



FINANCIAL
AND FISCAL
COMMISSION

ANNUAL REPORT

2003 - 2004

This Report, coming on the tenth year of the Financial and Fiscal Commission's existence, is presented as a tribute to all the men and women who have given of their best to ensure that our democracy is entrenched.



"The improvement and refinement of our IGFR processes and systems in order to provide a solid foundation for meaningful stakeholder relationships and exchange are just as important as contributions of a technical, policy, and analytical nature. It is important to maintain this balance as we proceed to shape the IGFR system over the next ten years."

It is also comes at the completion of ten years of democracy in South Africa. To celebrate this occasion the Commission planned a conference on intergovernmental fiscal relations on the 10-12 August, Cape Town. The conference was to cover a wide variety of issues and themes, and a review and discussion of the key policy options for possible consideration by government and stakeholders when they chart out strategic elements to inform the further evolution of the IGFR system in South Africa.

From a technical, institutional, process and systems point of view, the conference deliberations will show the FFC having been a key contributor to the body of knowledge on IGFR in South Africa.

In Annexure B, the range of issues and engagements covered in the work of the Commission during the period under review give concrete expression to the centrality of stakeholder relationships and interactions. The improvement and refinement of our IGFR processes and systems, in order to provide a solid foundation for meaningful stakeholder relationships and exchange, are just as important as contributions of a technical, policy, and analytical nature. It is important to maintain this balance as we proceed to shape the IGFR system over the next ten years.

In putting my signature to what will be my last report as Chairperson and CEO of the Commission, I do so with the knowledge that once again this Annual Report is a testament to our application of public resources in a manner that is consistent with the requirements of the Public Finance Management Act.

The Submission document towards which these resources has been deployed, has once again been subject to rigorous debate and analysis in the deliberations of the Commission, indicative of the commitment that every Commissioner has shown toward the work of the Commission. That the Commission has once again been rewarded with an unqualified audit is a reflection of the commitment of every member of the staff and the Commissioners to maintain the highest standard of integrity and accountability in using public funds.

I would like to thank all those who served on the Commission for their valuable contribution to the FFC over the last ten years. Looking forward, I would like to wish the new Commission of nine members all the success in their endeavors to embrace the challenges of the next ten years. A solid foundation has been laid on which to build the FFC's structures for effectiveness and impact on the future evolution of the IGFR system in South Africa.

My role as Chairperson of the Commission would not have been made easier were it not for commitment and support of the staff of the FFC. In presenting this report. I wish to also thank the staff for their support, commitment and dedication to the work of the Commission. Equally so I wish to express my appreciation and thanks to the various stakeholders especially Parliament's Portfolio, Select and Standing Committees on Finance, the Joint Budget Committee, provincial legislatures and organized local government.

A handwritten signature in black ink, appearing to read 'Murphy Morobe'.

MURPHY MOROBE
CHAIRPERSON OF THE COMMISSION

THE COMMISSION AND ITS WORK

1.1 Constitutional mandate

- 1.1.1** The South African Constitution provides the mandate for the FFC within the intergovernmental fiscal relations system.
- 1.1.2** Section 220 of the Constitution establishes the Financial and Fiscal Commission as an independent and impartial advisory institution.
- 1.1.3** The equitable division of revenue collected nationally lies at the heart of the mandate of the Financial and Fiscal Commission. Section 214 of the Constitution states that an Act of Parliament must provide for the equitable division of revenue raised nationally among the national, provincial, and local spheres of government, and that the FFC should be consulted in this regard.

Since 1998, the process for the equitable division of revenue has been governed by the Intergovernmental Fiscal Relations Act. This Act outlines the roles of various parties, including Parliament, the FFC, the Minister of Finance, provinces, organised local government, the Budget Council, and the Budget Forum.

- 1.1.4** Section 218 of the Constitution states that national legislation relating to provincial or municipal loan guarantees may be enacted only after any recommendations of the FFC have been considered. Similarly, Sections 228, 229, and 230 state that legislation relating to provincial taxes, municipal fiscal powers and functions, and provincial and municipal loans respectively may only be enacted after any recommendations of the FFC have been considered.

1.2 Legislative mandate

- 1.2.1** Since the enactment of the Constitution, a number of laws have been enacted which provide further clarity on the role of the FFC. As already mentioned in 2.1.3 above, the Intergovernmental Fiscal Relations Act of 1998 governs the division of revenue process.
- 1.2.2** Section 9 of the Municipal Systems Act stipulates that the assessment of the FFC should be obtained when a function or power is assigned by national or provincial government to local government. Section 3 of the Financial and Fiscal Commission Amendment Act of 2003 broadens this scope, as it requires that the FFC provide its advice regarding the assignment of a power or function between any of the spheres of government.
- 1.2.3** Section 3 of the Provincial Tax Regulation Process Act of 2001 states that the FFC is required to comment on any proposal by a province to impose a new provincial tax.

1.3 Structure and Composition of the Commission

Until the end of 2003, the Commission was constituted as follows:

- The chairperson and deputy chairperson, who may be full-time;
- Nine persons nominated by the executive councils of each of the nine provinces;
- Two persons nominated by organised local government through the South African Local Government Association (SALGA); and
- Nine other persons.

The list of all the members who served on the Commission during the reporting period is provided in section 1.4. below.

The Financial and Fiscal Commission Amendment Act of 2003 changed the composition of the Commission from 22 to 9 members. As of January 2004 the Commission is therefore constituted as follows:

- The chairperson and deputy chairperson, namely Murphy Morobe and Jaya Josie;
- Three persons appointed from a list of nominations agreed upon by the premiers of the provinces (not yet appointed);
- Two persons appointed from a list of nominations compiled by the South African Local Government (Kamalosen Chetty and one person to be appointed);
- Two other persons (Dr Renosi Mokate and Prof Antony Melck).

As the process of appointing the provincial and local government members was not complete at the end of the financial year, there were five serving Commissioners as of 31 March 2004. However, Commissioners whose terms of office ended on 31 December 2003 were invited to continue to participate in and bring to completion work on the Commission's Submission for the Division of Revenue 2005/06.

1.4 Members of the Commission during the reporting period



Murphy M. Morobe, a national nominee, was re-appointed as Chairperson of the Commission for two more years with effect from 2003-2004.



Jaya Josie, for the period covered by this report, is the Deputy Chairperson of the FFC. He is a national nominee and serves on the Commission until 31 December 2007.



John Douw is a Councillor at Klerksdorp City Council and Chairperson of the Council's Audit Committee. He also serves as Deputy-Chairperson and member of the Norweloga and SALGA Finance Working Committee respectively. He is a nominee of SALGA and serves on the FFC Local Government task group and the Audit Committee of the FFC. His term of office expired in February 2004.



Philip A. Hourquebie is the CEO of Ernst & Young (Southern Africa) and is a member of the Ernst & Young International Council. He is the Chairperson of the FFC Audit Committee. His term of office expired on 31 December 2003.



Lieb Loots is a Professor of Economics at the University of Western Cape. He is a National nominee and served on the FFC's sub-committee on Research and Recommendations. His term of office expired on 31 December 2003.



Renosi Mokate was Executive Director (Group Economic and Social Analysis) at the Human Sciences Research Council (HSRC). Her areas of specialization are Development Economics, Urban Economics and Policy Analysis. She held various posts including those of Associate Professor of Economics at Lincoln University, Pennsylvania, USA; Senior Policy Analyst, Development Bank of South Africa (DBSA); Director: Centre for Reconstruction and Development, University of Pretoria; CEO, Central Energy Fund. She is currently Executive Director, Mandisis Consulting cc and Honorary Professor at the University of Pretoria. She is a national nominee and her current term of office ends on 31 December 2007.



Marius van Blerck is Director : Group Tax for the Standard Bank Group, and is a member of the Income Tax Special Court. He is a National nominee and served on the FFC task group on Tax Policy. His term of office ended on 31 December 2003.



Tania Ajam is a public finance economist (graduating from the University of Cambridge and the University of Cape Town (UCT)) with broad experience in the design, analysis and implementation of fiscal policy. Currently, Tania lectures in the School of Economics, University of Cape Town and is Director of AFRcC (UCT) where she holds the position of Senior Specialist. Her term of office ended on 31 December 2003.



Antony Melck was educated in law and economics at the Universities of Stellenbosch and Cambridge (UK). Prof Melck was professor of economics at the University of Stellenbosch before being appointed to various senior management positions at the University of South Africa (Unisa), culminating in the position of Principal and Vice-Chancellor. He also served a term as deputy chairperson of the Financial and Fiscal Commission. Prof Melck is currently advisor to the Rector of the University of Pretoria. His current term of office ends on 31 December 2007.



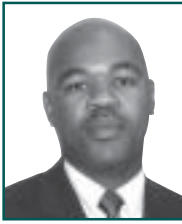
Gugu Moloi is currently the CEO of Umgeni Water. She also served as the CEO of the Municipal Infrastructure Investment Unit (MIU), a Section 21 Company established by the government. She also serves as a non-executive director of Johannesburg Water – the first water utility company in South Africa – and serves on the Board of First Rand. She is a national nominee and her term of office ended on 31 December 2003.



Dr Pundey Pillay is a Senior Economist with RTI International, a US based not-for-profit research organization and is also Resident Representative of RTI's South African branch office. He is a national nominee and his term of office expired on 31 December 2003.



Khehla Shubane works for Simeka Consulting that is based in Johannesburg. He is, currently, the Chairperson of the National Roads Agency (Pty), a state parastatal, and a member of the Board of the Center for Policy Studies based at the University of Witwatersrand (WITS). His term of office ended on 31 December 2003.



Thabo Mosololi (Gauteng) is Financial Director of Tsogo Sun Holdings (Pty) Ltd. He is nominee of the Gauteng Provincial Government and his term of office on the Commission ended on 31 December 2003.



Nosipho Damasane (Eastern Cape) is the General Manager: Operations at the South African Port Operations in the Eastern Cape. She is also Chairperson of the Board of MAGWA Pty Ltd and serves as a member of the Rhodes University Council. She is a nominee of the Eastern Cape Province and her term of office ended on 31 December 2003.



Haroon Borhat (Western Cape) is currently the Director of the Development Policy Research Unit (DPRU), based at the School of Economics, University of Cape Town. He has done extensive policy work for numerous South African government departments, most notably the South African Department of Labour, the Presidency and the National Treasury. He is also a member of the Board of the Centre for Policy Studies (CPS) and the Editorial Boards for the South African Journal of Economics, Agenda and Frontiers. His is a nominee of the Western Cape Province and his term of office ended on 31 December 2003.



Kamalasen Chetty (SALGA) is currently the CEO of the Boland District Municipality and is a member of the Finance Working Committee of SALGA. He also serves as the Vice-Chairperson of Sedibeng – a leadership institute based in Johannesburg – and is Director of Corporate Footprint, a company that evaluates the social and environmental commitment of companies listed on the JSE. He is a nominee of SALGA and serves on the Commission until 31 December 2007.



Mmathebe Moja (North West Province) holds several positions as Director of various companies and is a member of the National Gambling Board and the Chairperson of the North West Gambling Board. Currently, she is the Acting Chairperson of the Audit Committee of the Tshwane Municipality. She is a nominee of the North West Province and her term of office ended on 31 December 2003.



Duncan Albertyn is a nominee of the Northern Cape Province. He serves on that provincial government's Audit Committee. He held the position of Financial Services Manager of the De Beers Pension Fund until mid-April 2003. He now runs his own company, DCA Chartered Accountants. His term of office ended on 31 December 2003.



Marcus L. Mdhului (Mpumalanga) is an accountant and tax consultant. He is also a member of the Bushbuckridge Water Board and the Audit Committee of the Mpumalanga Parks Board. Mr. Mdhului is a nominee of the Mpumalanga Province and his term of office expired on the 31 December 2003.

1.5 Committees of the Commission

1.5.1 Audit Committee

The Audit Committee is responsible for financial oversight and accountability. During the course of the 2003/04 fiscal year, the Committee deliberated on issues pertaining to the external audit plan, internal audit unit, internal audit plan, fraud prevention plan, risk management, and approved the financial statements ending March 2004.

Members of the Audit Committee were Philip Hourquebie (Chairperson), John Douw and Jerry Sithole (non-commissioner).

1.5.2 Remuneration Committee

The Terms of Reference for the Remuneration Committee was finalised during 2003. This Committee strengthens corporate governance in the Commission with respect to the remuneration of managers and executives. During the period under review, the Committee was consulted with regard to proposed changes to the remuneration of managers in the Secretariat.

Members of the Committee were Marius van Blerck (Chairperson), Mmathebe Moja and Philip Hourquebie.

1.5.3 The IGFR Conference / 10th Anniversary Committee

A Committee was established to guide the preparations for the Intergovernmental Fiscal Relations Conference that will mark the 10th Anniversary of the FFC. The Committee is responsible for planning the content, structure, and logistical arrangements of the Conference.

Members of the Committee are Pundy Pillay, Renosi Mokate and Murphy Morobe. Dr. Mokate was appointed to lead and manage various tasks relating to the Conference.

