlight areas of service delivery on their departmental websites which gives details of projects which have been delivered.

The department annual reports are available for public view and dissemination.

Indicator	Score	Evaluation
PI-23 Availability of information on resources received by service delivery units	**A**	**Scoring method M1**
(i)-Compilation and processing of information to show the resources effectively received (in payment or in kind) by the majority of frontline service delivery units.	A	Annual performance plans are available which indicate the department's service delivery plans for the period. The annual reports show the progress made against the programme performance indicators. The information is available for public scrutiny.

PI-24 Quality and timeliness of in-year budget reports

Dimensions to be assessed (scoring method M1): ***(i) Scope of the reports in terms of coverage and compatibility with budget estimates*** ***(ii) Timeliness of report presentation*** ***(iii) Quality of information***

The monthly in-year monitoring reports include the following details:

- Projected and actual expenditure which includes expenditure per programme and expenditure per economic classification, personnel numbers, spending on infrastructure, provincial own receipts, cash flows, deviations from projected cash flows and transfers.
- The actual monthly results are tracked against both the original and the adjusted budget. As part of their submission of IYMs, departments give reasons for material deviances.
- The departmental results are collated into the provincial IYM report which is signed off by the head of Provincial Treasury.

The provincial results are submitted by Provincial Treasury for the monthly inputs for the monthly cabinet report. Based on inputs from the provincial Treasury the quarterly statements of receipts and payments are issued by the National Treasury. The public has access to these reports.

In terms of Section 40 of the PFMA, departments must submit the monthly information projections of expected revenue and expenditure for the remainder of the financial year and explain any material variances within 15 days of the end of each month to the relevant treasury and the executive authority responsible for that department.

In terms of the National Treasury Regulations regulation 18.1.2 the Provincial Treasury must submit actual revenue and expenditure figures by the 22nd of the month to National Treasury. On a quarterly basis the provincial payments and receipts are published by the National Treasury (e.g. provincial 2nd quarter statements of receipts and payments).

The in-year monitoring programme is drawn up and controlled by Provincial Treasury. Guides and templates are issued by Provincial Treasury. By the 15th of every month the final report on the state of revenue and expenditure must be submitted to Provincial Treasury. This submission is signed off by the accounting officer at the same time confirming compliance with Section40(4) of the PFMA and treasury regulation 5.10.2. The IYMs are signed off by the accounting officer on a monthly basis for being in compliance with Section 11 and 12 of the Division of Revenue Act 2012 (Act No. 5 of 2012) practice note 1 issued by National Treasury and Treasury Regulation 17.1.

Provincial Treasury has also instituted the corporate governance and review outlook (CGRO). One of the indicators in the CGRO evaluation is the meeting of deadlines in terms of the submission of reports.

Provincial Treasury inspects the monthly submissions and raises queries directly with the departments on any anomalies. A monthly internal caucus meeting is held by Provincial Treasury on or around the 20th of the month to discuss the monthly outcome of expenditure. At the end of the month an IYM PFMA coordinating meeting is held to discuss overall trends and key issues.

Indicator	Score	Evaluation
PI-24 Quality and timeliness of in-year budget reports	**A**	**Scoring method M1**
(i) Scope of reports in terms of coverage and compatibility with budgetary forecasts	A	The IYM are issued monthly and compare actual expenditure to the original and the adjusted budget. Variances must be explained.
(ii) Timeliness in the presentation of reports	A	Monthly in-year monitoring reports are prepared per department and on a consolidated basis. The reports are submitted to Provincial Treasury by the 15th of the following month. The provincial IYM report is signed off by the head of Provincial Treasury by the 20th of each month.
(iii) Quality of the information	A	Each month's IYMs is signed off by the relevant accounting officer. There is no indication of material concerns of data accuracy as the figures are first reviewed by Provincial Treasury before being sent to the National Treasury.

PI-25 Quality and timeliness of annual financial statements

Dimensions to be assessed (scoring method M1): ***(i) Comprehensiveness of financial statements*** ***(ii) Timeliness in the presentation of financial statements*** ***(iii) Accounting standards used***

The PFMA requires that financial statements be submitted for audit within three months of the financial year end. The submission is tracked by the AG and any submissions made late are highlighted in the annual report of the AG. All the departments selected had submitted the annual financial statements within three months of the financial year for all three of the financial years selected. The accounting standards used are shown in the accounting policies note in the annual financial statements. The financial statements are prepared on a modified cash basis of accounting.

The annual financial statements also comply with the statutory requirements of the PFMA and the Treasury regulations issued in terms of the Act and the Division of Revenue Act Act 1 of 2010.

Indicator	Score	Evaluation
PI-25 Quality and timeliness of financial statements	**A**	**Scoring method M1**
(i) Completeness of financial statements	A	The annual financial statements include full details of the revenue expenditure cash flow assets and liabilities.
(ii) Timeliness in the presentation of financial statements	A	The annual financial statements were all submitted for external audit within six months of the end of the financial year. The PFMA requires that submission be made within three months of the financial year end.
(iii) Accounting standards used	A	The financial statements are all applied using consistent accounting policies. The accounting policies are set by the National Treasury. The financial statements are prepared on the modified cash basis.

3.6 External scrutiny and audit

PI-26 Scope nature and follow-up of external audit

Dimensions to be assessed (scoring method M1): ***(i) Scope/nature of the audit carried out (including compliance with auditing standards)*** ***(ii) Timeliness in submission of audit reports to the Legislature*** ***(iii) Evidence of follow up on audit recommendations***

The provincial government of the Western Cape is audited by the AG. The AG is a Chapter 9 institution which means that its mandate is outlined in sections 181 and 188 of the Constitution. Additionally South Africa is a member of the African Organisation of Supreme Audit Institutions (AFROSAI) and International Organisation of Supreme Audit Institutions (INTOSAI) which operate as umbrella organisations for the external government audit community.

