

Section: 3

CHIEF DIRECTORATE: FINANCIAL SERVICES



Chief Financial Officer:
Mr. Roger Govender



*Senior Manager:
Procurement*
Mr. Gavyn Wirth



*Senior Manager:
Financial Accounting
and Reporting*
Ms. Bathandwa Nogwanya



*Senior Manager:
Financial Management*
Mr. Wayne Evans

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OVERVIEW

The Public Finance Management Act (PFMA) and Treasury Regulations form the financial legislative framework within which the Department operates. The Financial Services Chief Directorate focuses on improvement of financial planning, budgeting, reporting and procurement in the Department. Financial Services also ensures effective, efficient and transparent management support to the Department and accurate reporting to Provincial Treasury and the public. The Chief Directorate is also responsible for presenting the main budget aggregates both to Provincial Treasury and the Department, highlighting spending trends within the Medium Term Expenditure Framework. It must be mentioned that the Chief Directorate implements policies that are driven by the strategic goals and objectives of the Department, identified at the beginning of each financial year in order to formulate the budget. The strategic goals underpin the delivery by the five Departmental programs namely: Administration, Roads, Road Traffic, Public Transport and Auxiliary Services.

FUNCTIONS OF THE CHIEF DIRECTORATE

Directorate: Financial Management

The Financial Management division is responsible for regulating financial matters and ensuring that all revenue, expenditure, assets and liabilities are managed efficiently and effectively.

This is achieved through:

- providing an effective support service to all Managers and support staff
- ensuring that all financial prescripts, including the provisions of the PFMA, are adhered to
- compilation of the Adjustment Estimates
- monitoring Cash Flows
- Management Accounts
- Annual Financial Statements including the Appropriation Accounts
- Medium Term Expenditure Framework
- ensuring efficient revenue generation

However, the Department is continually challenged to adapt and implement changes that are introduced by National Government. For example, the phased move from the Financial Management System (FMS) to the Basic Accounting System (BAS) which commenced in October 2003, was a success. BAS provides on line access to financial management information that can be analysed and managed on a day-to-day, real time basis, etc. This represents a major improvement from the previous system of lengthy paper reports based on information that is often outdated.

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Part of the challenge concerns reforms and initiatives in the field of financial management. These include the new economic reporting format, which replaces the old standard item classification and is intended to bring the public sector into line with the International Monetary Fund's (IMF) accepted Government Finance Statistics (GFS) format and standards. Similarly, the conversion from the FMS to BAS is in line with National Treasury's drive to align government to a single integrated financial management and accounting system, thereby ensuring compatibility of financial information.

Monthly Management Accounts act as a monitoring tool, whereby a variance analysis of budget against projected and actual expenditure is reported on. This information is fundamental especially in decision making, where spending trends are weighed against the total allocation of the Department. These accounts present an accurate analysis of the Department's total expenditure for the financial year.

The table below presents actual vs budgeted expenditure per program for the financial year ended 31 March 2004