1.5.4 Task Teams for the Research and Recommendations Programme

During 2003, several task teams were established to guide the work of the various research projects. The members of each team were as follows:

- Fiscal Policy: Tania Ajam, Lieb Loots, John Douw, Gugu Moloi, Renosi Mokate, Antony Melck, Haroon Borhat, Mmathebe Moja, Marius van Blerck and Pundy Pillay
- Budget Analysis: Antony Melck, Tania Ajam, Renosi Mokate, Haroon Borhat, Jaya Josie, Thabo Mosololi and Mmathebe Moja.
- Data and Information: Haroon Borhat and Jaya Josie.
- Capital Expenditure: Jaya Josie, Gugu Moloi and Lieb Loots.
- Local Government: John Douw and Kam Chetty

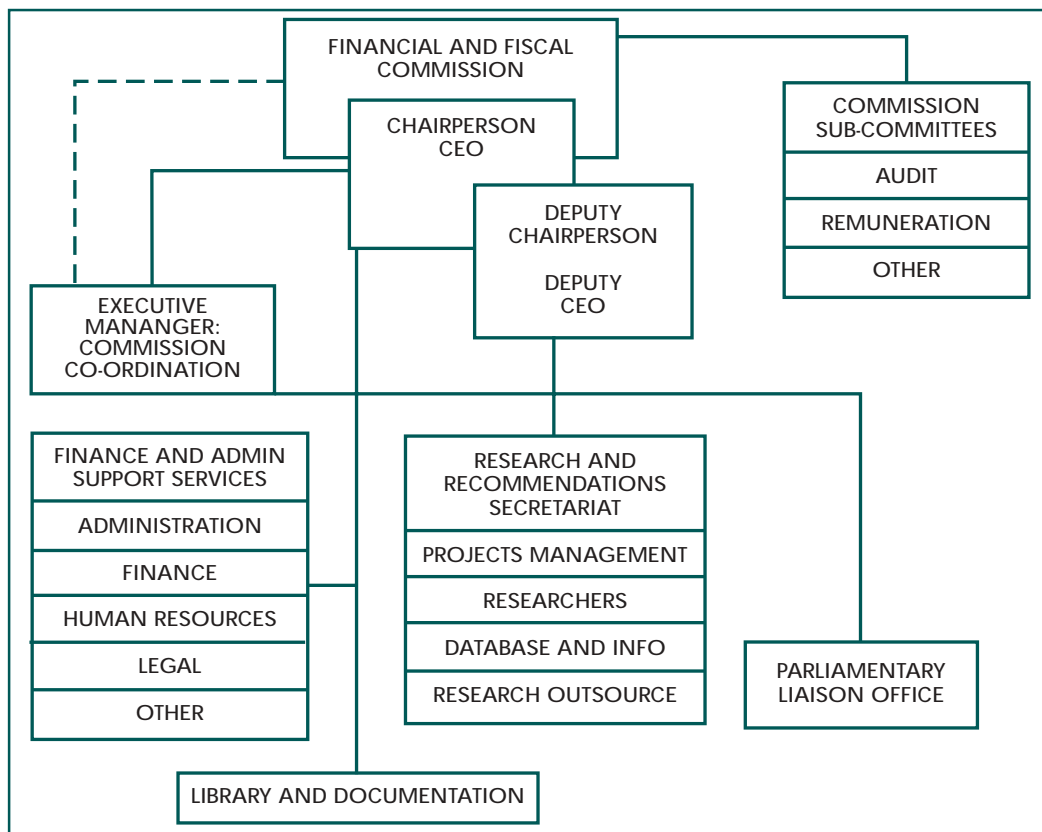
1.6 The FFC Secretariat

The FFC Secretariat is located in Midrand (Gauteng) and Cape Town. It provides research, analytical, and administrative support to the Commission. All staff listed below were employed by the FFC during 2003/04.

Murphy Morobe	Chairperson, Chief Executive Officer and Accounting Officer
Jaya Josie	Deputy Chairperson and Deputy Chief Executive Officer
Myron Peter	Executive Manager: Commission Co-ordination
Mavuso Vokwana	Financial Officer
Conrad van Gass	Manager: Budget Analysis
Bongani Khumalo	Manager: Fiscal Policy
Hildegarde Fast	Manager: Parliamentary Office & Local Government Research
Vincent Makinta	Co-ordinator: Database
Rathipe Nthite	Research Co-ordinator: Infrastructure
Goodwill Dithlage	Researcher: Fiscal Policy

Veronica Mafoko	Researcher: Fiscal Policy
Phillemon Mathane	Researcher: Fiscal Policy
Hammed Amusa	Researcher: Fiscal Policy
Jeffrey Mashele	Researcher: Budget Analysis
Denver Kallis	Researcher: Local Government
Annaleeze Prosee	Projects Administrator
Lyn Desai	Office Administrator
Kim Biko	Administrative Secretary, Cape Town Office
Deliswa Schoeman	Accounts Clerk
Annah Mosiane	Receptionist
Kate Tshabalala	General Assistant

1.6.1 Structure of the Secretariat as at 31 March 2004



1.6.2 Management Committee

The Management Committee (Mancom) was established to manage and implement the Commission’s overall strategic objectives and operational activities. During 2003/04, the Mancom agenda was restructured to focus attention on strategic tasks rather than routine operational matters. Members of Mancom are Murphy Morobe and Jaya Josie (Chairperson and Deputy Chairperson respectively) and managers of the Secretariat.

PERFORMANCE OF THE COMMISSION IN 2003-2004

2.1 Performance outcomes and strategic plans

In terms of the PFMA and Treasury regulations (regulation 5.2.1), the FFC is obliged to develop a strategic plan.

The following are four key legal mandates of the Commission for this fiscal year 2003-2004. In terms of the provisions of the PFMA the Commission identified four key performance targets and indicators in its strategic plan for 2003-2004. Accompanied by indication of the Commission's performance for this period, these are as follows:

OBJECTIVE	INDICATOR	OUTPUT/OUTCOMES	PERFORMANCE
A. Develop and submit, annually, recommendations for the MTEF budget cycle as per the Intergovernmental Fiscal Relations Act.	Annual Submission made to Parliament, the provincial legislatures and SALGA at least 10 months before the start of the annual budget cycle.	Printed document submitted to the Clerk of Papers, Parliament, and distributed to provincial legislatures, SALGA, and the Minister of Finance by the 1 April of each fiscal year or on a later date as agreed to with the Minister of Finance.	The FFC Submission, for the MTEF 2004 –2007, was tabled to Chairperson of the NCOP and Speaker of the National Assembly) on the 29 June 2004. A later date was agreed to with the Minister of Finance who extended the final date of submission to 31 July 2004. Subsequently, the submission was tabled to the Speakers of Provincial Legislatures, and SALGA. The FFC also submitted its annual submission to the Minister of Finance on the 29 June 2004
B. Develop and submit annually, recommendations on the Annual Division of Revenue Bill as per the Constitution.	Comment and or submit recommendations on the Division of Revenue Bill submitted, at least 14 days before the introduction of the Bill in Parliament, to the Minister of Finance and Parliament.	Written submission made to the Minister of Finance and Parliament in terms of the Intergovernmental Fiscal Relations Act.	The FFC presented its comment to Parliament's Portfolio Committee on Finance on the 20 February 2004 and to Minister of Finance & National Treasury during the same month.
C. To respond to requests from stakeholders, other policy issues, and to fulfill the FFC obligations as per the prescripts of the relevant legislation, and in that respect investigate policy options, make proposals and recommendations on, and give advice to stakeholders on fiscal matters.	Number of stakeholder requests, policy issues, and legislative obligations responded to as per the mandates of the FFC provided for in the relevant legislation.	Number of written submissions made to stakeholders and to Parliament.	The FFC responded to ten requests from stakeholders, viz, comment on <ul style="list-style-type: none"> • DPLG's Framework for the assignment of powers and functions to the local sphere of government (May 2003); • DOE's Report on the review of the financing, resourcing, and costs of education in public schools;

OBJECTIVE	INDICATOR	OUTPUT/OUTCOMES	PERFORMANCE
			<ul style="list-style-type: none"> • National Treasury's IGFR Report; • DOE's Norms and Standards for Adult Learning Centres; • Second comment on DPLG's draft policy Framework on the assignment of powers and functions to the local sphere of government (November 2003); • National Treasury's draft regulations for Municipal Debt Disclosures; • DOSD's Social Assistance Bill and South African Social Security Bill; • DPLG's Local Government: Municipal Systems Amendment Bill; • Parliament's Financial and Fiscal Amendment Bill; and • DPLG's Local Government: Property Rates Bill (May and April 2003).
<p>D. Submit, annually, to Parliament and the relevant legislatures and bodies, as per the relevant legislation, an Annual Report and audited financial statements</p>	<p>Annual Report and audited financial statements submitted to Parliament within five months of the end of the financial year in terms of the Public Finance Management Act, Treasury Regulations and the FFC Act.</p>	<p>Printed copies of the Annual Report and audited financial statements are submitted to the Clerk of Papers (Parliament), legislatures, SALGA and National Treasury</p>	<p>The submission, annually, of an Annual Report and Audited Financial Statements to Parliament and the relevant legislatures – the report would be submitted to Parliament in August 2004. The Annual Report and Audited Financial Statements 2001/02 were submitted to Parliament on the 27 August 2002. Financial statements were submitted to the Accountant-General, National Treasury on the 4 June 2002 i.t.o. Section c (ii) of the PFMA.</p>

The performance of the secretariat on other programmes and activities in the strategic plan for 2003-2004 ranged from completion to work-in-progress. These programmes and activities relate to

- Finance;
- Administration and HR;
- Documentation Management, Registry and PAIA;
- Stakeholder consultation programme;
- Communication Activities;
- Long-term optimal structure for the FFC; and
- The 10th anniversary and IGFR conference.

2.2 Quality assurance

The work of the Commission impacts on the reform and development of the intergovernmental fiscal relations system in South Africa. Any implementation of the financial and fiscal recommendations of the FFC by government has implications for the sharing of revenue raised nationally, the horizontal division of revenue among the three spheres of government, revenue and expenditure responsibilities, and the delivery of public services and goods. Accordingly, the work of the Commission must be of the highest quality and integrity.

Overall the Commission maintains a high degree of integrity in its processes to develop, validate and adopt recommendations each year. Combined with the use of international expertise, the internal research work processes are designed to maintain rigor and analytical integrity, and accountability to the Commission. Each year, the progress of research activities is impacted on and mediated through several research review sessions. Members of the Commission debate any emerging and preliminary findings and make recommendations, changes and suggestions for further work to be undertaken by researchers.

Stakeholder consultation processes are highly valued by the Commission as they provide the Commission with an opportunity to keep itself abreast with new developments in the arena of intergovernmental fiscal relations. Regular seminars and discussions are held throughout the year with stakeholders focusing on draft papers of the research and recommendations section.

A regular system of reporting on the relevant issues discussed during the proceedings of Parliament's various portfolio committee meetings is another important feedback mechanism that the Commission maintains for enriching its perspective into current policy debates and fiscal matters.

Annual recommendations and research projects are approved at the Commission's annual Bosberaad – likened to an annual general meeting. In-year comment on fiscal matters arising from the requests of stakeholders is presented for ratification and adoption at the meetings of the Commission. At times, it is necessary to request comments on a particular matter from Commissioners to finalize an FFC viewpoint on such a matter. In all the processes of the Commission, the principle of transparency and clarity of processes are held to be paramount within the context of a procedural approach and other financial imperatives as may be necessary for compliance in terms of the Financial and Fiscal Commission Act, the Public Finance Management Act and other legislation.

The Commission will continue to review its processes internally in order to constantly seek alternatives to improve its current system of quality assurance.

2.3 Information Dissemination

The following three reports of the Commission are widely disseminated to all stakeholders:

- The FFC's Comment of the Division of Revenue Bill;
- The Annual Submission for the MTEF;
- The Annual Report.

In addition, the FFC website provides information on the Commission to viewers free of charge. This includes all reports covering the last ten years.

The Commission regularly updates its Manual in terms of the Promotion of Access to Information Act and publishes the update in the Government Gazette. This manual is accessible at the offices of the FFC and upon request from a member of the public. It may be also found on the FFC's website. It gives a clear indication of the categories of records held by the Commission.

Details of presentations to stakeholder meetings, international visitors and events attended by the FFC staff are in Annexure B. In many instances, FFC staff provided various types of information to stakeholders and participants during these interactions.

2.4 The Commission and Employment Equity

With regard to Affirmative Action Measures, as defined in the Employment Equity Act, the FFC has for the 2003/04 period focused on implementation of initiatives supporting organisational structuring and efficiency, training and development and job classification and grading.

However, not much progress was made with the recruitment of more women for the recommendations and research programme. The last Employment Equity Report highlighted this issue and committed the FFC to this objective for 2003/04.

The next Employment Equity Progress Report is due on the first working day of October 2004.

2.5 The Commission and BEE

The promotion of BEE and SMMEs occupies a central concern with respect to the government's policy for economic growth and development. This policy finds legislative expression in the Broad-based Black Economic Empowerment Act. Accordingly, the Commission is committed to this national goal through encouraging internal procurement processes that are biased towards BEE/SMMEs.

To this extent the Commission has put in place a suppliers' list that guides procurement of services for the Commission. This list is in the process of review in order to progressively replace some of the Commission's past suppliers with BEE/SMME companies. It is envisioned that by the end of the next financial year, all procurement procedures and processes will be fully compliant with the Preferential Policy Procurement Act, No 5 of 2000, the regulations to the Act, National Treasury's Regulations for a Framework for Supply Chain Management and other codes of good practice for the BEE in public private partnerships.

2.6 Submissions and Reports for 2003-2004

2.6.1 Summary of the FFC's Submission on the 2003-2004 Division of Revenue Bill

In terms of Section 214 of Constitution, Section 9 & 10 of Intergovernmental Fiscal Relations Act, the FFC must make its annual recommendations to Parliament ten months before tabling of Division of Revenue Bill (April 2003), the Minister of Finance must respond to these recommendations in Annexure E of the Budget Review (February 2004) and the Division of Revenue Bill and must take into account comment from the FFC on the Division of Revenue Bill (February 2004). The full text of this submission can be accessed on the FFC's website www.ffc.co.za

Discussion on Government's response to the FFC's Submission on the 2004 MTEF

Government welcomed the distinction between proposals for (a) short- to medium-term on the division of revenue and (b) medium- to long-term on the intergovernmental fiscal system.

2.6.1.1 Provincial Government Fiscal Framework Issues

- Government concurred with the Commission's proposed review of the relationship between the HIV-AIDS conditional grant and spending from the Provincial Equitable Share (PES) allocations and noted the differential capacity of provinces to utilize Equitable Share allocations for spending on HIV-AIDS programs.
- The Commission argued that the Health Professional Training and Development Grant might be incorrectly specified and costed and suggested that this be further investigated.
- While the Commission recommended the use of utilization rates of health facilities for age and gender government argued that the data required was not available.
- The Commission argued that the double weighting of school-age children in the Education component of

the PES penalized poorer provinces. Government is uncomfortable with the use of school enrolment data in the PES formula because departmental data forms an unstable time series and is hence contestable.

- Both parties agreed that PES allocations for education should take account of the policy decision to make the reception year compulsory.
- Government agreed that an estimation of demand was important in informing the design of an Adult Basic Education and Training (ABET) conditional grant.
- The Commission argued that the weight attached to the Welfare component of the PES should more closely reflect actual take-up of social assistance grants. Government argued that this would strengthen [perverse] incentives to allow the take-up of social assistance grants to crowd out other basic services.
- Government did not respond to the Commission proposal that a welfare services component be distinguished from social assistance grants in the PES formula.

2.6.1.2 Local Government Fiscal Framework Issues

- Government agreed that the forthcoming review of the Local Government Equitable Share (LES) formula should be informed by the role of municipalities in providing free basic services and health care and by the impact of the restructuring of various own revenue sources.
- The Commission argued that the funding of ongoing institutional capacity building can be better targeted.
- Government shared the Commission's concern over the use of the unconditional LES as a funding mechanism for urban and rural development nodes and agreed that performance indicators be developed to evaluate efficacy of such supplementary spending programs.