The AG produces annual audit reports on all government departments, public entities, municipalities and public institutions in line with the requirements of the PFMA and the MFMA laws. The AG is governed by the Public Audit Act No. 25 of 2004 (PAA) and generates income by charging the institutions for the audits performed, thereby remaining independent and reporting directly to Parliament.

The A performs the following types of audits during the annual audit cycle the coverage of which includes the following:

- As mandated by the PAA, the review of auditees annually reports on their performance against pre-determined objectives (PDO). The auditee must prepare a quarterly and annual report to measure its service delivery against the performance indicators and targets set for each objective. The AG will audit the institution to determine if the information is reliable and useful, and report its findings where required.
- As mandated by the PAA, the review of compliance with legislation which includes reliability of financial statements including material misstatements in the submitted annual financial statements, asset and liability management, audit committees, budget management, expenditure management, unauthorised irregular as well as fruitless and wasteful expenditure, financial misconduct, internal audit revenue, management, strategic planning and performance management, transfer of funds, and conditional grants
- Supply chain management in the form of compliance with procurement and contract management and human resource management and compensation rules regulations and procedures.

Under this mandate the AG also does an audit review of:

- HR management which focused on HR planning and organisation, management of vacancies, appointment processes, performance management, acting positions, management of leave, overtime, and suspensions;
- Information technology controls covering IT governance, security management, user access management, and IT service continuity;
- Financial health in the form of a high-level analysis of the auditees financial indicators to provide management with an overview of selected aspects of their current financial management and to enable timely remedial action where the auditees operations and service delivery may be at risk;
- The functioning of internal controls to determine the effectiveness of their design and implementation in ensuring reliable financial and performance reporting and compliance with legislation;
- Root cause analysis in that the AG will include the root causes of material findings as internal control deficiencies in the audit report classified under the key areas of leadership financial and performance management or governance; and
- An assessment of the level of assurance provided by the role players based on the status of internal controls and the impact of the different role players on these controls.[25]

Performance auditing is done on a selective basis and generally focuses on the three “Es” – economy (right value for money in terms of cost) efficiency (optimal relationship between inputs and outputs) and effectiveness (achievement of goals set out). The AG has undertaken performance audits and investigations and issued reports. At the time of the PEFA assessments in 2013 some performance audits were in process, although the last report involving the Western Cape accessed was dated 2011. The PAA provides for the auditor to report on

[25] Extracted from the AG report 2012_13_PFMA_Western_Cape_general_report obtained from the AGSA website

whether the auditee's resources were procured economically and utilised efficiently and effectively. Thus it should be noted that some elements are included in the supply chain review[26].

As part of the reporting the AG will prepare a communication of audit findings (COMAF) capturing keys issues for the client's noting. This document is in writing and includes both the nature of the issue as well as the recommended remedial action. This is presented to the departmental management for written comment and response including whether the department agrees with the finding and its commitment to implement the required action. Once the auditor has completed its response, the various COMAFs will be consolidated to a draft management report in which management will again make comments and updates as required. On completion, the document will be finalised and presented to the AO and the CFO for implementation. The remedial actions are then logged in the CGRO process. More important and serious findings are included in the audit reports.

Section 21 of PAA requires the AG to submit an audit report in accordance with any legislation applicable to the auditee which is the subject of the audit. Therefore, as per the PFMA S 65, department is required to table the annual reports including the audit report and financial statements within six months from the end of the applicable financial year.

Review of the 2012/13 general report summarising the results of the audit outcomes of provincial government for the financial year ended 31 March 2013 observed that every department and ten of the 11 public entities in the province were included. The report was issued in November 2013, eight months after the financial year end and six months after the legislated submission date of 31 May 2013. The individual audit reports were discussed in the SCOPAs in October and November. It should be noted that the process is for each department to be audited as a separate entity and the individual reports to be tabled before the consolidated report is prepared and presented.

While the AG acknowledged in the 2012 /13 report that there were efforts to follow up on findings identified by the AG, they would encourage additional effort by the portfolio committees and the public accounts committee to hold auditees accountable for recurring findings. The table presented in Annexure 1 of the report noted 55 repeat findings while 42 were addressed.

Indicator	Score	Evaluation
PI-26 Scope, nature and follow-up of external audit	**B+**	**Scoring method M1**
(i) Scope/nature of the audit carried out (including adherence to audit standards)	A	All entities of central government are audited annually covering revenue expenditure and assets/liabilities. A full range of financial audits and some aspects of performance audit are performed and generally adhere to auditing standards focusing on significant and systemic issues. Review of the audit report noted that the coverage was in line with the legislative requirements and was fairly robust covering not only financial aspects but also functioning of internal control and procurement systems. Performance audit were done selectively.
(ii) Timeliness in the presentation of auditing reports to the Legislature	B	Audit reports are submitted to the Legislature within eight months of the end of the period covered and in the case of financial statements from their receipt by the audit office.
(iii) Evidence of follow up of audit recommendations	B	Formal responses are made by management to audit findings and included in the management report. Attempts to address findings are made by management however; review of the table presented by the AG in the AG report 2012/13 noted that they are less than 50 per cent effective.

[26] Extract from the "Principles of performance auditing: Auditor-General of South Africa (AGSA) briefing public works meeting report information date of meeting: 27 Mar 2013 obtained from the AG website

PI-27 Legislative scrutiny of annual budget law

Dimensions to be assessed (scoring method M1): ***(i) Scope of examination by the legislature*** ***(ii) Degree to which legislative procedures are recognised and respected*** ***(iii) Adequacy of the time for the legislature to provide a response to budget proposals*** ***(iv) Rules for in-year amendments to the budget without ex-ante approval by the legislature***

The Western Cape Provincial Treasury's MTBPS during November each year provides the medium-term fiscal framework budget priorities and indicative budgetary allocations for the votes. The MTBPS provides one of the first opportunities for the Western Cape Provincial Parliament to engage with the administration on the direction of the next annual budget. Committees have in general well-established communication channels with administrators and can summon MECs and accounting officers for deliberations on any governance matter.