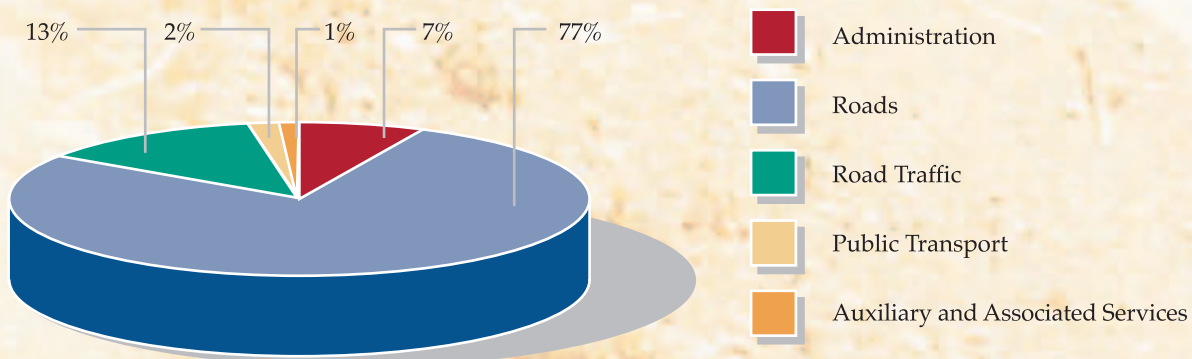


BAS now fully operational

PROGRAM	DESCRIPTION	BUDGET	ACTUAL EXPENDITURE	SURPLUS /DEFICIT
Administration	Overall Management of the Department	106,137	106,041	96
Roads	Planning, design, construction and road maintenance	1,213,839	1,213,505	334
Road Traffic	Regulation of road traffic, law enforcement, road safety and motor licensing	202,563	203,150	(587)
Public Transport	Planning and regulation of public transport	29,461	29,509	(48)
Auxiliary and Associated Services	Radio communication and motor transport for the Department	8,200	7,850	350
Special Functions		4,835	4,835	0
Statutory Allocations		562	562	0
TOTAL		1,565,597	1,565,452	145

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ACTUAL EXPENDITURE 2003 / 04

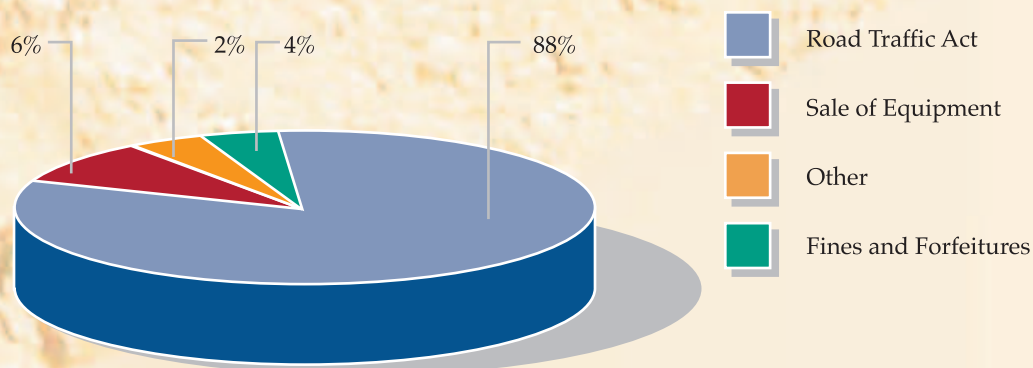


REVENUE FOR THE YEAR

Revenue for the Department is generated mainly from Registration and Licensing of Motor Vehicles, income from road traffic infringements and the sale of equipment. The following table and chart present the revenue collected by the Department for year ending 31 March 2004:

SOURCE	REVENUE (R)
Road Traffic Act	505,394
Sale of Equipment	32,203
Other	12,153
Fines and Forfeitures	23,352

ACTUAL REVENUE 2003 / 04



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SUMMARY OF PROGRAMS:

The activities of the Department are organised into the following five (5) programs:

PROGRAM	SUB-PROGRAM
1. Administration	1.1. Minister 1.2. Administration
2. Roads	2.1 Technical Support Services 2.2 Construction 2.3 Community Access Roads 2.4 Maintenance 2.5 Subsidies 2.6 Mechanical
3. Road Traffic	3.1 Transport Engineering 3.2 Law Enforcement 3.3 Vehicle Registration and Licensing 3.4 Road Safety Education
4. Public Transport	4.1 Public Transport
5. Auxilliary and Associated Services	5.1 Radio Communication Services 5.2 Standard Stock 5.3 Provincial Motor Transport

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KEY EXPENDITURE INDICATORS

CATEGORY OF EXPENDITURE	PERCENTAGES OR RANDS (000'S)			AVERAGE ANNUAL CHANGE
	2001	2002	2003	
Personnel expenditure as % of total expenditure	30%	26%	22,3%	3,85%
Expenditure on maintenance of buildings as a % of total expenditure	0,2%	0,2%	0,1%	0,1%
Expenditure on maintenance of road infrastructure as a % of total expenditure	48,3%	33,80%	39,4%	10,5%
Expenditure on construction as a % of total expenditure	17,9%	21,5%	24,5%	3,3%

DEPARTMENTAL RECEIPT

	1999/2000 Actual	2000/01 Actual	2001/02 Actual	2002/03 Actual	2003/04 Target	2003/04 Actual	% deviation From Target
Current Revenue	335,221	376,466	392,451	369,131	428,095	531,332	24%
Tax Revenue	309,317	360,356	366,082	350,029	410,370	508,535	23,9%
Non-tax Revenue	25,904	16,110	26,369	19,102	17,725	22,797	28,6%
Capital Revenue	11,415	10,453	13,088	2,750	5,450	30,538	460,3%
Departmental Revenue	343,263	386,919	405,539	371,881	433,545	561,870	29,6%