2.6.1.3 Intergovernmental Fiscal Relations Issues

- Most of the Commission's proposals are work-in-progress with implications for the cross sphere and department co-ordination over the medium- to long-term.
- The fiscal framework should be informed by negotiations between transferring and recipient authorities in respect of conditional grants. The utilization of conditional grants should not distort the distributional intentions of the Equitable Share formulae.
- The design of a conditional capital grant design should be premised on the progressive eradication of backlogs.
- With respect to expenditure assignments between the spheres of government, the Commission focused on defining Constitutionally mandated basic services, the design of a comprehensive poverty alleviation package and clarification of concurrent functions.
- Government commented that the MinMECs were a suitable forum for clarifying the differential roles of the 3 spheres of government in respect of concurrent functions. Differential capacities of sub-national governments may imply staging of function shifts.
- In respect of housing, it was noted that many municipalities resist accreditation on grounds of unfunded mandates.
- Government sought greater clarification from the Commission on joint national-provincial accountability mechanisms for the National Social Security Agency.
- The section on performance budgeting explored the co-ordination of budgetary and strategic planning, the definition of progressive realization and resource constraints; their mediation through the process of setting norms and improving fiscal efficiency through poverty targeting.
- The Commission proposed that performance against progressive realization be evaluated against financial input, delivery output and policy outcome indicators.

- The Treasury noted the importance of improving efficiency in spending. The Joint Budget Council (JBC) noted the relationship of backlogs to delivery in measuring progressive realization and suggested contributions to economic growth, employment and BEE as primary outcome indicators.
- The Commission made several proposals relating to data availability gaps for measuring performance and enabling intergovernmental fiscal co-ordination.
- The Commission proposals related to investments in widening the coverage of data, the responsiveness of data collection in facilitating strategic and budgetary planning, the transparency and availability of data and the role of the statistical authorities as independent checks on departmental data on backlogs, beneficiaries and policy impacts. The statistical authorities were invited to comment.
- The new General Household Survey provides much new information on the coverage and impact of delivery of CMBS. The Commission welcomed the spatial disaggregation of Census data to the municipal level.

2.6.1.4 Conclusions

- The Commission will continue to explore means of strengthening its consultative process with clients and stakeholders.
- The Commission will develop the time frame distinctions of its proposals for the short-, medium- and long-term.

2.6.1.5 Overview of Government spending & financing trends & projections

Macro-Economic Context

- Real annual growth of GDP averaged 2.41% between 1996/97 and 2001/02. However, employment grew an average of 1.2% p.a. over the same period. The driver of economic growth, Gross Fixed Capital Formation (or investment) grew by 0.88% in real terms over this period.
- The public sector's contribution to GFCF declined in real terms over the same period by 1.7% p.a. In response, Government has medium- to long-term plans for providing additional employment (at lower than the minimum wage) through an Extended Public Works Program in infrastructure development.
- The Reserve Bank will focus on continuous inflation targeting to between 3% and 6% p.a. through its influence on the interest rate. There may be need to monitor administered prices for compliance to the inflation target.
- South Africa is subject to substantial in- and out-flows of portfolio investment, rendering it difficult to simultaneously contain interest, inflation and exchange rate volatility.

Financing General Government Spending

- Nearly 90% of general government funding is raised nationally, 8% by provinces and municipalities (primarily Metropolitan authorities) and the rest from international donors and social insurance contributions.
- Nationally raised revenue has averaged 24.06% of GDP over the past 5 years and is anticipated to increase to 25% of GDP over the 2004 medium term.
- In its efforts at macro-economic stabilization, government reduced its dependence on deficit financing over the past 5 years to an average of 1.82% of GDP. The PBSR is even lower at 0.6% of GDP for 2002/03.
- A combination of rapid take-up of social assistance grants and increased public sector investment drives deficit financing for the 2004 MTEF above the benchmark 3% of GDP.

The Preliminary Division of Revenue

- Debt servicing costs averaged 19.18% of the national budget over the past 5 years. This is expected to decline further over the medium term.

- As a result, real growth in the funds available for division in provision of constitutionally mandated services has averaged 3.2% and is expected to rise to 4.5% over the medium-term.

The Vertical Division of Revenue

- Over the past 5 years, general government spending was divided between the 3 spheres as follows: 34% national, 42% provincial and 24% municipal.
- Nationally raised revenue was divided 32% national, 47% provincial and 2.5% municipal. Over the forthcoming medium-term sub-national governments gain additional shares.

Functional Expenditure Trends and Policy Priorities

- After Administrative Services, the highest real growth of government spending is projected for social welfare. This is driven by age-extensions of the child support grant and take-up of (temporary) disability grants.
- Spending on health is projected to rise at over 4% p.a. in real terms – largely in response to the AIDS pandemic.
- Overall balanced growth in provision of social and economic services.
- Whilst real growth is projected for the Integrated Justice System, real declines continue to be projected for the defence function.

Financing Provincial Government Budgets

- Over the past 5 years, the unconditional Provincial Equitable Share averaged 86.9% and conditional grants averaged 10.7% of provincial budgets. In the medium term, the equitable share is expected to rise to 87.3% and conditional grants to 11.5%.
- After shifting into surplus during the late 1990s, provincial budgets are again projected to be in deficit over the medium-term.
- Provincially collected own revenue declined in the past 5 years from an average of 3.9% to a projected 2.98% for the medium-term. In a World Bank publication, World Development Indicators 2002, SA recorded the highest vertical fiscal imbalance among the countries reviewed.

Provincial Expenditure Trends

- Provincial governments deliver the bulk of Constitutionally Mandated Basic Services (CMBS) listed in the Bill of Rights and are the prime agents of income, capability and asset poverty reduction.
- Provincial Budgets have increased in real terms by 4.13% over the past 5 years.
- Social security spending averaged 5.18% over the past 5 years to a projected 10.5% over the medium term.
- Spending on health, education and housing grew in real terms. The housing spend is volatile which makes it difficult to ascertain trends and patterns in expenditure.
- Over the past 5 years, there has been increasing reliance on conditional grant funding of provinces in response to new national priorities such as HIV-AIDS.

Financing Municipal Budgets

- Own revenue constituted an average of 86% of Municipal budgets in the past 5 years. This is largely concentrated in Metropolitan areas.
- LES allocations grew by 4.82% in real terms in the past 5 years, projected to rise by 4.55% over

the medium term. Municipalities, especially non-Metropolitan municipalities, are increasingly reliant on intergovernmental transfers.

- Municipalities deficit financed 4.18% of their budgets in the last 5 years.

The Commission intends to undertake further analysis on the following areas:

Inter-provincial analyses of economic growth potential, infrastructure investment, unemployment and poverty reduction;

Comparison of actual provincial spends against PES allocations to indicate differences in national and provincial policy priorities;

Identifying the differential reliance of types of municipalities on transfers vs. own revenue.

2.6.1.6 Progressive Realization & Performance Reporting on Poverty Reduction by Provincial Governments

Towards the Measurement of Progressive Realization

- The Commission proposed that progressive realization be measured against the components of a performance reporting systems, namely financial input, delivery output and policy outcome indicators.
- Financial input indicators – Real growth rate deduced from National Treasury data.
- Delivery Output indicators – Measure of coverage by comparing the growth rates of targeted populations against the growth of beneficiaries.
- Policy Outcome – change in poverty rates.

Social Assistance Provision by Provincial Governments

- Spending on social assistance grants grew by an average of 1.12% per annum in real terms over the past 5 years. This accelerated to an average of 16.71% in 2003/04 and is anticipated to grow by 13.16% over the medium term.
- The average annual growth rate of beneficiaries between the censuses was 14.1%, rising to 41.4% between 2001/02 and 2003/04.
- Eligibility of targeted populations is defined in terms of demographic categories and poverty rates. Progressive realization in respect of breadth of coverage has therefore been achieved.

Social Grants

Grant Type	Target Population	Growth Rate of Target Population	Growth Rate of Beneficiaries	Real Growth Rate of Spending
Child Support & Foster Care	Able children 0 - 14 yrs old	0.61%	172.81%	n/k
Care Dependency	Disabled children 0 - 19 yrs old	1.27%	52.35%	n/k
Disability – Permanent	Disabled adults 20 yrs +	2.59%	-1.70%	n/k
Disability – Temporary	HIV infection rates?	13.36%	n/a	n/k
Old Age Pension	Women 65 yrs+ & Men 60 yrs+	2.54%	3.31%	n/k
TOTAL	All above	3.10%	14.11%	1.12%

- The impact of social assistance on income poverty still needs to be assessed.

Basic Education Provision by Provincial Governments

- Basic education is defined in the financial reports as constituting the following programs: Public Ordinary School Education, Independent School Subsidies, Public Special School Education, Further Education and Training (FET), ABET, Early Childhood Development (ECD).
- Between the 2 census years, real spending on these programs declined by 1.28%. This trend has reversed subsequently.
- The decline is matched by a decline in learner enrolment of 0.95% between 1996/7 and 2001/02.
- In contrast to a decline in enrolment, the number of school-going age children increased by an average of 1.74% p.a. between 1996 and 2001.

Basic Education Programmes

Education Program	Target Population	Growth Rate of Target Population	Growth Rate of Beneficiaries	Real Growth Rate of Spending
<i>Childcare</i>	Children 0 - 4 yrs old	-0.22%	n/a	n/a
ECDP + Primary School	Able children 5 - 9 yrs old	0.54%	n/k	-1.20%
Secondary School	Able children 10 - 14 yrs old	1.45%	n/k	-1.03%
FET	Able children 15 - 19 yrs old	3.32%	n/k	-1.44%
Ordinary School Education	Able Children 5 - 19 yrs old	1.74%	-0.95%	-1.23%
Special School	Disabled children 5 - 19 yrs old	1.74%	n/k	-0.40%
ABET	Unschooling Adults 20 yrs+	1.09%	n/k	-2.22%

*n/a - not applicable

*n/k - not known

- Capability poverty alleviation is assessed against changes in literacy and numeracy rates and educational status of adult population (20 yrs +).

Levels of Education Achieved 1996 and 2001

Highest Level of Education attained	% of adult population - 1996	% of adult population - 2001
None	19.3%	17.9%
Primary	24.2%	22.4%
Some Secondary	33.9%	30.8%
Matric	16.4%	20.4%
Higher	6.2%	8.4%

Basic Health Provision by Provincial Governments

- Basic health provision is an element of capability poverty alleviation.
- In the financial reports of the provinces basic health is defined as District Health, Emergency Medical and Provincial Hospital Spending programs.
- Spending on health grew by 1.99% in real terms between 1996/97 and 2001/02 and has since accelerated to over 5% in real terms.
- Lack of official data on the number of patients treated in the public health services, hampers comparison between spending and provision of basic health.

Housing and Municipal Services

- Provincial spending on housing and municipal services are covered by the departmental spend in the provincial departments of Housing, and Local Government and Traditional Affairs.
- The real spending growth in these departments averaged 0.71% between 1996/97 and 2001/02.
- The rate of spending declined by 2.2% between 2001/02 and 2003/04, and it is projected to decline further by 4.05% in the medium term.
- Average growth rate of households in formal dwellings between 1996 and 2001 was 7.17% p.a.; 5.35% for households connections to the reticulated water supply system ; 3.86% for installation of toilets; 8.34% for electricity connections.

The commission will undertake further analysis on the following areas:

Disaggregating the comparisons of relative take-up rates for all services and real spending growth by province;

Evaluating the trade-offs between the extent of coverage and depth/quality of service;

Investigating the difference between outcome and output indicators, and their implications for program definition;

Assessing how official data release cycles can enhance strategic and budgetary planning.

2.6.2 Summary of the Submission for the Division of Revenue 2005/06. Proposals from the FFC Review of the Intergovernmental Fiscal Relations System

Sections 214 and 222, Section 9 of the Intergovernmental Fiscal Relations Act of 1997 provide for the FFC to make annual recommendations to Parliament and the provincial legislatures on the vertical and horizontal divisions of revenue, and Section 10 requires that Government consult the Commission on the annual Division of Revenue Bill and outline its response to the Commission’s

recommendations. In performing its functions, the Commission considers the factors listed in Section 214 (2)(a-j) of the Constitution and the Bill of Rights in Chapter 2 of the Constitution. The full text of this submission can be accessed on the FFC's website www.ffc.co.za

2.6.2.1 Proposals and recommendations: Review of the Provincial Equitable Sharing System

With respect to the transfer system and the PES formula:

- Government should introduce incentives for provinces to raise revenues from sources assigned to them by the Constitution and legislation.
- The weights assigned to the different components in the PES formula need to be revised to take account of the changing priorities and composition of components in the PES formula.
- The PES formula should be revised to account for the relevant cost disabilities of provinces.
- The Commission re-iterates its previous proposal (April 2003) that the formula used to allocate the education component of the equitable share be revised to end the double weighting of school age children. In this respect, the department of education should ensure that reliable school enrolment data is collected regularly.
- The Commission notes that ECD will be incorporated into the education component of the PES from 2004/05. The FFC proposes that in view of the need for the provision of ECD, the education component should be augmented by at least the full amount of the current conditional grant, given the need for phasing in the programme.
- In the case of health care services, the formula should be revised to take account of the gender and age profile of the population in order to reflect differential needs for health care services. Furthermore, the department of health should ensure that data on healthcare utilisation rates for different population groups is regularly collected.
- The social development component should be removed from the PES formula, and during the transition period towards the full establishment of the National Security Agency, all grant allocations for social security may be funded via a conditional grant mechanism or any other appropriate funding mechanism determined on a case-by-case assessment of each province's capacity and experience in the administration and payment of such grants. In addition the National Social Development Department must ensure that adequate measures are in place to monitor the proper administration and payment of social security grants.

In order to ensure minimum disruption to service delivery, government should ensure that the status quo with regards to the financing and delivery of welfare services in provinces remains until such time that the transition to the National Social Security Agency is complete.

- In the absence of significant own revenue from provinces, the economic activity component of the PES formula should be defined to provide for the maintenance expenditure requirements of social and public infrastructure and should be redesigned accordingly.

With respect to capital expenditure:

- Government should incorporate the backlogs component of the PES formula into the basic component and a separate conditional grant should be set up for financing capital infrastructure. This should be allocated to provinces using the FFC's proposed provincial capital grants model.