For provinces, the PFMA (section 27(2)) requires the MEC for Finance in any given province to table the provincial annual budget in the legislature within two weeks after the national budget was introduced in the National Assembly unless the Minister of Finance approves an extension. In addition section 28 requires that the MEC for Finance must annually table in the provincial legislature a multi-year budget projection of a) the estimated revenue expected to be raised; and b) the estimated expenditure expected to be incurred during each year of the multi-year period. The Western Cape Provincial Parliament considered the above tabled documents together with the budget documentation listed in PI-6, primarily the Appropriations Bill, the budget review, and the EPRE, each year for the period under review.

Western Cape Provincial Parliament committees generally scrutinise both the financial information (as per section 27(2) 27(3) and 28 of the PFMA) and non-financial information (as required by section 27(4) of the PFMA) presented during the first few days of March of each year. The annual Appropriations Bill qualifies as a Money Bill in terms of Section 120 of the Constitution. (3) A provincial Act envisaged by Section 120(3) to provide for a procedure by which the province's legislature may amend a Money Bill must be promulgated before such a legislature can change the scope and mix of the annual budget. By all accounts such an Act does not exist for the Western Cape and therefore the Provincial Parliament can only consider, deliberate, and move to either approve or reject an annual budget.

It is not prescribed when a provincial legislature must approve the tabled annual budget. The PFMA does allow for expenditure to commence from the start of the new fiscal year in the case that the annual budget has not been approved yet given certain restrictions (Section 29). Generally the Appropriations Bill is enacted by early May for the last two fiscal years (2011/12 and 2012/13) of the period under review therefore allowing a period of on average two months for the Western Cape Provincial Parliament to consider the Appropriations Bill.

The budget committee is the main organ of the House dealing with provincial budget submissions. Its powers and functions are outlined in standing rule 109 of the standing rules of the Western Cape Provincial Parliament. The Western Cape Provincial Parliament's 2012/13 annual report notes that the budget committee held 11 meetings during the 2012/13 financial year to "deliberate on matters such as provincial and national legislation, financial and nonfinancial statements, annual report, guidelines and provincial economic review and outlook." During this period the committee "dealt with provincial Bills namely the Western Cape Adjustment Appropriation Bill [B 11-2012] and the Western Cape Appropriation Bill [B 2-2013]. In terms of national legislation the budget committee considered the Division of Revenue Amendment Bill [B 33-2012] (National Council of Provinces)" (page 168).

Annual reports including annual financial statements and AG reports of provincial departments and their entities are considered by the relevant portfolio committee each year during sessions open to the public. As mentioned in PI-7 the content and timing of the compilation and tabling of annual reports and the annual financial statements are strictly regulated (see for example PFMA Section 40(1-3) for departments, PFMA Section 55 for public entities and the National Treasury regulation 18 of 2005). The AG and audit committee responsible for each provincial department and its public entities also present to the standing committee on public Accounts (SCOPA). The PEFA assessment team attended several of these sessions during November 2013. Relevant committees formulate an oversight report that adopts rejects or moves for amendments in the respective annual report.

Western Cape Provincial Parliament's annual report 2012/13 notes that during the 2012/13 financial year SCOPA established a new record of issuing its annual report period resolutions before 1 January 2013 as opposed to the norm distributing resolutions by 31 March. This new practice allows departments more time to amend erroneous mechanisms and policies. The annual report also notes that “the report containing the committees’ resolutions after scrutinising the financial statements and audit reports of the relevant departments was very comprehensive and drafted to make it more user friendly than previous years. SCOPA was congratulated by most departments who expressed appreciation...” (page 167).

A new standing rules book has been published and distributed by October 2012. Key changes in the rules include the extension of question time from 45 minutes to 60 minutes. The Western Cape Provincial Parliament’s annual report 2012/13 notes that “the latter has had a marked impact on the number of questions completed in one sitting with few questions not being addressed in a sitting” (page 164).

The official printed records of the Western Cape Provincial Parliament (the House) are published in the minutes of proceedings. The announcements, tablings and committee reports (ATC) contain all announcements to the House, important documents brought to the attention of the members and reports presented to the House by parliamentary committees. The public deliberations of the Western Cape Provincial Parliament in plenary as well as in its committees are recorded by the Hansard recording system and generally available in the three official languages of the province. While the Hansard books were not produced members received the Hansard electronically in a short space of time after each sitting.

For provinces Section 31 of the PFMA prescribes the same adjustment budget requirements as for national government (as per Section 30) except for the fact that the Minister of Finance determines the time for tabling adjustment budgets for provinces. In addition to that provinces are not required to table adjustment budgets in relation to changes in economic conditions but only as a result of appropriation of funds that have become available to the province. This could be as a result of additional allocations from national government. If a national adjustment budget allocates additional funds to a province the relevant Provincial Treasury is required to table an adjustment budget within 30 days of the national adjustment budget being tabled. The Treasury regulations of 2005 prescribe circumstances under which adjustment budgets would not be required or valid (see for example Treasury regulation 6.6.1).

Indicator	Score	Evaluation
PI-27 Legislative scrutiny of the annual budget law	**A**	**Scoring method M1**
i) Scope of examination by the legislature	A	The Provincial Parliament’s public deliberations and work covers the provincial medium-term fiscal framework and medium-term priorities as well as details of expenditure and revenue.
ii) Degree to which legislative procedures are recognised and respected	A	Provincial Parliament procedures in terms of dealing with the annual budget law (i.e. the Appropriations Bill) and adjustments (i.e. the Adjustments Appropriation Bill) are mostly regulated and where not regulated the procedures are well-understood, widely publicized, and in general respected.
iii) Sufficiency of time for the legislature to respond to the budgetary proposals	A	The Western Cape Provincial Parliament has on average two months to consider the annual budget as represented by the Appropriations Bill before it is enacted.
iv) Rules for in-year amendments to the budget without ex-ante approval by the legislature	A	Section 31 of the PFMA provides clear requirements on the timing formulation and requirements of adjustment budgets.