DEPARTMENTAL PAYMENTS

Program	Voted for 2003/04	Roll-overs and adjustments	Total voted	Actual Expenditure	Variance
Administration	100,637	5,500	106,137	106,041	96
Road Infrastructure	1,213,839	-	1,213,839	1,213,505	334
Public Transport	29,461	-	29,461	29,509	-48
Road Traffic	202,100	463	202,563	203,150	-587
Auxiliary & Assoc Services	8,200	-	8,200	7,850	350
Total	1,554,237	5,963	1,560,200	1,560,055	145

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TRANSFER PAYMENTS

NAME OF INSTITUTION	AMOUNT TRANSFERRED
Abaqulusi	47
Dannhauser	29
EDumbe	16
Endumeni	39
Ethekwini	133
Greater Kokstad	28
Hibiscus Coast	22
Kwa Sani	5
Mandeni	1
Matatiele	5
Msunduzi	10
Mthonjaneni	20
Umdoni	22
Umlalazi	30
Umvoti	31
Utrecht	45
Vulamehlo	39
KwaZulu-Natal Taxi Council	5,300
TOTAL	5,822

CONDITIONAL GRANTS

SUMMARY OF CONDITIONAL GRANTS

CONDITIONAL GRANT	TOTAL ALLOCATION	TOTAL TRANSFERS
Provincial Infrastructure Grant	200,121	200,121

Directorate: Financial Accounting and Reporting

The overriding objective of the Financial Accounting and Reporting Directorate is to provide useful information to its users. Financial reporting is therefore not an end in itself, but a means of communication. To be useful, the information reported must meet the needs of its intended users and must be communicated effectively.

Fixed asset planning and reporting are also fundamental to the effective management of the Department's business and fixed asset management involves the processes of planning and monitoring tangible assets during their useful lives to the Department. The key element of accounting for fixed assets focuses on service potential rather than future economic life. In other words, service potential is the capacity of a fixed asset to contribute directly or indirectly to an achievement of an objective of the Department. Thus, the objective of fixed asset management is to achieve the best possible match of fixed assets with program delivery strategies.

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The main objectives of the Directorate can be summarised as follows:

- to implement accounting policies, procedures and practices that are compliant with generally recognised accounting practices
- to implement correct financial procedures in conjunction with the Public Finance Management Act, Treasury Regulations and Practice Notes
- to maintain accurate and effective accounting records and audit trails
- to implement policies and procedures to mitigate financial risk and fraud in the Department.
- to implement a program of capacity building with regard to financial issues
- asset management

To this end, the Department has successfully compiled a fraud prevention plan. It also became imperative to conduct an internal risk assessment by an internal audit of the Department. The exercise was completed successfully and has led to most shortcomings being addressed. Procedure manuals on reconciliations have also been developed and implemented.

The Department has established procedures for monitoring, evaluation and reporting of actual fixed asset usage and maintenance. In addition, an asset management system has been implemented to ensure effective control of Departmental fixed assets. Training and co-ordination of a complete asset count of all Departmental assets has also been successfully conducted. A guideline for policies and procedures for fixed asset management has been compiled.