2.6.2.2 Proposals: Review of Local Government Equitable Sharing System

- Government should avoid the use of funding windows in the equitable share formula.
- The FFC reiterates its previous proposal that the long-term equitable share should be based upon constitutional requirements, which suggests the following formula:

$$\text{LES} = \text{S} + \text{B} + \text{I} + \text{T} + \text{m}$$

Where

LES	Local government equitable share allocation
S	Component to support the delivery of basic municipal services
B	Component to fulfil other constitutional and legislative responsibilities
I	Component to finance core administrative functions
T	Component for tax capacity equalisation
M	Spillover grant to provide finance for services with inter-municipal spillover effects

- The assessment of municipal service costs should be informed by the following principle:
 - Residents in a given jurisdiction have the right to a basic level of service provision. There will be different types of service delivery within the basic level owing to the nature of the technology required.
- As Government reviews the LES formula, it is suggested that the following principles should inform the development of the methodology for assessing municipal service costs:
 - In developing a measure of expenditure needs, municipalities should not be able to influence the magnitude of their expenditure needs through their fiscal decisions;
 - The methodology should not be too data-intensive;
 - A strategy that combines statistical analysis of data with expert opinion provides a realistic approach for South Africa.
 - Calculations of the costs of providing basic services should be built up separately for each local government function.
 - It is important that the grant formula should be as simple as possible.
- Consideration should be given to applying a revenue-raising capacity measure to the LES formula as a whole, rather than only to the I component.
- It is currently inappropriate to develop a formula for the disbursement of capacity-building funds directly to municipalities, as most capacity-building initiatives are not supported by direct grants to municipalities. However, it is advisable to develop appropriate administrative and/or institutional instruments that ensure that capacity needs are identified and adequately targeted.
- Government should ensure that the following municipal-level data is collected:
 - Regional levies: skills development levy data disaggregated to district municipal level (if the payroll levy is retained);
 - Property rates: municipal valuation roll data and specific rates data (that is, rates charged for each category of property); and
 - Electricity: consumption data (disaggregated into consumer categories).
- The funds required to subsidise the tariff charges of low-income households should be carefully assessed in order to ensure that poor residents in all municipal jurisdictions have access to a minimum level of basic service provision.
- Consideration should be given to linking the Municipal Infrastructure Grant (MIG) and equitable share formulae. In doing so, the following should be taken into account:
 - The need to provide municipalities with appropriate incentives to extend municipal infrastructure.
 - The need to achieve equity in addressing the expenditure needs of local government;
 - The need to take account of the differing capacities of municipalities; and
 - The need to ensure that LES allocations keep pace with the installation of household infrastructure.
- Government should consider two broad options with respect to the ceding of equitable share revenue as security to obtain loan finance:
 - The Municipal Finance Management Act could be amended to ensure that the safeguards proposed in section 48(3) and (4) apply also to the ceding of equitable share revenue.
 - In light of the overall safeguard provided by the Constitution and national legislation, Government could issue guidelines to municipalities with respect to the ceding of equitable share revenue. This could propose safeguards and recommend that the pledging of equitable

share revenue only occur where the loan is intended to finance infrastructure for basic service delivery.

2.6.2.3 Proposals: Intergovernmental Fiscal Relations System

With respect to data and information:

- Government should examine the practicality of pooling current household surveys at the municipal level so as to ensure that reliable estimates of household income at municipal level may be generated. This may be further aggregated to the provincial level.
- As municipalities conform to Generally Accepted Municipal Accounting Practice (GAMAP) the warehousing and evaluation of municipal accounts information should be regulated and coordinated.
- Government and its data-gathering agencies should establish a definitional norm for household income poverty so that appropriate short-, medium-, and long-term policy targets may be set.
- Government, Constitutional bodies and institutions, and Statistics South Africa should work towards common definitions of populations targeted for the delivery of Constitutionally mandated services on the basis of age/gender, disability, poverty and vulnerability.

With respect to poverty targeting:

- Government should consider measuring performance of the delivery of CMBS through progressive improvements in policy output and outcome indicators.
- Policy outcome measures could be chosen according to their capacity to achieve the strategic policy objectives of line function and inter-departmental budget programmes. In this regard:
 - Consideration should be given to the effect of time lags on the achievement of policy objectives.
 - Long-term analysis of trends and policy outcome measures should be consistent over time in order to determine effective performance in the delivery of services.
- Levels of poverty may be determined by the extent of the take-up rate of the basic services implied in the Bill of Rights and should be updated annually.
- Independent and official administrative instruments should be instituted to assess the impact of government programme benefits and the quality or level of the service.
- A more consistent and precise official definition of the employment status of the economically active population, taking into account all sources of income, should be put in place in order to facilitate programme planning and budgeting.
- Priority should be given to estimating the proportion of target groups that have access to the constitutionally mandated services listed or implied in the Bill of Rights.

With respect to budgeting systems:

- Any attempt to introduce new performance-based budgeting systems should be evaluated on the basis of:
 - their capacity to stimulate a greater quantity or quality of service outputs, or an improvement in policy outcomes, for the same injection of resources;
 - whether accountability information flows are improved;
 - whether additional costs (or savings) are incurred from the human resource and technology requirements of such reforms;
 - whether implementation is feasible given projected constraints on the availability of appropriate human and technological resources.
- Fiscal management reforms should be based on the principle of aligning the performance incentives of sub-national governments with national policy objectives.

- Research should be conducted on identifying (a) the specific information resources of each sphere of government, which ought to be shared to enhance efficient delivery and effective outcomes, and (b) the incentives of different spheres of government to conceal resources, exaggerate demand, or waste resources at year-end.

2.6.3 Other Submissions

During the course of 2003/04, the FFC also made a number of submissions on various financial and fiscal matters upon the request of stakeholders. Below is a summary of the submissions. The full text of the submissions may be obtained on the FFC's website : www.ffc.co.za

- The Department of Provincial and Local Government's Framework for the assignment of powers and functions to the local sphere of government (May 2003);
- The Department of Education's Report on the review of the financing, resourcing, and costs of education in public schools;
- National Treasury's IGFR Report;
- The Department of Education's Norms and Standards for Adult Learning Centres;
- Second comment on the Department of Provincial and Local Government's draft policy Framework on the assignment of powers and functions to the local sphere of government (November 2003);
- National Treasury's draft regulations for Municipal Debt Disclosures;
- The Department of Social Development's Social Assistance Bill and South African Social Security Bill;
- The Department of Provincial and Local Government's - Local Government: Municipal Systems Amendment Bill;
- Parliament's Financial and Fiscal Amendment Bill; and
- The Department of Provincial and Local Government's Local Government: Property Rates Bill (May and April 2003).

2.7 Finances and Resources

2.7.1 Financial framework

- The FFC is funded through the national budget. On an annual basis, and as part of the MTEF, the funds so appropriated are channelled through the National Treasury, for transfer to the FFC.
- A budget of R12 679 000 was allocated to the FFC for the financial year 2003-2004. Total expenditure as per total budget provision was R15 273 334. The deficit is explained in note 13 of the Financial Statements in Annexure A.

2.7.2 Report from the Chairperson of the Audit Committee

The FFC's Audit Committee continues to play an important role not only in terms of the provisions of the Public Finance Management Act (PFMA), Act 1 of 1999, but also in terms of contributing to the maintenance of sound co-operative governance and accountability in the conduct of the affairs of the Commission.

During the year under review, the risk management committee and the fraud prevention committee, as provided for in Treasury regulations to the PFMA, was included within the ambit of the terms of reference of the Audit Committee because it was deemed prudent to avoid the proliferation of committee structures given the small size of the FFC's operations.

As amply demonstrated in previous years, the internal financial procedures and controls make for excellent management and accountability over budgets, monthly reporting and expenditure decisions. In the opinion of the Audit Committee, the financial statements ending 31 March 2004 read together with the Report of the Auditor-General, once again attest to sound business practice with regard to financial management and control at the FFC. The Audit Committee is pleased that FFC continues to receive unqualified reports from the Auditor-General as has been the case for the last fiscal year 2003-2004.

2.7.3 Reports of the Internal Audit Unit

The Commission established an internal audit unit as required by the PFMA. The FFC shares this function with the National Treasury and entered into a separate service level agreement with the service provider PriceWaterhouseCoopers Inc (PWC).

Currently, internal audit activities are proceeding as per the three-year internal audit plan. The internal audit unit submitted several reports to the Audit Committee and the Management for their consideration. These reports dealt with procedures and controls in the finance and research units.

2.7.4 Fraud Prevention Plan

The FFC approved a fraud prevention plan as required by the PFMA.

On the 29 August 2003 a workshop on the fraud prevention plan was convened for all members of the staff. To acknowledge the substance and content of this plan, each member of the staff signed a declaration to this effect. This workshop was part of the plans of the executive to build a culture of transparency and accountability. This plan will be reviewed on an annual basis.

At the time of writing this report, no incidence of fraud was reported for the period April 2003-March 2004.

2.7.5 MTEF Submission

The FFC submitted its MTEF budget to the Medium Term Expenditure Committee (MTEC) in August 2003. A request was made for changes to the baseline as indicated below:

	2003/04 R'000	2004/05 R'000	2005/06 R'000	2006/07 R'000 Projected
Approved MTEF allocation in 2002/03	12, 679	13, 759	13, 875	14, 877
Proposed changes to the baselines submitted in 2003/04		1, 635	3, 702	4,449

However, the National Treasury approved the following budget figures as indicated below:

	2004/05 R'000	2005/06 R'000	2006/07 R'000
Approved MTEF allocation	15,394	15,577	16,072

2.8 Financial Results

2.8.1 Financial Statements and Auditor's Report

The audited financial statements for the year, together with the Auditor-General's report, are presented in Annexure A of this Annual Report.

MANAGEMENT AND ACCOUNTABILITY

3.1 Corporate Governance

The Constitution (Section 220 and 221) and the FFC Act provide for the basis on which the Commission exercises its responsibilities with regard to corporate governance matters. The Public Finance Management Act read together with other applicable legislation to various aspects of the conduct of the business of organs of the state also shape the form and substance of corporate governance practice at the FFC.

In response to the King Report on Corporate Governance the FFC established a remuneration committee to receive and consider proposals for adjustments to the salaries levels of senior management. Various policies have been adopted to guide processes and protocols with regard to matters relating to human resource management, financial management, communication, reporting, etc. An Executive Committee under the leadership of the Chairperson plays an important role in maintaining accountability to the Commission. A fraud prevention and risk management plan guides the FFC efforts to engender a culture of honesty characterized by strong fiduciary values. The Commission will continue to endeavor to improve its practice of corporate governance and speedily give expression to new legislation (such as the Prevention and Combating of Corrupt Activities Act, No 12 of 2004).

3.2 Managing and developing human resources

3.2.1 Organisational Structuring and Efficiency: Restructuring the finance and administrative capacity of the FFC

Following the organisational structuring implemented in the recommendations and research programme the previous year, during 2003/04 the FFC focused on the administration / finance structure. This focus was in line with the recommendations of the internal audit unit.

The FFC support services function was reviewed and restructured. Administration and Finance, previously separate departments, have been merged under the direction of the Chief Financial Officer.

3.2.2 Alignment of the HR and Finance policies and procedures and their revision in terms of legislative requirements

The FFC completed the amalgamation and alignment of its HR and Financial / Administration Policies and Procedures into one Manual. The manual has been sent to our legal team for review. This will facilitate ease of reference for managers and employees.

The Manual incorporates all applicable changes in employment legislation and financial regulations that occurred during the reporting period.

The HR Reporting formats, aligned with National Treasury guidelines, were published for the first time in the FFC's 2002/03 Annual Report.

3.2.3 Job Profiles and Performance Contracts

In April 2003 all staff Job Profiles were reviewed and, where applicable, updated to reflect changes in work activities and responsibilities.

Staff Performance Contracts for the period April 2003 - March 2004 were revised, updated and agreed in line with project plans and performance output requirements for the fiscal year 2003/04.

3.2.4 Performance Management

Staff Performance Reviews were held in the months of June 2003 and October 2003. The third round of reviews for the 2003/04 period are scheduled for March 2004.

The expansion of the current Performance Management system (360-degree concept) has included the design of an "Employee Assessment of Manager" evaluation format. This will provide FFC staff with an opportunity to evaluate their managers on predetermined managerial criteria and assist the FFC in defining leadership strengths and areas for improvement.

The current Performance Management system has been in place for three years. The Management of the FFC has agreed to evaluate the system to determine possible areas for changes and refinements.

3.2.5 Performance Bonus

The annual Performance Bonus, based on the average ratings achieved for the reviews in the preceding calendar year, was implemented in accordance with the Performance Bonus Guidelines, in December 2003.

3.2.6 Skills Development

A Skills Audit on staff development needs was conducted in May 2003. For the 2003/04 reporting period the FFC invested a total amount of R330, 000.00 (approx.) This represents a substantial increase on the skills development costs for the 2002/03 period (R 71, 000.00). The increase is due to the implementation of a focused Training and Development Plan, as well as the increase in the FFC's staff compliment.

About 60% of the skills development cost was allocated to team-based development. This included a training seminar on the requirements of Labour Relations Act (1995) and the Employment Equity Act (1998) a Project Management course for managers and research staff and a Team Building intervention for all staff.

Team building and team-based training will continue to be a key objective of plans for human resource management during 2004/05.

The balance of the skills development costs were utilised in individual courses and educational assistance sponsorship.

The Skills Development Plan for 2003/04 also focused on updating knowledge relating to legislation and Public Sector regulations. Staff sessions were also held on a variety of topics, including PFMA Regulations, Fraud Prevention and HIV/Aids.

3.2.7 Recruitment, Staffing and Resignations

Appointments

In line with its strategic plan to increase capacity, the Recommendations Research Programme recruited a total of five permanent staff during the reporting period:

Two permanent staff members were added to the Finance / Administration department.

The escalation of personnel expenditure for the current financial year is due to above mention appointments.

Promotions

During the reporting period three members of the staff were promoted to the posts of Chief Financial Officer, Office Co-ordinator and Accounts Administrator.

Resignations

Cindy Bruce, Administrator, resigned in May 2003.

3.2.8 Job Evaluation and Remuneration Benchmarking

As part of the 2002/03 Corporate Strategic and Employment Equity Plans, the Financial and Fiscal Commission identified the need to adopt a formal Job Evaluation system. After investigation into Private and Public Sector Grading systems, it was decided to implement the Equate Job Evaluation system, the Job Grade/Level system used in the Public Sector.

The Department of Public Service Administration (DPSA) assisted the FFC in implementing the Equate Grading system and determining Job Grades for all positions in the organisation.

This exercise was completed in February 2003 resulting in the finalization of Job Grades, and where applicable remuneration adjustments.

Pay Scales for the relevant grades have been derived in conjunction with the Public Sector Pay Scales updated annually in July (for Grades 1 - 12) and January (for Grades 13+).

The management has agreed to explore possibilities for the implementation and adaptation of the public sector system for the FFC, during 2004/05.

3.3 Other resource management issues

Currently, support functions exist in each of the following units in the FFC: Parliamentary liaison, the research and recommendations programme, finance and administration under the management of the CFO and the data and information section. The secretariat support functions listed above provide adequate support for the executive and the Commission to carry out its duties and responsibilities.