PI-28 Legislative scrutiny of external audit reports

Dimensions to be assessed (scoring method M1): ***(i) Timeliness in examination of the audit reports by the legislature (reports received in the past three years).*** ***(ii) Scope of the hearings carried out by the legislature into the main findings*** ***(iii) Issuance of recommendations by the legislature and their implementation by the executive***

The process of presenting annual reports to the legislature involves four key parties. The Provincial Treasury which provides fiscal and financial management oversight accounting officers for departments who should comply with the full requirements of the PFMA Act (1999) as amended, the audit committee which is required to present its own report also captured in the annual reports, and the Auditor-General for South Africa represented by the provincial head of the AGSA – Western Cape. The annual report will contain annual financial statements audit report audit committee report and SCOPA issues which were previously raised during the previous fiscal year. In considering evidence over a three-year period (2010/11 to 2012/13) the AG consistently met the deadline of producing and presenting his audit report and findings and signing them off on 31 July every year. During the same period the key spending departments such as Health, Education, Transport and Public Works, Human Settlements and Economic Development and Tourism, submitted their reports between May and August every year allowing the SCOT and SCOPA to deliberate between October and December every year. The PEFA team observed this process between September and November 2013.

(i) Timeliness of examination of audit reports by the Legislature (for reports received within the last three years).

Table 24: Examination of audit reports

Activity	Date	Evaluation
Submission of report	31 May - 31 August	2- 5 months from end of fiscal year
Submission of Auditor-General's report	31 July 2013	4 months of end of fiscal year
Review of annual report by SCOF and SCOPA	July to December	4 months of receipt of audit report

Parliament through SCOT (select committee on finance) and SCOPA (select committee of public accounts) takes between three and six months to deliberate on public accountability and oversight issues. Through observation of committee processes the PEFA team witnessed and confirmed the timeliness of the process during the period October to November 2013. The committee took their work seriously in terms of depth coverage and compliance with the pre-set timelines. It is worth observing that the departments present their report within an average of four months of the end of the fiscal year and the AG's report also meet this deadline which is set by law.

The Provincial Parliament, through SCOPA and SCOF, identify the key issues call for oral evidence, undertake field visits, conduct own investigations, and prepare a report which according to the existing evidence is taken seriously. It is now a mandatory requirement to include a section on SCOPA on each annual report. The accounting officer will list all the previous year SCOPA resolutions, identify the findings, and indicate what action has been taken to address them. The departmental audit committee reviews both the AGSA report annual report and actions taken in respect of overall risk framework and internal controls. It prepares and presents a separate report to SCOPA. In the last three years, SCOPA, SCOF and the Provincial Parliament have raised concerns, and followed up and ensured all SCOPA issues are addressed. In the process there is consistent follow-up of audit issues, qualifications, and outstanding issues by the CFOs, ministers and accounting officers. The reporting of SCOPA findings has become a key standard and elevated the importance and status of SCOPA issues. Failure to implement improvements results in sanctions by the SCOPA must cascade to the department responsible.

The legislative committees, including SCOPA, get technical support from the AG in respect of audit and investigating specific issues. SCOPA has the mandate and resources to study, examine, investigate and report on technical matters. It is a standard for in-depth hearings to take place during the period when the issue is before the committee. During the SCOPA hearings and presentation of annual reports, the departments' senior management, led by the Minister (MEC) and accounting officer, appear before the committees. There is consistency in the scope of the review as they consider and address key issues specific issues covering state of financial statements, internal audit, and control procurement issues and other issues emanating from poor or weak performance. Western Cape Provincial Parliament requires all key officers to appear in person before the committees. In addition their assessment is detailed and comprehensive as expected of a legislative committee.

In Western Cape, both the Provincial Parliament and executive have moved beyond legislative compliance to institutionalisation of implementation of the SCOPA reports and other committees. Every annual report has a section/chapter addressing how SCOPA issues in previous years have been addressed. This is effective in highlighting SCOPA issues and executive implementation. Recommendations are extracted from the SCOPA report or may be amended by the full Provincial Parliament. SCOPA meetings and hearings are open to members of the press and public which make the process transparent, allowing timely independent tracking and reporting.

Indicator	Score	Evaluation
PI-28 Legislative scrutiny of external audit reports	**B+**	**Scoring method M1**
(i) Timeliness in the examination of audit reports by the legislature (reports received in the past three years)	B	Parliament through SCOT (select committee on Finance) and SCOPA (select committee of public accounts) takes between three and six months to deliberate on public accountability and oversight issues. It is worth observing that the Departments present their reports within four months of the end of the fiscal year and the AG's report also meets this deadline.
(ii) Scope of the hearings held by the legislature into the main conclusions	A	The Provincial Parliament through SCOPA identifies the key issues and calls for oral evidence, undertakes field visits, conducts own investigations, and prepares a report which according to the existing evidence is taken seriously. It is now a mandatory requirement to include a section on SCOPA in each annual report. The accounting officer will list all the previous year SCOPA resolutions, identify the findings, and indicate what action has been taken to address them. The audit committee reviews both the AGSA report annual report and actions taken in respect of overall risk framework and internal controls. In the last three years SCOPA, SCOF and the Provincial Parliament has raised, followed up and ensured all SCOPA issues are addressed. In the process there is consistent follow-up of audit issues qualifications outstanding issues by the CFOs, ministers and accounting officers. The reporting of SCOPA findings has become a key standard and elevated the importance and status of SCOPA issues. There is consistency in the scope of the review as key issues are considered and addressed, as well as specific issues covering state of financial statements, internal audit, procurement issues and other issues emanating from poor or weak performance. Western Cape Provincial Parliament requires all key officers to appear in person before the committees.
(iii) Measures recommended by the Legislature and implementation of these by the executive	A	In Western Cape both the Provincial Parliament and executive have moved beyond legislative compliance to institutionalisation of implementation of the SCOPA reports and other committees. Every annual report has a section/ chapter addressing how previous years' SCOPA issues have been addressed. This is effective in highlighting SCOPA issues and executive implementation. Recommendations are extracted from the SCOPA report or may be amended by the full Provincial Parliament. SCOPA and SCOF meetings are open to members of the press and public strengthening the accountability process.