Annual fixed asset count in progress

Directorate: Procurement

Introduction

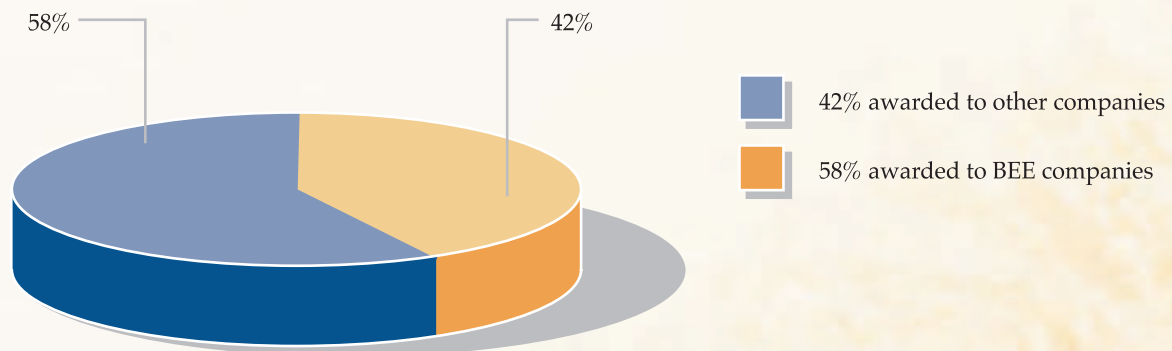
National and Provincial Legislation provides the framework for procurement. The main provisions are contained in the Preferential Procurement Policy Framework Act (Act No. 5 of 2000) and the KZN Procurement Act (Act No. 3 of 2000), which were promulgated in line with the Constitution and the PFMA. The Procurement Directorate provides support services to the Departmental Tender Evaluation Committees, the Tender Award Committee and the various teams in relation to the implementation of the legislative requirements, policies, delegations and processes.

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Departmental Contracts Awarded:

The table below depicts the approximate rand value of contracts awarded during the 2003/04 fiscal year:

CONTRACTS AWARDED	VALUE	% AWARDED TO BEE
Departmental Contracts awarded (in terms of delegations of authority)	R771million	71%
Central Provincial Committee contracts awarded (based on recommendation by Departmental TAC)	R348million	31%
TOTAL	R1,119million	58%

2003/04 CONTRACTS AWARDED**PROCUREMENT**

	Road Building, Transportation and RTI	Other/Admin/General/Equipment	Mechanical	Land & Building Renovations	Cleaning	Security	TOTAL	OTHER/BEE PERCENTAGE
OTHER BEE	336,988,490.00	106,371,121.00	17,835,790.00	7,777,511.00		1,007,088.00	469,980,000.00	42%
	464,787,781.00	177,377,693.00	1,256,704.00	998,903.00	1,511,145.00	3,087,774.00	649,020,000.00	58%
	801,776,271.00	283,748,814.00	19,092,494.00	8,776,414.00	1,511,145.00	4,094,862.00	1,119,000,000.00	100%

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SMME/BEE AWARDS

Encouragement of SMME business	2001/02	2002/03	2003/04
Number of contracts to SMME's	14909	17145	18345
Total value of contracts to SMME's	321million	464million	705million
% of total contracts to SMME's by value	41%	56%	63%
Encouragement of BEE business			
Number of contracts to BEE	12585	13969	15226
Total value of contracts to BEE	298million	406million	649million
% of total contracts to BEE by value	38%	49%	58%

TENDER EVALUATION COMMITTEE (TEC)

The Departmental TEC and Head Office TEC became fully operational and responsible for the evaluation of contracts. TEC is also responsible for ensuring that conditions of tender are in line with procurement prescripts as well as that the objectives of Black Economic Empowerment (BEE) are taken into account.

RESTRUCTURING

The Procurement Component has in the past been within the Corporate Services Chief Directorate. As a result of the strategic restructuring process, procurement is now a directorate within the Financial Services Chief Directorate. The new structure provides for Policy, Provisioning and Contracts components.

PROCUREMENT TRAINING

During 2003/04, the Procurement Component conducted seventeen (17) formal training sessions on procurement policy and procedures. Staff and managers at Head Office, Regions and Regional District Offices were trained. The training has proved to be an extremely enlightening process and has resulted in a reduction of errors as well as a marked improvement in the timeous award of contracts. These training sessions have also provided an insight to the problems encountered by the Regional Offices. Further, sessions have created a close partnership between Regional Offices and the Procurement Directorate in ensuring that the Department's objectives are achieved.

SUPPLY CHAIN MANAGEMENT

In terms of recent amendments made to the PFMA and Treasury Regulations, Accounting Officers are required to implement Supply Chain Management within their Departments. The KwaZulu-Natal Department of Transport is currently engaging with KwaZulu-Natal Provincial Treasury, in order to implement a pilot program of Supply Chain Management within the Department by end of 2004/2005 financial year. The strategy that underpins the project takes into account policy objectives of the Broad Based Black Economic Empowerment Act (No. 53 of 2003), the infrastructure required and the performance measurement of Supply Chain Demand, Acquisition, Logistics and Disposal Management.

In all, the Financial Services Chief Directorate provides financial and procurement support to the Department, whilst the corporate support, discussed below is also crucial.