Re-thinking support functions in terms of the development of long - term structure for the FFC

Given the reduction in the size of the Commission, there is a need for strategizing on how the work of the Commission may be more efficiently and effectively organised for management by nine Commissions. This may entail the re-design of the operational structure of the secretariat in order to better manage the Commission's activities, responsibilities and obligations.

While organisational capacity and support functions grew steadily over the last three years it was not done within a framework for a long-term structure for the Commission.

Many related factors also point to the need for re-conceptualising the structure of the FFC. Some of these are as follows:

- Amendments to the FFC Act (see Annexure D) make it mandatory for the Commission to respond to the assignment of functions and powers to local government resulting in more data intensive research and analysis - this would put a strain on the FFC's current research personnel and its budget;
- Amendments and revised regulations to the PFMA impose new obligations for the Commission demanding a high level of skill for implementation;
- The plethora of legal obligations in various pieces of legislation require highly skilled staff on legal matters who are equipped with the appropriate abilities to translate these obligations into implementation and operational activities;
- Over the last three years the Commission dealt with a wider canvass of fiscal issues requiring more in-depth research and analysis – it is expected that this trend will increase over the next ten years requiring a larger number of research portfolios, managers and researchers for its research and recommendations programme;
- Stakeholder consultation and interaction may also increase in the coming years in addition to new initiatives and programmes for promoting stakeholder awareness and understanding of the FFC and its role in the IGFR system – such initiatives may also be designed to equip stakeholders with in-depth knowledge of the Commission's recommendations and analytical models;
- Possibilities for the re-design of research activities into short, medium and long term projects;
- The increasing need for high level co-ordination and knowledge management of policy, legal issues and research activities given the multi-faceted and inter-disciplinary nature of fiscal issues in South Africa;
- The obligation to build a highly efficient and effective secretariat as required of the FFC Act and the PFMA, as well as human resource capacity that reflects a high level and wide range of competencies, skills and abilities.

In the last three years, the FFC improved its performance as an institution given the current level of skills and competencies of its staff. However, it is also acknowledged that in some activities and functions of the secretariat there is room for improvement.

In responding to the above issues, the FFC would, among others, take into account possible options for increasing the procurement of external services to undertake aspects of the work of the Commission. The procurement of the services of local expertise in fiscal matters may be one option for expanding the resources available to the Commission to carry out its mandates and obligations.

During 2004/05 the Commission will undertake a series of workshops to reflect on the issues highlighted above and make proposals for restructuring the secretariat and its support functions.

3.4 HR Statistics Report - 01 April 2003 to 31 March 2004

Please refer to Annexure C.

3.5 Procurement

See Section 2.6

3.6 Accountability in terms of legal obligations

Implementation of the Promotion of Access to Information Act

In terms of this Act, the Commission is required to publish and gazette a manual as per the stipulations of the Act. An Afrikaans and English version of the manual was published in December 2002. In February 2003, copies of the published manual were submitted to the Human Rights Commission. A version in an African language would be published before the end of March 2004.

During 2003, the Commission published an update of the manual. The Afrikaans and African language versions were published in March 2004.

A report on requests for information would also be compiled and submitted to the Human Rights Commission. According to our records, there were no formal requests for 2003/04.

The Electronic Communications and Transactions Act

This Act makes it compulsory for an institution to register its critical databases with the Department of Justice. In addition, the location and storage of the critical databases must be open to inspection. At the moment, the lack of regulations is delaying the implementation of these obligations. However, the Department of Justice has indicated that it is in the process of finalising these regulations.

Government wide security policy (MISS)

During 2003, Cabinet approved a comprehensive framework on security for all organs of state. This framework was accessed from the National Intelligence Service responsible for its implementation. During 2004, the executive would ensure that the requirements of this framework are implemented in addition to the adoption of an overall policy on security for the FFC.

Tax Regulations

Currently, the FFC complies with tax regulations pertaining to the remuneration of staff and consultants. Advice and legal opinion are regularly obtained from the FFC's tax consultants.

Contracts for fixed term employment

The FFC currently uses a template for these types of contracts that are regularly scrutinised by our tax and remuneration consultants for compliance.

The Chairperson and Deputy Chairperson are tasked with the authorization of these contracts and other procedural matters associated with them.

Contracts for consultants

The FFC uses a template for contracts for consultants. This template was developed for tax and legal compliance by tax consultants and attorneys who provide legal services to the FFC. These contracts are adapted where applicable to the specificities of a project, task or service required.

Contracts for other suppliers of services are mainly based on service level agreements. These agreements were scrutinised by our legal team to ensure that the interests of the FFC were protected.

The Chairperson and Deputy Chairperson are tasked with the authorization of these contracts and other procedural matters associated with them.

The Legal Deposits Act

In terms of this Act, official publications of the FFC must be lodged with certain national libraries. The FFC complied with this requirement with respect to its Manual on the Promotion of Access to Information Act, Annual Reports and Annual Submissions.

The Public Finance Management Act (PFMA)

The FFC's financial and HR policies take into account the requirements of the PFMA and in particular the duties and responsibilities of the accounting officer. Areas of compliance are as follows: the appointment of a Chief Financial Officer (CFO); the establishment of the Audit Committee and internal audit unit; the adoption of an Audit Policy and Charter, an internal audit plan, various risk management procedures, and a fraud prevention plan. The functions of a fraud and risk committee were incorporated into the work of the Audit Committee.

Currently, the internal audit unit is preparing a Risk Charter for inclusion in the Audit Policy and Audit Charter of the FFC.

The preparation and formats of the financial statements of the Commission are based on GAAP.

HR Legislation

A workshop was held to train managers on the LRA, BCOE and the Employment Equity Act. The objectives of the workshop were two-fold: (1) To equip managers with the necessary insight into and knowledge of labour laws; and (2) To better manage labour relations with employees under their supervision.

Occupational Health and Safety Act

This Act requires that an institution ensure the occupational safety and health of its employees in the workplace. The FFC fulfils most of the basic requirements of this Act. However, regular improvements to workplace conditions are also necessary for maintaining good employer-employee relations.

The Employment Equity Act

The FFC submitted several reports to the Department of Labour in which it outlined its objectives and targets with regard to employment equity. An Employment Equity Committee chaired by the Employment Equity Manager was established in terms of the Act. See also section 7.14.

The Administration of Justice Act

The Act provides for individual and class action relating to unjust and unfair administrative practices. Employees of the Commission may take up issues relating to such practices through a grievance procedure provided for in the FFC's HR manual. Other mechanisms for addressing grievances are provided for in the Labour Relations Act.

3.7 Stakeholder relationships and protocols

During the period under review the secretariat of the Commission managed a wide variety of meetings and relationships with stakeholders and other institutions.

The stakeholders and groups/institutions engaged were as follows:

- National departments
- Parliament, its committees and public hearings;
- Provincial legislatures, its committees, administration and public hearings;
- Foreign delegations;
- The NCOP and its Select Committee on Finance;
- Budget Council and the Budget Lekgotla;
- STATSSA;
- SA Statistical Association;
- SAHRC;
- Community Law Centre (UWC);
- DBSA; and
- SALGA.

A comprehensive list of events for 2003/04 is attached (see Annexure B). It reflects the wide variety of activities of the Commission during the period under review.

In lieu of its consultative approach to recommendations on financial and fiscal matters, the secretariat convened a series of seminars and workshops on some of its research projects for 2003/04. Stakeholders from various departments/institutions attended these events.

ANNEXURES

**MANAGEMENT REPORT FOR THE YEAR
ENDED 31 MARCH 2004**

Management Report for the year ended 31 March 2004

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

1. General review of the state of financial affairs

The Commission has been an integral part of government-wide efforts to improve financial accountability and implement prudent financial management. The Commission has made considerable progress to date in complying with the PFMA requirements, which is evidenced by consistent unqualified audit reports. Various measures have been taken to comply with the PFMA. A risk assessment exercise has been completed and a fraud prevention plan has been developed in line with the PFMA requirements. The Internal Audit function was instituted in 2002/2003. Although the FCC reflected a deficit compared to other previous years, the deficit of R2 485 953 has been partly financed by the accumulated surpluses arising from the previous years. The deficit is mainly due to an increase in research activities and non-cash items such as depreciation. The commission has not taken any bank overdraft to meet its obligations.

While MTEF allocations have been approved for the financial year 2004-2005, the level of funding required will obviously be a function of both the Commission's obligations in terms of the Constitution and that of various interventions required of it by various organs of state, from time to time. These cannot always be predicted as the FFC Act was amended in 2003/04 and additional legal mandates for the Commission were proposed.

The significant part of the expenditure in 2003/04 financial year has been taken up by personnel together with the contracting in of various experts. Researchers, analysts and various experts (local and international) constitute an essential input factor for the Commission.

The commission will continue enhancing budgetary transparency and the modernisation of the financial management systems so that good governance and economic efficiency is optimised.

2. Services rendered by the constitutional institution

Not applicable.

3. Trading activities

Not applicable.

4. Trading entities

Not applicable.

5. Public entities

Not applicable.

6. Public/private partnerships

Not applicable.

7. Risk management and fraud prevention

A risk assessment exercise has been completed and a fraud prevention plan has been developed in line with the PFMA and treasury regulations. As part of the implementation plan fraud prevention awareness workshops have been held for all staff of the Commission and this process will continue on an annual basis. The internal audit unit is fully functional and is continuously recommending improving the internal control systems and procedures.

In addition, in the current financial year, the Commission is in the process of establishing a procurement system which is in line with requirements of Supply Chain Management targets for black empowerment and SMMEs. The FFC is currently reviewing its Human Resources, Financial Management Systems and asset management in line with international best practice.

The Commission continuously reviews and enhances its implementation plans to ensure compliance with the PFMA. Such activities include a review of the Audit Committee's terms of reference and the internal audit charter as well as the assessment and implementation of a risk management framework and procurement processes.

8. Discontinued activities/activities to be discontinued

Not applicable.

9. New/proposed new activities

A major event is planned for August 2004 and will take the form of a national conference on intergovernmental fiscal relations to celebrate the 10th Anniversary of the FFC.

10. Events after the accounting date

See 7 and 9 with respect to the reports and the 10th Anniversary of the Commission.

11. Acknowledgements

I would like to express my appreciation to all the staff members of the Commission for their continued hard work and dedication in meeting the objectives of the Commission.

Approval



.....
MURPHY MOROBE:
CHAIRPERSON

17 June 2004

**STATEMENT OF FOREIGN AID ASSISTANCE RECEIVED:
for the year ended 31 MARCH 2003**

Source of Funds	Intended Use	Amount Received	Amount spent	Balance unspent
------------------------	---------------------	----------------------------	-------------------------	----------------------------

No foreign donations were received for the period 2003-2004

VALUE RECEIVED IN KIND

No foreign donations were received for the period 2003-2004

PERFORMANCE INFORMATION ON USE OF ASSISTANCE

No foreign donations were received for the period 2003-2004

PENDING APPLICATIONS FOR ASSISTANCE

No pending applications for the period 2003-2004

Date: 17 June 2004

**AUDIT OPINION AND ANNUAL FINANCIAL
STATEMENTS FOR THE YEAR ENDED
31 MARCH 2004**

ANNUAL FINANCIAL STATEMENTS 31 MARCH 2004

FINANCIAL AND FISCAL COMMISSION

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

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APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements which appear on pages 40 to 49 have been approved and authorized for issue on date of signature by the Executive Committee and is signed on its behalf by:



.....
M. MOROBE
(Chairperson)

31 May 2004



A U D I T O R - G E N E R A L

REPORT

OF THE

AUDITOR-GENERAL

ON THE

FINANCIAL STATEMENTS OF THE FINANCIAL AND FISCAL COMMISSION

FOR

THE YEAR ENDED 31 MARCH 2004

PUBLISHED BY AUTHORITY

AUDITOR'S REPORT



A U D I T O R - G E N E R A L

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE FINANCIAL AND FISCAL COMMISSION FOR THE YEAR ENDED 31 MARCH 2004

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 40 to 49 for the year ended 31 March 2004 have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 3 and 5 of the Auditor-General Act, 1995 (Act No. 12 of 1995), and section 25 of the Financial and Fiscal Commission Act, 1997 (Act No.99 of 1997). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements and compliance with relevant laws and regulations applicable to financial matters, based on the audit.

2. NATURE AND SCOPE

The audit was conducted in accordance with Statements of South African Auditing Standards. These standards require the audit to be planned and performed to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

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

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

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

3. AUDIT OPINION

In my opinion, the financial statements fairly present, in all material respects, the financial position of the Financial and Fiscal Commission (FFC) at 31 March 2004 and the results of its operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice (GAAP) and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999).

4. EMPHASIS OF MATTER

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

4.1 Future financial commitment

In terms of section 66(4) of the PFMA, constitutional institutions and provincial entities may not borrow money, issue a guarantee, indemnity or security or enter into any other transaction that binds or may bind the institution or entity to any future financial commitment.

During the current year the FFC entered into two more finance lease agreements for the use of office and computer equipment, which has resulted in a future commitment. No approval had been obtained from the Minister for these agreements, however, a notification of the finance leases entered into by the FFC has been sent to the Minister.