3.7 Donor practices

Official development assistance (ODA) includes official resource flows from the international donor community to SA in the form of grants, and technical and financial operation where the South African government is held at least partially responsible or accountable for management of such resources. It includes direct budget support and is traditionally an important source of revenue for central government in many countries, but in South Africa at the national level it is a small component – below R1 billion per annum - of the national budget. In the Western Cape, the only significant recipient of grants that fit into the definition of ODA is Western Cape Department of Health (WCDOH). These funds which emanate from the Global Fund supported by KPMG as monitoring agents constitute 1 per cent or less of the WCDOH and less than 0.4 per cent of the consolidated provincial budget for Western Cape Province.

Apart from the above, external donor activity is practically inexistent in the province, only domestic donors provide some monetary and in-kind support to certain activities and events (PI-7). The three indicators do not apply.

Details of Global Funding for HIV/Aids and Tuberculosis

Through the Western Cape Department of Health, Global Fund has provided funding mainly for HIV/ Aids and tuberculosis. According to a recent grant rating by Global Fund (1.20130), the WCDOH received a grant rating of A1 with all core indicators exceeding set targets. Thus WCDOH has successfully implemented an ART programme since 2006 that is being replicated throughout other provinces. As a mechanism to ensure sustainability, the Western Cape provincial Department of Health is taking on responsibility for the programme with the Global Fund support reducing in a staggered way until the grant ends in March 2016. Two indicators/targets were not achieved. These were patients admitted for palliative care and young people reached with peer education. The former was due to the hospital bed capacity and length of stay of patients in hospital while the latter was due to a change in training curriculum that required time for roll-out. Programme monitoring challenges were cited under the community-based interventions and remedial and strengthening actions have been discussed and agreed on with the CT to be implemented through phase two. The funding that was recently approved during 2012-2103 is presented below

Table 25: Approved Global Fund funding 2012/13

Year Ended 31 March	FY 2012/13
SAF-304 -G04-H	15 339 710.00
Exchange rate	10
Estimated grant in R	153 397 100.00
Estimated WCDOH budget	

The Global Fund grant is the only significant amount to be received by Western Cape Department of Health in the last three years. Within the direct budget support framework for South Africa, the Global Fund grant is disclosed in the national budget and reported.

Table 26: Donor funding

Year Ended 31 March	FY11 R	FY 12 US%/R	FY 13 R	Comments/ note
SAF-304 -G04-H		**15 339 710**		USD$
Exchange rate		10		
Grant in R		153 397 100		
WCDOH budget	11 962 863 000	12 790 032 000	13 559 713 000	
Grant as per Global Fund letter	-	153 297 100	-	Converted to ZAR @ US$=10.5 ZAR
Grant as % of Budget	**1%**	**1%**	**1%**	**1% of WCDOH budget**
Grant as a % of WC provincial budget		39 884 997 000		
Grant as % of p**rovincial budget**		**0.0038**		**Insignificant as % of budget**

Source: Global Fund and WC Department of Health (WCDOH) 2010-2013

4.1 Government reform process

4.1 National Reforms

The government of South Africa has embarked in a 10-year period on a number of successful public financial management reforms that followed the new government political and administrative structures through provincial municipalities and public entities. The reform policy anchored on the work of the Ministry of Finance and the National Treasury has been relatively successful creating domestic regional and internal interest in the form, content and processes. The reform agenda has focused on the establishment of a PFM that aligns well with the establishing a credible budget system documentation and processes modernising financial accounting, reporting and audit processes, revamping the legal and regulatory framework through the PFMA and MFMA, and ensuring an improved external oversight audit and accountability. It has been key to establishing a strong cadre of independent professionals in the National Treasury, provincial treasuries and other spending agencies such as health, transport and public works and education. The reform has been focused on building robust institutions founded on strong and comprehensive legal and regulations. The results have been very good as evidenced by South Africa being ranked first and second under the open budget survey. Some of the outcomes of the SA reform initiatives have included modernised auditing, accounting and reporting infrastructure and framework, deepening of FM reforms in municipalities, and improved service delivery of services in health, education and transportation activities of provincial governments.

The public financial management reform has been facilitated by a strong cadre of professionals with private sector experience and skills supported by modern systems, technology, knowledge, and models leadership and adequate internal financial resources to finance many reform initiatives. The South African government maintains a very tight control over the engagement of consultants with a requirement to disclose, explain and justify their use by each department across the board. In the choice of priorities the reform initiatives have focused on three core areas: building a robust and resilient FM infrastructure fiscal discipline and the strategic allocation of resources through a MTEF based budgeting system, adequate stakeholder participation in budget processes open government regular fiscal budget IY, and financial reporting and focus on cost effectiveness and efficient delivery of quality services. Even though service delivery in health education and infrastructure continues to be a challenge throughout provincial structures, performance reporting and awareness have become a new standard for improvement and modernisation.

Current and future reforms focus on improved quality of service and delivered outputs supported by improved financial reporting parliamentary access to budget and fiscal documents and the introduction of audit committees to better hold budget managers accountable. Responsibility was devolved to spending departments for spending choices and use of funds within approved ceilings and against key targets and deliverables in an environment of improved policy commitments.

As stated above, the harmonisation and better alignment of policy planning and budgeting is manifest in the form of deepening participation by parliament and civil society organisations in budgeting preparation performance review and accountability processes. The strengthening of parliamentary oversight is an attempt to integrate political and administrative practices to ensure that funding choices align with the priorities of the government and that political oversight is reinforced. The SA government has in the last decade migrated to a multi-year budgeting and programming framework to allow the re-allocation of resources to new priorities, and the budget process includes various mechanisms to manage uncertainty and maximise funding and policy predictability over the medium-term.