5. APPRECIATION

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

**WP Strauss
for Auditor-General**

**Pretoria
30 July 2004**

ANNUAL FINANCIAL STATEMENTS 31 MARCH 2004

**ANNUAL FINANCIAL STATEMENTS
31 MARCH 2004**

ANNUAL FINANCIAL STATEMENTS 31 MARCH 2004

FINANCIAL AND FISCAL COMMISSION BALANCE SHEET 31 MARCH 2004

	Notes	2004 R	2003 R
ASSETS			
Non-current assets			
Property, plant and equipment	16	1 871 877	2 126 348
Current assets			
Accounts receivable	4	347 375	1 854 233
Prepayments		-	8 648
Cash and cash equivalents	3	16 704	-
		330 671	1 845 585
Total assets		<u>2 219 252</u>	<u>3 980 581</u>
CAPITAL, RESERVES AND LIABILITIES			
Capital and reserves			
Capital contribution	2	(306 879)	2 179 074
Accumulated (deficit)/ surplus		918 752	918 752
		(1 225 631)	1 260 322
Non-current liabilities			
Interest bearing borrowings	5	453 569	856 849
Current liabilities			
Accounts payable	6	2 072 562	944 658
Interest bearing borrowings	5	1 166 252	382 763
		906 310	561 895
Total capital, reserves and liabilities		<u>2 219 252</u>	<u>3 980 581</u>

ANNUAL FINANCIAL STATEMENTS 31 MARCH 2004

FINANCIAL AND FISCAL COMMISSION INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2004

	Notes	2004 R	2003 R
Operating income	10	12 679 000	12 038 000
Transfers from National Treasury		<u>12 679 000</u>	<u>12 038 000</u>
Other income			
Interest received	11	145 881	203 765
(Loss)/profit on sale of plant and equipment		(37 500)	37 500
Sundry income		-	6 830
Total income		<u>12 787 381</u>	<u>12 286 095</u>
Operating expenses			
Staff costs		(7 190 532)	(5 731 437)
Depreciation		(1 094 047)	(650 153)
Professional services		(601 239)	(558 626)
Other operating expenses		(6 069 990)	(4 230 682)
Total operating expenses		<u>(14 955 808)</u>	<u>(11 170 898)</u>
(Deficit)/Surplus before interest and finance charges	7	(2 168 427)	1 115 197
Interest and finance charges		(317 526)	(226 293)
Net (Deficit)/Surplus for the year	13	<u>(2 485 953)</u>	<u>888 904</u>

ANNUAL FINANCIAL STATEMENTS 31 MARCH 2004

FINANCIAL AND FISCAL COMMISSION STATEMENT OF CHANGES IN CAPITAL AND RESERVES FOR THE YEAR ENDED 31 MARCH 2004

	Capital contribution	Accumulated Surplus/(Deficit)	Total
Balance at 1 April 2002	918 752	371 418	1 290 170
Surplus for the year	-	888 904	888 904
Balance at 31 March 2003	918 752	1 260 322	2 179 074
Deficit for the year	-	(2 485 953)	(2 485 953)
Balance at 31 March 2004	918 752	(1 225 631)	(306 879)

ANNUAL FINANCIAL STATEMENTS 31 MARCH 2004

FINANCIAL AND FISCAL COMMISSION CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2004

	Notes	2004 R	2003 R
Cash received from Government		12 679 000	12 038 000
Cash paid to suppliers and employees		(12 741 913)	(10 535 711)
Cash (utilised in)/generated from operations	8	(62 913)	1 502 289
Interest received		145 881	203 765
Interest paid and finance charges		(317 526)	(226 293)
Cash flows from operating activities		<u>(234 558)</u>	<u>1 479 761</u>
Cash flows from investing activities		(877 076)	(2 313 119)
Purchase of property, plant and equipment		(839 576)	(2 101 903)
- Replacement		16 108	-
- Additions		(855 684)	(2 101 903)
Purchase of intangible assets		-	(248 716)
Proceeds on disposal of plant and equipment	8	(37 500)	37 500
Cash flows from financing activities		(403 280)	1 418 744
Proceeds from long term borrowings		-	1 418 744
Payment of long term borrowings		(403 280)	-
Net decrease/increase in cash and cash equivalents for the year		(1 514 914)	585 386
Cash and cash equivalents at beginning of year		1 845 585	1 260 199
Cash and cash equivalents at end of year	3	<u>330 671</u>	<u>1 845 585</u>

FINANCIAL AND FISCAL COMMISSION STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2004

The financial statements have been prepared in accordance with South African statements of Generally Accepted Accounting Practice. The following are the principal accounting policies of the Commission which are consistent in all material respects with those applied in the previous year, except as otherwise indicated.

1.1 Basis of presentation

The financial statements have been prepared on the historical cost basis and incorporate the principal accounting policies set out below, which are consistent with those of the previous year.

The financial statements are prepared on a going concern basis.

1.2 Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and any accumulated impairment losses.

Plant and equipment held under finance leases are capitalized. At the commencement of the leases the assets are reflected at open market value and the related liability is recognized at an equivalent amount. Finance charges are written off over the period of the leases based on the effective rates of interest.

Impairment losses and reversal of impairment losses are recognized in the income statement.

Depreciation is calculated on the straight-line method to write off the cost of each asset to their residual values over their estimated useful lives. The depreciation rates applicable to each category of plant and equipment are as follows:

Computer equipment	3 years
Computer software	2 years
Furniture and fittings	5 years
Motor vehicles	5 years
Office equipment	5 years

No depreciation is provided on paintings, which are considered investment assets.

1.3 Income recognition

Income from government grants is recognised when it is received by the Commission.

Interest is recognised on a time proportion basis, taking account of the principal outstanding or invested and the effective rate over the period to maturity.

1.4 Financial instruments

Financial instruments carried on the balance sheet include cash and cash equivalent balances, accounts receivables and accounts payable. These instruments are carried at their estimated fair value.

1.5 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and where relevant, deposits held on call with banks, investments in money market instruments and bank overdrafts.

1.6 Leased assets

Leases under which the risks and benefits of ownership are effectively retained by the lessor, are classified as operating leases. Obligations incurred under operating leases are charged to the income statement on a straight line basis over the period of the lease, except when an alternative method is more representative of the time

pattern from which benefits are derived.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

1.7 Foreign currencies

Transactions in foreign currencies are accounted for at the rates of exchange ruling on the date of the transactions. The related monetary assets and liabilities at year-end are translated at the spot rates ruling at the balance sheet date.

1.8 Unauthorised, irregular, fruitless and wasteful expenditure

Unauthorised, irregular, fruitless and wasteful expenditure is treated as a current asset in the balance sheet until such expenditure is either recovered, authorised by Parliament or set off against future funds.

1.9 Post employment benefit costs

The Commission operates a defined contribution plan, the assets of which are generally held in separate trustee-administered funds. This plan is funded by payments from employees and the Commission. The contributions to the defined contribution plan are charged to the income statement in the year to which they relate.

ANNUAL FINANCIAL STATEMENTS 31 MARCH 2004

FINANCIAL AND FISCAL COMMISSION NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

	2004 R	2003 R
2. Capital contribution		
Value of assets acquired from National Treasury	<u>918 752</u>	<u>918 752</u>
3. Cash and cash equivalents		
Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:		
Cash on hand	500	500
Bank balance	<u>330 171</u>	<u>1 845 085</u>
	<u>330 671</u>	<u>1 845 585</u>
4. Accounts receivable		
Staff loans	<u>-</u>	<u>8 648</u>
5. Interest bearing borrowings		
Secured liabilities	1 359 879	1 418 744
Secured in terms of a finance leases over equipment having a book value of R1 313 715 (2003: R1 433 722). The interest rate is between 17% and 18% and the liability is repayable in quarterly installments of R265 029 (2003: R195 608) inclusive of interest.		
Payable within one year		
- Secured liability	<u>(906 310)</u>	<u>(561 895)</u>
	453 569	856 849
6. Accounts payable		
Trade creditors	595 267	96 527
Provident Fund contributions	-	57 469
Accruals	376 500	95 128
Provision for leave pay	<u>194 485</u>	<u>133 639</u>
	<u>1 166 252</u>	<u>382 763</u>
7. (Deficit)/Surplus		
<i>Net (deficit)/ surplus for the year has been arrived at after debiting:</i>		
Auditors remuneration	277 292	140 802
Professional services	601 239	558 626
Commissioners' expenses	296 795	384 116
Rentals in respect of operating leases:		
Office equipment	29 738	37 587
Depreciation:	1 094 047	650 153
Computer hardware	850 767	490 440
Computer software	126 899	82 946
Furniture, fittings and equipment	78 141	76 767
Motor vehicles	38 240	-
Staff costs	7 190 532	5 731 437

ANNUAL FINANCIAL STATEMENTS 31 MARCH 2004

FINANCIAL AND FISCAL COMMISSION NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004 (continued)

	2004 R	2003 R
Included in staff costs are:		
Provident Fund contribution	856 722	690 343
See note 15		
<i>And after crediting:</i>		
Interest received:		
Current account	145 882	201 969
Staff loans	-	1 796
	<u>145 882</u>	<u>203 765</u>

8. Cash (utilised in) / generated from operations

Reconciliation of (deficit) surplus to cash (utilised in) generated by operations:

Net Deficit for the year	(2 485 953)	888 904
Adjusted for:	1 303 192	635 181
Depreciation	1 094 047	650 153
Loss/(profit) on sale of plant and equipment	37 500	(37 500)
Interest received	(145 881)	(203 765)
Finance charges	317 526	226 293
(Deficit)/surplus before working capital changes	(1 182 761)	1 524 085
Working capital changes:	1 119 848	(21 796)
Increase/(decrease) in accounts payable and short term borrowings	1 127 904	(15 951)
(Increase) in accounts receivable	(8 056)	(5 845)
Cash (utilised in) generated from operations	<u>(62 913)</u>	<u>1 502 289</u>
Proceeds on sale of plant and equipment		
(Loss)/Profit on sale of plant and equipment	(37 500)	37 500
Carrying value of plant and equipment	-	-
	<u>(37 500)</u>	<u>37 500</u>

9. Financial instruments

Credit risk

Financial assets which potentially subject the Commission to concentrations of credit risk consist principally of cash and receivables. The Commission's cash equivalents are placed with high credit quality financial institutions. Receivables are of a sundry nature and the credit risk is therefore limited. Accordingly the Commission has no significant concentration of credit risk.

The carrying amounts of financial assets included in the balance sheet represent the Commission's exposure to credit risk in relation to these assets.

Interest rate risk

The Commission has cash and cash equivalents and is therefore exposed to interest rate fluctuations. Similarly interest payable on long and short term borrowings are at variable rates.

ANNUAL FINANCIAL STATEMENTS 31 MARCH 2004

FINANCIAL AND FISCAL COMMISSION NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004 (continued)

Fair values

At 31 March 2004 the carrying amounts of cash and cash equivalents, accounts payable and accounts receivable approximated their fair values due to the short term maturities of these assets and liabilities.

10. Operating income

Income comprises grants received from Government.

11. Interest received

This is interest on available funds held in current accounts with financial institutions.

12. Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

13. Deficit funds

The deficit of R2 485 953 has been partly financed by the accumulated surpluses arising from the previous years. The deficit is mainly due to an increase in research activities and non-cash items such as depreciation. The commission has not incurred any bank overdraft at the end of the 2004 financial year.

14. Commitments	2004 R	2003 R
Operating lease		
Future leasing charges for maintenance contract:		
Payable within one year	172 368	172 368
Payable within two to five years	57 456	229 824
Total	<u>227 824</u>	<u>402 192</u>

15. Retirement benefits information

During the year, the commission contributed to the Sage Provident Fund for all its employees. This constituted as a defined contribution fund governed by the Pensions Fund Act (Act 24, 1956, as amended). In terms of the rules of the fund, the group is committed to contribute 12.5% of pensionable emoluments towards the retirement fund and 3.5% of pensionable emoluments towards an accident compensation fund. An amount of R856 722 (2003: R690 343) was recognized as an expense during the year for contributions to the retirement fund.

ANNUAL FINANCIAL STATEMENTS 31 MARCH 2004

FINANCIAL AND FISCAL COMMISSION NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

16. Property, plant and equipment

	2004		Net book Value	2003		Net book Value
	Cost	Accumulated Depreciation		Cost	Accumulated Depreciation	
Owned Assets						
Computer equipment	1 432 659	1 432 658	1	1 432 659	1 366 412	66 247
Vehicles	255 493	103 067	152 426	265 496	64 827	200 669
Furniture, fixture and office equipment	1 193 176	828 855	364 321	1 008 113	750 716	257 397
Computer software	853 455	812 041	41 414	853 455	685 142	168 313
Leased Assets						
Computer equipment	2 444 305	1 130 590	1 313 715	1 779 792	346 070	1 433 722
	<u>6 179 088</u>	<u>4 307 211</u>	<u>1 871 877</u>	<u>5 339 515</u>	<u>3 213 167</u>	<u>2 126 348</u>

Movements during the year

	2004	2003
Additions		
Computer equipment	839 576	2 350 619
Vehicles	-	38 563
Furniture, fixture and office equipment	(10 003)	200 668
Computer software	185 066	82 880
Leased assets	-	248 716
Computer equipment	664 513	1 779 792
Depreciation	(1 094 047)	(650 153)
Totals	<u>(254 471)</u>	<u>(1 700 466)</u>

ANNUAL FINANCIAL STATEMENTS 31 MARCH 2004

FINANCIAL AND FISCAL COMMISSION SCHEDULE OF EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2004

	2004	2003
	R	R
Advertising	24 609	48 154
Auditor's Remuneration	277 292	140 802
Internal Auditor's fees	224 811	-
Bank charges	11 666	15 844
Commissioners' expenses	296 795	384 116
Computer maintenance	286 520	560 440
Courier expenses	73 600	48 292
Depreciation	1 094 047	650 153
Diginet lines rental	332 278	47 013
Provident Fund	(57 469)	-
General repairs and office maintenance	210 487	204 989
Interest paid	317 526	226 293
Loss on disposal of tangible assets	37 500	-
Meetings and conferences	420 726	377 764
Motor vehicle expenses	32 006	14 972
Postage, printing and stationery	603 765	403 584
Professional services	601 239	558 626
Research costs	1 381 451	756 952
RSC levies	21 852	14 629
Rental of office equipment	29 738	37 587
Staff costs	7 190 532	5 731 437
Sundry expenses	35 321	-
Skills development	382 494	83 126
Telephone and fax	357 055	294 664
Travel and accommodation	1 124 993	797 755
	<u>15 310 834</u>	<u>11 397 191</u>

ANNUAL FINANCIAL STATEMENTS 31 MARCH 2004

FINANCIAL AND FISCAL COMMISSION STATEMENT OF APPLICATION OF FOREIGN DONATIONS RECEIVED FOR THE YEAR ENDED 31 MARCH 2004

	2004 R	2003 R
Donations received		
Transfer of previous year donation from France Embassy	242 658	371 374
Utilised in:		
Consultants costs: David Solomon		(128 716)
Research assistants: Denver Kallis	(242 658)	
Unutilised donations received carried forward to next year	<u> -</u>	<u> 242 658</u>

LIST OF EVENTS AND MEETINGS FOR 2003-2004

29 April 2003	Meeting with Minister Trevor Manuel in Pretoria.
29 April 2003	Department of Education, Pretoria, Consultation on its Report on financing education in public schools.
29 April 2003 30 April 2003	Presentation of Annual Submission to Speaker, Cape Town: National Assembly and to chairperson of the National Council of Provinces (NCOP).
13-14 May 2003	Hearings on Property Tax Bill, Cape Town, Parliament.
14 May 2003	National Treasury's Report on Intergovernmental Fiscal Relations (IGFR) will be discussed by the NCOP. Cape Town. FFC delegation attended the event.
16 May 2003	FFC to discuss debt management of municipalities in South Africa with Nigerian delegation at the World Bank offices in Pretoria.
19 May 2003	Launch of FFC' Annual Submission, Cape Town.
12-20 May 2003	International Monetary Fund (IMF) visit to the FFC.
20 May 2003	Technical Committee on Finance (TCF) meeting, Pretoria.
26 May 2003	Officials from Bulgaria visited FFC in Cape Town.
26 May 2003	Officials from Indonesia visited the FFC.
27 May 2003	FFC presentation on Annual Submission to NCOP's Select Committee on Finance (SCOP) and Portfolio Committee on Finance (PCOF), Cape Town.
6 June 2003	FFC presentation on Annual Submission to Budget Council in Pretoria.
10 June 2003	Capital expenditure (Capex) seminar held at National Treasury, Pretoria.
11 June 2003	Barbara Hogan and a delegation from the Portfolio Committee on Finance (PCOF) visited the FFC at its Midrand offices.
17 June 2003	Presentation of FFC Recommendations to Free State Legislature Bloemfontein.
19 June 2003	Presentation of FFC Recommendations to North West Provincial Legislature.
19 June 2003	Second Reading debate: FFC Act Amendment Bill, National Assembly, CT.
20 June 2003	Presentation to KwaZulu-Natal (KZN) Provincial Legislature. Pietermaritzburg.
27 June 2003	Meeting with Mr. William Plowden, consultant, Poverty Reduction and Economic Management Unit, World Bank – review of the role of cabinet in the budget process in 5 African countries and to investigate how budget policies are made and implemented in these countries.
2-3 July 2003 15 July 2003	Participated with National Treasury on the review of changes to the Equitable Share. Met with National Treasury on 15 July to discuss recommendations for 2004.
8 July 2003	Launch of Census 2001. Agricultural Research Council, Pretoria.
14 July 2003	Meeting with Mr. Nene, Chairperson of the Joint Budget Committee. Parliament. Discussion on future relationship with FFC. Cape Town.
23 July 2003	National Treasury's review of the Local Government Equitable Share (LES) – Pretoria.
28, 29. 31st July 2003	Gauteng Legislature – public hearings on FFC Recommendations. 28th July– Auditorium, Gauteng Provincial Legislature. 29 July – Vaal, Sedibeng – Vereeniging City Hall. 31 July – Tshwane – Sammy Marks Library Hall, Pretoria.

ANNEXURE B

30 July 2003	TCF, National Treasury, Pretoria.
4 August 2003	Presentation of FFC Submission on Education to CEM, Bloemfontein.
5 August 2003	Budget Council, Pretoria.
5 August 2003	NCOP's Select Committee on Finance hearing on FFC Amendment Bill, Cape Town.
14 August 2003	South African Human Rights Commission (SAHRC) Seminar: First Decade of HR in South Africa- next ten decades. Johannesburg.
18 August 2003	Local Government Workshop held at National Treasury.
19 August 2003	FFC Amendment Bill – NCOP – Cape Town.
28 August 2003	Division of Revenue Workshop, National Treasury, Pretoria.
28-29 August 2003	Seminar on local government projects – fiscal capacity and the costing of municipal services.
29 August 2003	Staff workshop on the FFC's fraud prevention plan.
5-7th September 2003	Team Building exercise for all members of the staff. Orion Lodge, Rustenburg.
30 Sept 2003	Capex seminar at the University of Pretoria.
1 - 4 October 2003	Budget Lekgotla, Kleinmond. Western Cape Province.
6-7 October 2003	Workshop for Managers only on Labour Relations Act, Basic Conditions of Employment, Employment Equity Act, labour Laws in general, etc., latest developments to note-done by Cheadle, Thompson and Haysom, Midrand Offices.
21 October 2003	Meeting with Statistics South Africa, FFC Offices, Midrand.
3-7 November 2003	Two-day workshop, the SA Statistical Association conference, 3-7 November, Gauteng.
11 November 2003	Release of Medium Term Budget Policy Statement by National Treasury.
12-20 Nov 2003	MTBPS hearings in Parliament.
17, 18, 19 Nov 2003	University of Cape Town's Programme on Project Planning, Centurion. Staff training.
24 November 2003	Attended Meeting on 10 yrs of Democracy Celebrations CSIR, Pretoria.
27 November 2003	TCF Meeting.
28 November 2003	National Treasury workshop for FFC on the Public Finance Management Act and Treasury Regulations, FFC Midrand.
4-5 December 2003	Community Law Center, Municipal Finance Management Act Workshop. Cape Town.
29 January 2004	Budget Council, Pretoria.
6 February 2004	FFC Seminar on Health decentralization and Welfare Services. Presentation by Alex van den Heever and Goodwill Dithlage.
13 February 2004	The Chairperson attended the State of the Nation Address. Parliament, Cape Town.
18 February 2004	Budget Day, 2004. Budget tabled in Parliament.
19-27 February 04	Portfolio Committee on Finance/Budget Hearings in Parliament. FFC presented on the 20 February 2004, Cape Town.
25 February 2004	FFC presented to the Select Committee on Finance, NCOP, Cape Town.
25 Feb 04 – 3 Feb 04	NCOP – Select Committee on Finance Hearings at Parliament, Cape Town. FFC attended full schedule of hearings.

HR Statistics Report - 01 April 2003 to 31 March 2004

The following statistics are provided in terms of the Guide for the Preparation of Annual Reports published by the National Treasury for the year ended 31 March 2004. These statistics are also provided for the Oversight Report as required by Part III J3 of the Public Service Regulations, 2001.

Tables 1.1 and 1.2 - Personnel costs by programme and salary level 2003/04

Salary Levels	Total expenditure	Personnel expenditure	Non personnel expenditure	Professional and special service	Personnel cost as % of total expenditure	Average personnel cost per employee
Salary levels 1 - 2	0	0	0	0	0	0
Salary levels 3 - 5	1 296, 968	214, 189	1 082 779		1%	107,094
Salary levels 6 - 8	4 981, 416	530, 921	4 450,495		3%	48,266
Salary levels 9 - 12	5 130,723	3 214, 984	1 915,739		21%	292,271
Salary levels 13 - 16	3 901,727	3 320,439	587,663	601,239	22%	473,438
Total	15 310,834	7 190,532	8 036,677	601,239	48%	316,268

For the purposes of this report the Salary Levels column in the tables includes the following FFC job positions.

Salary Levels 13 - 16 (Professionals) Senior Management Service

Chair
Deputy Chair
Executive Manager: Commission Coordination
Manager: Budget Analysis
Manager: Parliamentary Office
Manager: Fiscal Policy Analysis
Chief Financial Officer

Salary Levels 9 - 12

Research Coordinators
Database Coordinator
Researchers
Research Assistant
Database Assistant
Office Coordinator

Salary Levels 6 - 8

Projects Administrator
Accounts Administrator
Administrative Secretary

Salary Levels 3 - 5

Receptionist
General Office Assistant

Salary Levels 1 - 2

No job positions

ANNEXURE C

The statistical information in these tables is relevant for the Chair and Deputy Chair (who were full-time Commissioners for the reporting period) in so far as their personnel costs to the FFC are applicable, all permanent staff of the secretariat and fixed-term contract staff employed during the period.

The statistical data does not include (unless specifically stated in the tables) costs and related information for part-time Commissioners, contracted service providers, consultants or technical advisors to the research programme.

Tables 1.3 and 1.4 - Overtime, Allowances and Benefits by programme and salary level, 2003/04

Salary Levels	Overtime		Allowances		Benefits	
	Amount	% of personnel cost	Amount	% of personnel cost	Amount	% of personnel cost
Salary levels 1 - 2	0	0	0	0	0	0
Salary levels 3 - 5	0	0	0	0	125,916	2%
Salary levels 6 - 8	0	0	0	0	101,743	1%
Salary levels 9 - 12	0	0	342,400	5%	351,935	5%
Salary levels 13 - 16	0	0	447,529	6%	226,687	3%
Total	0	0	789,929	11%	806,281	11%

Table 2.1 - Approved establishment by programme

Financial and Fiscal Commission	Approved Establishment		Medium-term establishment estimated		
	1 April 2002/3	31 March 2003/4	2004/5	2005/06	2006/07
TOTAL	22	22	24	29	33

Table 2.2 and 2.3 - Employment and vacancies by programme, salary band, 31 March 2004

Salary Levels	Establishment	Number of employees	Vacancy Rate	Additional to the establishment
Salary levels 1 - 2	0	0	0	0
Salary levels 3 - 5	2	2	0	0
Salary levels 6 - 8	3	3	0	0
Salary levels 9 - 12	11	10	9%	0
Salary levels 13 - 16	7	7	0	0
Programme Total	23	22	4.3%	0

Table 2.4 - Employment and vacancies by critical occupation

Due to the small number of staff and the nature of the work undertaken by the FFC, it was not appropriate to identify Critical Occupations. The statistical tables, therefore, do not include reports by Critical Occupation.

Table 3.1 - Job Evaluation, 1 April 2003 to 31 March 2004

The South African Public Service version of the EQUATE Job Evaluation system was implemented at the FFC in June 2003. All FFC job positions were evaluated and graded with the assistance of a DPSA Job Evaluation team.

This was the first implementation of the EQUATE system for the organisation, and as a result there were no upgraded or downgraded posts for the period. In some cases individual employee remuneration levels were adjusted in line with Public Sector pay scales for the grades. In other job positions it was found that existing remuneration levels exceeded the grade pay scale determined by the job evaluation exercise (see Tables 3.3 and 3.4 below)

Salary Levels	Establishment	Number of Jobs Evaluated	Posts Upgraded Number %	Posts downgraded Number %
Salary levels 1 - 2	0	0	N/A	N/A
Salary levels 3 - 5	2	2	N/A	N/A
Salary levels 6 - 8	3	3	N/A	N/A
Salary levels 9 - 12	11	11	N/A	N/A
Salary levels 13 - 14	7	7	N/A	N/A
Total	23	23	N/A	N/A

Table 3.2 - Profile of employees absorbed in an upgraded post, 01 April 2003 to 31 March 2004

As this was the first implementation of the EQUATE job evaluation system for the FFC there were no instances of employees absorbed in an upgraded post.

Table 3.3 - Remuneration levels that exceeded the grade determined by job evaluation, 01 April 2003 to 31 March 2004

Occupation	Number of employees	Job Evaluation Level	Remuneration Level	Reason for deviation
Office Coordinator	1	09	11	Post previously benchmarked against Private Sector rates
Projects Administrator	1	08	09	Post previously benchmarked against Private Sector rates
Accounts Administrator	1	08	09	Post previously benchmarked against Private Sector rates

Table 3.3 (continued)

Occupation	Number of employees	Job Evaluation Level	Remuneration Level	Reason for deviation
Administration Secretary	1	08	11	Post previously benchmarked against Private Sector rates
Receptionist	1	08	09	Post previously benchmarked against Private Sector rates
General Assistant	1	06	09	Post previously benchmarked against Private Sector rates
Total Number of employees whose remuneration exceeded the grade determined by job evaluation 2003 / 04			6	
Percentage of total employment			26%	

Table 3.4 - Profile of employees whose remuneration levels exceed the grade determined by job evaluation, 01 April 2003 to 31 March 2004

Beneficiaries	African	Asian	Coloured	White
Female	4	0	1	1
Male	0	0	0	0
Employees with disabilities	0			

Table 4.1 - Appointments, promotions and terminations, 01 April 2003 to 31 March 2004

	Employees 01 April 2003	Appointments and Transfers	Promotions	Terminations
African				
Male	7	3	1	
Female	5		1	
Asian				
Male	2			
Female	0			
Coloured				
Male	1			
Female	1		1	
White				
Male	1			
Female	3			1
Employees with disability	0			
Total for FFC	20	3	3	1

Table 4.2 - Annual turnover rates by salary bands

Salary Levels	Appointments and Transfers	Terminations and Transfers	Turnover rate
Salary levels 1 - 2	0	0	0%
Salary levels 3 - 5	0	0	0%
Salary levels 6 - 8	0	0	0%
Salary levels 9 - 12	3	1	9.1%
Salary levels 13 - 16	0	0	0%
Total	3	1	4.8%

The turnover rate was calculated by dividing the number of terminations for the period (1) by the average staff complement for the reporting period (21).

Table 4.3 - Annual turnover rated by critical occupation

See notes to table 2.4

Table 4.4 - Reasons why staff are leaving the FFC

Termination Type	Number
Death	
Resignation	1
Expiry of Contract	
Dismissal - organisational changes	
Dismissal - misconduct	
Dismissal - inefficiency	
Discharge due to ill-health	
Retirement	
Other	
Total	1

Tables 5.1 to 5.3 - Affirmative action, employees below SMS, SMS, target group, 2003 / 04

The FFC has reported progress on Affirmative Action Measures for the reporting period in the following areas:

- Implementation of a Training and Development Programme for the 2003/04 period which has included individual development, part-time educational assistance and team-based development interventions.
- A re-evaluation and updating of organisational Policies and Procedures (HR, Finance and Administration) to align organisational practice with legislative and regulatory compliance requirements.

- Implementation of the South African version of the EQUATE Job Evaluation and grading system.
- Alignment of FFC job positions with the remuneration scales of the Public Sector.
- The implementation of a strategic planning process to address the needs for career pathing and succession planning in the organisation.
- Research and the development of principles for the establishment of a skills retention strategy for the retention of research and support service resources.
- Re-evaluation of the FFC's Performance Management system in line with a structure and function matrix to achieve a broader scope for learning and movement within designated job posts.

With regard to numerical targets, the FFC has again been restricted by a low staff turnover rate for the reporting period. However, during the 2003/04 period the following promotions were implemented:

- The Executive PA was promoted to the post of Office Coordinator (Grade level 08 to 09)
- The Accounts Clerk was promoted to the post of Accounts Administrator (Grade level 07 to 08)
- The Financial Officer was promoted to the post of Chief Financial Officer (Grade level 10 to 13)

In addition the FFC has identified recruitment opportunities (in Finance (Grade level 6-8), Administration (Grade level 3-5) and Research (Grade Level 9 - 12) for the 2004 / 05 period for which the appointment of female resource has been targeted.