From the national level, five core areas of public financial management reform activity are planned which principally involve key departments such as the National Treasury, provincial governments, municipalities, SARS, the office of the AG and the Premier’s office as champion.

These reforms are amendments to modernise the legal and regulatory framework which included the introduction of a Money Bill Amendment Procedure and Related Matters Bill, the financial management improvement programme, the improvement upgrading and integration of the transverse computer systems, the revenue modernisation programme, and the improvements in external scrutiny and public financial performance monitoring. A framework for managing performance has been developed and rolled out to provincial offices as part of the strategic planning framework among others. The National Treasury has continued to develop national guidelines to improve processes to ensure that when plans are developed there is an explicit requirement to link this to the budget performance and outcomes.

4.2 Description of recent and on-going reforms

The provincial financial management process is underpinned by the prescripts of the PFMA and the Treasury regulations. This forms a strong backbone for all financial management activities and influences any financial reforms which are undertaken. The requirement of the accounting officer to institute a system of internal controls and the various AG findings relating to non-compliance with PFMA prescripts has resulted in the implementation of corporate governance review and outlook (CGRO). CGRO is a strategy of the Treasury to systematically achieve higher levels of governance and improved auditor general rating. The treasury circular[27] issued to department accounting officers, CFOs, and senior staff noted that since the implementation in 2011, the process had yielded improved audit outcomes. The process involves the listing of key compliance requirements in the following areas which are then self-assessed by the relevant departments' internal control team under the direction of the accounting officer and chief financial officers (CFO). Identified gaps and relevant action plans are documented including timelines and both the self-assessment team and Provincial Treasury representatives monitor progress. The areas concerned are: Performance information reliability of financial statements information, IT controls, financial systems, cash and revenue management, expenditure management, HR management, SCM asset management (inventory registers stock and disposal management) and internal controls. Furthermore the findings and recommended improvements suggested by the AG post each annual audit are included in the gap analysis and tracked as part of the progress. This provides a third level of review.

Additionally the reporting of performance against predetermined objectives in the form of the annual performance plan process has contributed to the implementation of an automation of the process named the annual performance assessment system (APAS). The objective of this reform is to implement a web based application to capture annual performance plans and track performance against the plans. This information will be integrated with the project management solution to ensure that delivery information can be aggregated from the operational environment right through to the organisational environment and the strategic objectives.[28]

The supply chain process includes the accounting officer's system (AOS) which is a comprehensive supply chain management manual and operating procedure. Presently each department has developed and uses a AOS which has been custom built for the relevant department. The Provincial Treasury Chief director asset management has spearheaded a reform to update and standard the various AOSs which includes the development and roll out of a blueprint document which includes all the required prescripts and procedures. At present departments are in the process of customising the blueprint to suit their requirements.

4.3 Institutional factors supporting reform planning and implementation

The objective of the Provincial Treasury to be the best run province in the country has driven the organisation to constantly identify and implement all possible financial reforms as they are identifed. Once a reform need has been identified, the process is to articulate and motivate for the required change agents in the form of a project initiate document and a circular from the head of Treasury. This formalises the process and assists with communication to solicited stakeholder commitment.

Essentially the CGRO process, through the identification of gaps and subsequent reforms, will provide support and structure to the reform planning and implementation process. Also the quarterly risk assessments which are undertaken by the various departments with the assistance of the assurance team in the Department of the Premier may indicate reforms required to address identified risks and these will be documented as part of the risk management process.

From time to time the National Treasury may note potential reforms which should be implemented at a provincial level and these will be communicated in the form of the National Treasury instruction which will in turn be disseminated to the departments in the form of Provincial Treasury instructions. The compliance with these instructions will be part of the AG's audit scope and hence compliance and related reform implementation will be monitored.

The various provincial CFOs from the various departments meet regularly in the form of a CFO forum. This forum will discuss financial management issues and possible reforms that should be considered. Supporting the CFO forum are the three technical working groups: supply chain officers focus group which focuses on supply chain management matters, the management accounting forum, and the financial accounting group. These groups may also note issues which should be brought to the attention of the CFO forum.

[27] Western Cape Government Treasury Circular No. 35/2012 (Supplementary 1 of 2013)
[28] Project Initiation Document: Annual Performance Assessment System dated 11/4/2013

4.4 Future reforms in Western Cape

The AG commented in his 2012/13 report on the overall improved audit outcomes which was attributed to the provincial leadership taking ownership of key controls to address internal control deficiencies thereby creating an effective and sustainable financial management environment. The PEFA assessment highlighted a few additional reforms which should be considered and which are broadly outlined below:

- Deepening procurement reforms through adoption of common standards in procurement planning and SORPs for the departmental operational expenditure will enhance competitive bidding and improve performance through increased awareness by service providers and contractors.
- An automated invoice tracking and reporting based on zero tolerance to delayed payment of contractors, service providers and suppliers will increase credibility and confidence and trust in public institutions. While most invoices are paid within 30 days an automated solution would make the process more efficient and more effective.
- The WCDOH have implemented an array of systems to support the procurement process namely; JAG for the pharmacy management system and SYSPRO for the three larger hospitals. Implementation of these large systems without seeking to harmonise and integrate them to achieve seamless integration of processes may result in duplication and inefficient transaction processing. WCDOH should seek to interface and streamlining their IT systems.
- The WCG have established functioning internal control units in all departments but their mandates, roles and tasks are not harmonised in any consistent way. Different roles are being performed with some units performing pre-audit and other post audits of documentation. This may result in duplication with the internal audit and the AG which is inefficient and a redundant use of resources. Consideration should be given to undertaking a diagnostic review to align roles and responsibilities and aligning these to achieve effectiveness with other assurance providers. Possibly the recently developed draft combined assurance framework could be part of this reform agenda.
- During the review we were informed that the National Treasury may be rolling out a leave management system which should assist with addressing the lack of integration between the time and attendance systems and the payroll system PERSAL. This is long overdue and would help improve payroll controls.
- The BAS accounting system is not a budgeting system thus there is reliance on spreadsheets based tools for various financial management tasks. Because these are prone to errors and unintended changes, suitable systems should be identified and implemented which would include a full spectrum of integrated solutions from budgeting to performance reporting. An IFMIS audit as a diagnostic tool may be worth exploring if IT modernisation is a priority.
- Revenue management: There are some weaknesses in the provincial tax system which may justify doing a revenue management systems review/assessment to strengthen database systems, interfaces, tax audits and investigations, arrears management, and report as well as interact with various categories of taxpayers. Long-term issues would include strengthening of revenue management standards and oversight.

Annexure 1: List of contacts

Name	Title	Organisation
Johan C Stegmann (Dr)	Head Official	Provincial Treasury
Hon Grant Haskin	Select Committee on Public Accounts (SCOPA)	Western Cape Parliament
Andries van Niekerk	Chief Financial Officer	Department of Health
Leon Ely	Chief Financial Officer	Department of Education
Mr Francois de Wet	Chief Financial Officer	Department of Human Settlements
Cedric Ismay	Chief Financial Officer	Department of Transport* and Public Works
Robert Le Breton	Management Accounting	Department of Economic Development and Tourism
Henri Du Toit	Accounting	Provincial Treasury
Henriette Robson	Deputy Director-General: Corporate Assurance	Department of the Premier
Lucia Esterhuizen	Head of Department SCM	Department of Human Settlements
Chantal Smith	Head of Department SCM	Department of Transport and Public Works
Juliet Rudolph	Director SCM	Department of Transport and Public Works
Claude Munnik	Head of Department SCM	Department of Health
Ryana DeBruyn	Head of Department SCM	Department of Education
Ms M Sheraton-Korsten	Provincial Government Budget Office: Senior Manager	Treasury
June Lombard:	Policy and Research Coordination	Department of Economic Development and Tourism :
Terence Johnson:	Departmental Accounting	Department of Economic Development and Tourism :
Donovan Alexander	Cash Management Department	Provincial Treasury
Denise Coetzee	Cash Management Department	
Christina du Plooy	Cash Management Department	
Chris Bateman	Representatives from the Medical Council Journal	
Wally Mayne	Representative from the Construction Industry Development Board	
Paul Pienaar	Senior Manager: Business Information and Data Management	Provincial Treasury
Anthony Phillips	Chief Director: Public Policy Services	Provincial Treasury
Julinda JD Gantana	Chief Director: Provincial Government Public Finance	Provincial Treasury
Dustin Davids	*Committee Coordinator* SC on Public Accounts	Western Cape Provincial Parliament
Andre Gildenhuys	CFO	Provincial Treasury
Harry Malila	Deputy Director General: Fiscal and Economic Services	Provincial Treasury
Zakariya Hoosain	Deputy Director General: Governance and Asset Management	Provincial Treasury
Chris Adams		National Treasury
Isac Smith	Chief Director: Asset Management	Provincial Treasury
A Reddy	Senior Manager: Provincial Government Accounting	Provincial Treasury

Terence Johnson	Departmental Accounting	Economic Development and Tourism
Robert Le Breton	Management Accounting	Economic Development and Tourism
June Lombard	Management Accounting	Economic Development and Tourism
Mymoena Abrahams	CFO	Economic Development and Tourism
Chantal Smith	Head Supply Chain Management	Transport and Public Works
Juliet Rudolph	Supply Chain Management	
Cedric Ismay	Chief Finance Officer	Transport and Public Works
Dirk Neeoham	Financial Control Unit	Transport and Public Works
Johan Fabricius	Financial Accounting Unit	Transport and Public Works
Graham Klein	Health	WCDOH
Sarel Koen	Health	WCDOH
Shafeeqa Davids	Revenue Management	Provincial Treasury
John Ford	Revenue Management	Provincial Treasury
Malcolm Leon Booysen	Budget Department	

Annexure 2: List of documents

1 Accounting Officers Guide to the PFMA
2 Annual Audit Reports (by AG) 2010 2011 2012 2013
3 Annual Reports: 20102011 and 2012 Provincial Treasury (Western Cape Government)
4 Bill 1 - 2010 Western Cape Appropriation Bill - as introduced
5 Bill 1 - Western Cape Investment and Trade Promotion Agency Amendment Bill
6 Bill 1 - Western Cape Laws Repeal Bill
7 Bill 10 - 2012 Cape Town International Convention Centre Company Amendment Bill
8 Bill 11 - Western Cape Adjustments Appropriation Bill
9 Bill 11 - Western Cape Adjustments Appropriation Bill
10 Bill 2 - 2010 Western Cape Local Government Laws Rationalisation Bill - as introduced
11 Bill 2 - Western Cape Appropriation Bill
12 Bill 2 - Western Cape Unauthorised Expenditure Bill
13 Bill 3 - 2010 Western Cape Health Care Waste Management Amendment Bill - as introduced
14 Bill 3 - Western Cape Health Facility Boards Amendment Bill
15 Bill 3 - Western Cape Seventeenth Gambling and Racing Amendment Bill
16 Bill 3A - 2010 Western Cape Health Care Management Amendment Bill - as introduced
17 Bill 3B - 2010 Western Cape Health Care Management Amendment Bill - as introduced
18 Bill 4 - 2010 Western Cape Liquor Amendment Bill - as introduced
19 Bill 4 - Western Cape Additional Adjustments Appropriation Bill (2011/12 Financial Year)
20 Bill 4 - Western Cape Eighteenth Gambling and Racing Amendment Bill
21 Bill 5 - 2010 Western Cape Unauthorised Expenditure Bill - as introduced
22 Bill 5 - Provincial Capital Fund Ordinance Repeal Act 2012
23 Bill 5 - Western Cape Additional Adjustments Appropriation Bill (2012/13 Financial Year)
24 Bill 6 - 2010 Western Cape District Health Councils Bill - as introduced
25 Bill 6 - Western Cape District Health Councils Amendment Bill
26 Bill 6 - Western Cape Provincial Road Traffic Administration Bill
27 Bill 6A - 2010 Western Cape District Health Councils Bill
28 Bill 6A - Standing Committee Amendment to Western Cape Provincial Road Traffic Administration Bill
29 Bill 6B - 2010 Western Cape District Health Councils Bill
30 Bill 6B - Western Cape Provincial Road Traffic Administration Bill
31 Bill 7 - 2010 Western Cape Procurement (Business Interests of Employees) Bill - as introduced
32 Bill 7 - Western Cape Health Facility Boards Amendment Bill
33 Bill 7 - Western Cape Unauthorised Expenditure Bill
34 Bill 8 - 2010 Western Cape Provincial School Education Amendment Bill - as introduced
35 Bill 8 - Western Cape Community Safety Bill
36 Bill 8 - Western Cape Membership of the Western Cape Economic Development Partnership Bill
37 Bill 8A - 2010 Western Cape Provincial School Education Amendment Bill - as introduced
38 Bill 8A - Western Cape Community Safety Bill
39 Bill 8B - 2010 Western Cape Provincial School Education Amendment Bill - as introduced
40 Bill 8B - Western Cape Community Safety Bill
41 Bill 9 - 2010 Western Cape Adjustments Appropriation Bill
42 Bill 9 - 2012 Western Cape Transport Infrastructure Bill
43 Bill 9 - Western Cape Independent Health Complaints Committee Bill\
44 Broad Based Black Economic Empowerment Act 2003
45 Constitution of the Republic of South Africa No. 108 of 1996
46 Draft Chapter 5 of the Treasury Regulations published for public comment in Government Gazette No. 29490 dated 18 December 2006
47 Draft Regulations published for public comment in Government Gazette No. 35939 dated 30 November 2012
48 Draft Treasury Regulations in respect of public entities published in Government Gazette No. 21288 dated 15 June 2000
49 Draft Treasury Regulations published in Government Gazette No. 22141 dated 9 March 2001
50 Draft Treasury Regulations published in Government Gazette No. 23246 dated 18 March 2002
51 Draft Treasury Regulations published in Government Gazette No. 25773 dated 28 November 2003
52 Draft Treasury Regulations published in Government Gazette No. 26513 dated 28 June 2004
53 Examples of Delegations of Authority
54 Government Notice - Amendment to Treasury Regulations (limitation on credit and debit cards)

55 Guide on In-Year Management Monitoring and Reporting
56 Guideline for legislative Oversight through Annual Reports
57 Intergovernmental Fiscal Relations Act (No. 13 of 2005) 2005
58 MTEF Treasury Guidelines 2005
59 Municipal Finance Management Act (MFMA) 2003
60 Preferential Procurement Policy Framework Act 2001
61 Promotion of Access to Information Act (Act No. 2 of 2000) 2000
62 Promotion of Administrative Justice Act (Act 3 of 2000) 2000
63 Provincial Capital Fund Ordinance Repeal Act 2012
64 Provincial Development Council Act Repeal Act 2011
65 Public Audit Act (Act No. 25 of 2004) 2004
66 Public Finance Management Act (PFMA) 1999
67 Quarterly Performance Report 2010 2011 2012 Provincial Treasury (Western Cape Government)
68 Treasury Regulations 2005 - showing amendments
69 Treasury Regulations 2005 Gazette No. 27388 dated 15 March 2005
70 Treasury Regulations related to Strategic Planning - showing amendments
71 Treasury Regulations related to Strategic Planning as published in Government Gazette No. 29644 dated 20 February 2007 (This Chapter replaces Chapter 5 of the Treasury Regulations as published in Government Gazette No. 27388 dated 15 March 2005)
72 Western Cape Additional Adjustments Appropriation Act (2011/12 Financial Year) 2012
73 Western Cape Additional Adjustments Appropriation Act (2012/13 Financial Year) 2013
74 Western Cape Adjustments Appropriation Act 2010
75 Western Cape Adjustments Appropriation Act 2011
76 Western Cape Adjustments Appropriation Act 2012
77 Western Cape Ambulance Services Act 2010
78 Western Cape Appropriation Act 2010
79 Western Cape Appropriation Act 2011
80 Western Cape Appropriation Act 2012
81 Western Cape Appropriation Act 2013
82 Western Cape District Health Councils Act 2010
83 Western Cape District Health Councils Amendment Act 2013
84 Western Cape Eighteenth Gambling and Racing Amendment Act 2013
85 Western Cape Health Care Waste Management Amendment Act 2010
86 Western Cape Health Facility Boards Amendment Act 2012
87 Western Cape Investment and Trade Promotion Agency Amendment Act 2013
88 Western Cape Land Use Planning Ordinance Amendment Act 2011
89 Western Cape Land Use Planning Ordinance Second Amendment Act 2011
90 Western Cape Laws Repeal Act 2011
91 Western Cape Laws Repeal Act 2012
92 Western Cape Liquor Amendment Act 2010
93 Western Cape Local Government Laws Rationalisation Act 2010
94 Western Cape Procurement (Business Interests of Employees) Act 2010
95 Western Cape Provincial Road Traffic Administration Act 2012
96 Western Cape Provincial School Education Amendment Act 2010
97 Western Cape Seventeenth Gambling and Racing Amendment Act 2013
98 Western Cape Transport Infrastructure Act 2013
99 Western Cape Unauthorised Expenditure Act 2010
100 Western Cape Unauthorised Expenditure Act 2012
101 Western Cape Unauthorised Expenditure Act 2013