Table 6.1 - Performance Rewards, by race, gender and disability, 01 April 2003 to 31 March 2004

	Number of beneficiaries	Number of employees	% of total within group	Cost	Per capita cost
African					
Male	6	10	60%	154, 228.64	15, 422.86
Female	5	5	100%	60, 730.54	12, 146.10
Asian					
Male	1	2	50%	41, 412.05	20, 706.02
Female	0	0			
Coloured					
Male	1	1	100%	13, 952.72	13, 952.72
Female	1	1	100%	24, 596.48	24, 596.48
White					
Male	1	1	100%	40, 678.56	40, 678.56
Female	2	3	67%	47, 570.00	15, 856.66
TOTAL	17	23	74%	383, 168.99	16, 659.52

Table 6.2 - Performance Reward by salary level, 01 April 2003 to 31 March 2004

Salary Levels	Number of beneficiaries	Number of employees	% of total within group	Cost	Per capita cost
Salary levels 1 - 2	0	0			
Salary levels 3 - 5	2	2	100%	12, 496.73	6, 248.36
Salary levels 6 - 8	3	3	100%	38, 945.14	12, 981.71
Salary levels 9 - 12	7	11	64%	145, 305.41	13, 209.58
Salary levels 13 - 16	5	7	100%	186, 421.71	37, 284.34
Total	17	23	74%	383, 168.99	16, 659.52

Table 6.3 - Performance Reward by critical occupation, 01 April 2003 to 31 March 2004

See notes to Table 2.4

Table 7.1 - Foreign Workers, 01 April 2003 to 31 March 2004

Salary Levels	01 April 2003		31 March 2004		Change	
	Number	% of total	Number	% of total	Number	% of total
Salary levels 1 - 2	0	0	0	0	0	0
Salary levels 3 - 5	0	0	0	0	0	0
Salary levels 6 - 8	0	0	0	0	0	0
Salary levels 9 - 12	0	0	1	10%	1	10%
Salary levels 13 - 16	0	0	0	0	0	0
Senior Management Service	0	0	0	0	0	0
Total	0	0	1	4.5%	1	4.5%

Table 8.1 - Sick Leave, 01 April 2003 to 31 March 2004

Salary Levels	Total days	% certification	No. of employees using sick leave	% of total employees using sick leave	Average per employee	Estimated cost
Salary levels 1 - 2	N/A	N/A	N/A	N/A	N/A	N/A
Salary levels 3 - 5	13	10	2	8.7%	6.5	6, 399.28
Salary levels 6 - 8	19	13	3	13%	6.5	12, 175.23
Salary levels 9 - 12	21	8	5	21.7%	4.2	26, 082.04
Salary levels 13 - 16	39	24	6	26.1%	6.5	70, 670.02
Total	92	55	16	69.56%	5.75	115, 326.57

Table 8.2 - Disability leave (temporary and permanent), 01 April 2003 to 31 March 2004

Salary Levels	Total days	% certification	No. of employees using sick leave	% of total employees using sick leave	Average per employee	Estimated cost
Salary levels 1 - 2	N/A	N/A	N/A	N/A	N/A	N/A
Salary levels 3 - 5	0	0	0	0%	0	0
Salary levels 6 - 8	0	0	0	0%	0	0
Salary levels 9 - 12	0	0	0	0%	0	0
Salary levels 13 - 16	0	0	0	0%	0	0
Total	0	0	0	0%	0	0

Table 8.3 - Annual Leave, 01 April 2003 to 31 March 2004

Salary Levels	Total days taken	Number of employees in grade	Average per employee
Salary levels 1 - 2	N/A	N/A	N/A
Salary levels 3 - 5	34	2	17
Salary levels 6 - 8	73	3	24
Salary levels 9 - 12	150	11	14
Salary levels 13 - 16	133	7	19
Total	390	23	16.95

Table 9.1 - Collective Agreements, 01 April 2003 to 31 March 2004

Total Collective Agreements	None
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Table 9.2 - Misconduct and discipline

Outcomes of disciplinary hearings	Number	% of total
Verbal warning	0	0
Written warning	0	0
Final written warning	0	0
Not guilty	0	0
Case withdrawn	0	0
Dismissal	0	0
Total	Nil	Nil

Table 10.1 - Skill development by salary band, 01 April 2003 to 31 March 2004

Salary Levels	Training day equivalents	Average days per employee	Total expenditure	Average per employee
Salary levels 1 - 2	0	0	0	0
Salary levels 3 - 5	10	5	13,755	6,877
Salary levels 6 - 8	15	5	24,025	8,008
Salary levels 9 - 12	69	6.27	173,215	17,321
Salary levels 13 - 14	84	12	171,499	24,500
Total	178	7.73	382,494	16,630

Table 10.2 - Skill development by race, gender and disability, 01 April 2003 to 31 March 2004

	Training day equivalents	Average days per employee	Total expenditure	Average per employee
African				
Male	87	8.70	209,258	20,926
Female	28	5.60	55,855	11,171
Asian				
Male	20	10	36,752	18,376
Female	–	–	–	–
Coloured				
Male	4	4	4,145	4,145
Female	8	8	16,135	16,135
White				
Male	13	13	27,478	27,478
Female	18	6	32,871	10,957
TOTAL	178	7.73	382,494	16,630

Table 10.3 - Skill development by type of training, 01 April 2003 to 31 March 2004

Type of training	Number of beneficiaries	Training day equivalents	Average days per person	% of total	Total expenditure	Average per employee
Equity awareness	9	18	2	39%	13,794	1,532
Internal training	–	–	–	–	–	–
Formal training	3	7	2.3	13%	12,892	4,297
Computer training	2	4	2	9%	3,420	1,710
Management development	9	32	3.6	39%	75,430	8,383
Office-based training	4	6	1.5	17%	6,319	1,579
Policy-specific training	–	–	–	–	–	–
ABET	–	–	–	–	–	–
Other	23	111	4.85	100%	270,639	11,767
Total		178	7.73		382,494	16,630

Table 10.4 - Total expenditure on skills development by programme, 2003/04

Financial and Fiscal Commission	Approved Establishment			Medium-Term Expenditure estimates		
	Original Estimate	Actual Expenditure	Variance	2004/05	2005/06	2006/07
TOTAL	400,000	382,494	4%	420,000	450,000	470,000

Table 10.5 - Bursaries granted by salary level, 01 April 2003 to 31 March 2004

Salary Levels	Number of beneficiaries	Number of employees in salary band	% of total within group	Cost	Per capita cost
Salary levels 1 - 2	–	0	–	–	–
Salary levels 3 - 5	0	2	0%	0	0
Salary levels 6 - 8	0	3	0%	0	0
Salary levels 9 - 12	4	11	36%	36,569.21	3,324.47
Salary levels 13 - 16	1	7	14%	14,610.00	2,922.00
Total	5	23	22%	51,179.21	2,225.18

Table 11.1 - Injury on duty, 01 April 2003 to 31 March 2004

Nature of injury on duty	Number	% of total
Required basic medical attention only	0	0
Temporary total disablement	0	0
Permanent disablement	0	0
Fatal	0	0
Total	Nil	Nil

ANNEXURE C

REPUBLIC OF SOUTH AFRICA

**FINANCIAL AND FISCAL
COMMISSION
AMENDMENT ACT**

REPUBLIEK VAN SUID-AFRIKA

**WYSIGINGSWET OP DIE
FINANSIËLE EN FISKALE
KOMMISSIE**

No , 2003

- ation to the Commission's recommendation or advice contemplated in paragraph (b).
- (d) The organ of state assigning any power or function to another organ of state must indicate to the Commission, the organ of state to which a power or function is being assigned, the National Treasury and any other functionary responsible for authorising such assignment, the extent to which it has considered the Commission's recommendation or advice.
- (e) Despite paragraph (c), if the Commission does not make a recommendation or give advice within the period contemplated in paragraph (b), the relevant organ of state may, after consultation with the National Treasury, proceed to assign a power or function to another organ of state if such assignment takes into account the measures referred to in subsection (2A)(a)(i).
- (2B) An organ of state must notify the Commission or request the Commission to perform a function in the form prescribed by the Commission.
- (2C) If the Commission fails to comply with subsection (2A)(b), the Commission must submit written reasons for such failure to Parliament, and if appropriate, also to the relevant provincial legislature.
- (2D) Before requesting the recommendation or advice of the Commission, the organ of state seeking to assign the power or function must, in the case—
- (a) of a national organ of state, obtain the written approval of the National Treasury; or
 - (b) of a provincial organ of state, obtain the written approval of the provincial treasury.”; and
- (b) the substitution for subsection (5) of the following subsection:
- “(5) All organs of state], **when appropriate,** must assist the Commission to perform its functions effectively.”.

Substitution of section 5 of Act 99 of 1997

2. The following section is hereby substituted for section 5 of the principal Act:

- “**Composition** 30
5. (1) In terms of section 221(1) of the Constitution, the Commission consists of the following women and men appointed by the President:
- (a) A chairperson and a deputy chairperson;
 - (b) **[nine persons, each of whom is nominated by the Executive Council of a province, with each province nominating only one person after nominations have been invited in the provincial gazette and in at least two newspapers circulating in the province] three persons selected, after consulting the Premiers, from a list compiled in accordance with the process set out in subsection (2);** 35
 - (c) two persons **[nominated by] selected, after consulting** organised local government, **[in accordance with] from a list compiled in accordance with the process set out in section 5 of the Organised Local Government Act, 1997 (Act No. 52 of 1997); and** 40
 - (d) **[nine]** two other persons.
- (2) (a) Whenever there is a vacancy on the Commission in respect of the members contemplated in subsection (1)(b) the Minister, within 14 days of receiving the Commission's written notification of the vacancy, must notify each Premier accordingly and each Premier may nominate one person for appointment to the Commission. 45
- (b) The Minister must compile a list of the nominees and must circulate the list to each Premier. 50
 - (c) The Premiers must endeavor to reach consensus on a short-list of nominees, comprising at least one name more than the number of vacancies that must be filled.
 - (d) If the Premiers reach consensus on a short-list, that short-list is the list contemplated in subsection (1)(b). 55

(e) If the Premiers cannot reach consensus, the list of nominees circulated in terms of paragraph (b) must be regarded as being the list contemplated in subsection (1)(b).

(3) An appointment to any vacancy on the Commission must be made not later than 90 days from the date when such vacancy occurs.”

5

Amendment of section 11 of Act 99 of 1997

3. Section 11 of the principal Act is hereby amended by the substitution for subsection (4) of the following subsection:

“(4) The President must consult—

(a) the [Premier of a province] ~~Premiers~~ before removing from office a member [nominated by that province in terms of] ~~contemplated in~~ section [5(b)] 5(1)(b); or

10

(b) organised local government before removing from office a member [nominated in terms of] ~~contemplated in~~ section [5(c)] 5(1)(c).”

Amendment of section 24 of Act 99 of 1997

15

4. Section 24 of the principal Act is hereby amended by the substitution for paragraph (d) of the following paragraph:

“(d) within [three] ~~two~~ months after the end of each financial year, prepare annual financial statements [in accordance with generally accepted accounting practice] ~~as required by the Public Finance Management Act, 1999 (Act No. 1 of 1999)~~.”

20

Amendment of section 26 of Act 99 of 1997

5. Section 26 of the principal Act is hereby amended by the substitution in subsection (2) for paragraph (b) of the following paragraph:

“(b) audited financial statements reflecting the Commission’s financial affairs during the year, [consisting of at least—

25

(i) a balance sheet;

(ii) an income statement;

(iii) a cash flow statement; and

(iv) a report of the auditors]

30

~~as required by the Public Finance Management Act, 1999 (Act No. 1 of 1999)~~.”

Amendment of law

6. The law mentioned in the Schedule is hereby amended to the extent indicated in the third column of that Schedule.

35

Transitional arrangements

7. (1) Members of the Financial and Fiscal Commission contemplated in section 5 of the principal Act who held office immediately before the commencement of this Act continue to hold office until the expiry of their terms of office.

(2) Any member of the Financial and Fiscal Commission contemplated in section 5(1)(b) or (c) of the principal Act and who held office immediately before the commencement of this Act must be regarded as having been appointed in terms of section 5 of the principal Act as amended by this Act.

40

Short title

8. This Act is called the Financial and Fiscal Commission Amendment Act, 2003.

45

8

**SCHEDULE
AMENDMENT OF LAW**

(Section 6)

No and year of law	Short Title	Extend of amendment
Act No 52. of 1997	Organised Local Government Act, 1997	<p>The substitution of section 5 of the following section:</p> <p>"Nomination of persons to financial and Fiscal Commission</p> <p>5. (1) Whenever there is a vacancy on the Financial and Fiscal commission in respect of members contemplated in section 5(1) (c) of the Financial and Fiscal commission Act, 1997 (Act No. 99 of 1997), the Minister, within 14 days of receiving the Commission's notification of the vacancy, must notify the national organization to request each provincial organization to nominate one person in writing within 45 days to the national organization.</p> <p>(2) (a) If there is one vacancy, the executive committee of the national organization must compile a list consisting of no more than four nominees from the nominees contemplated in subsection (1).</p> <p>(b) If there are two vacancy, the executive committee of the national organization must compile a list consisting of no more than six nominees from the nominees contemplated in subsection (1).</p> <p>(3) The executive committee of the national organization must submit the list to the Minister of Finance within 76 days after receiving notification from the Minister about the vacancy"</p>

REPUBLIC OF SOUTH AFRICA

**FINANCIAL AND FISCAL
COMMISSION ACT**

REPUBLIEK VAN SUID-AFRIKA

**WET OP DIE FINANSIËLE EN
FISKALE KOMMISSIE**

No , 1997

ACT

To give effect to the constitutional requirements relating to the Financial and Fiscal Commission; and to provide for matters in connection therewith.

BE IT ENACTED by the Parliament of the Republic of South Africa, as follows:—

ARRANGEMENT OF SECTIONS

1. Definitions

Part 1

5

Status, functions and powers of Commission

- 2. Status
- 3. Functions
- 4. Powers

Part 2

10

Membership of Commission

- 5. Composition
- 6. Chairpersons
- 7. Qualifications
- 8. Terms of office
- 9. Remuneration, allowances and benefits
- 10. Resignations
- 11. Removal from office
- 12. Vacancies
- 13. Acting Chairperson

15

20

Part 3

Operating procedure of Commission

- 14. Meetings
- 15. Quorums
- 16. Rules of procedure
- 17. Committees
- 18. Assignment of powers and duties

25

Part 4

Administration and staff matters

- 19. Administrative responsibilities of Chairperson
- 20. Terms and conditions of employment
- 21. Pension benefits
- 22. Services of non-employees

30

	4	
	<i>Part 5</i>	
	<i>Finances of Commission</i>	
23. Funding		
24. Accountability		
25. Audits		5
	<i>Part 6</i>	
	<i>Miscellaneous</i>	
26. Annual report		
27. Information required by Commission		
28. Liability of Commission		10
29. Protection of confidential information		
30. Regulations		
	<i>Part 7</i>	
	<i>Transitional arrangements</i>	
31. Definitions		15
32. Members of previous Commission		
33. Transfer of assets, liabilities, staff, etc.		
34. Financial and administrative records		
35. Short title and commencement		
Definitions		20
1. In this Act, unless the context indicates otherwise—		
“ Commission ” means the Financial and Fiscal Commission referred to in section 2;		
“ employee ”, except in sections 20(1), 21 and 33, includes a member of the public service seconded to the Commission;		25
“ financial year ” means the financial year of the Commission, which is the same as that of state departments;		
“ Minister ” means the Minister of Finance;		
“ organ of state ” means the same as in section 239 of the Constitution;		
“ President ” means the President acting as head of the national executive in terms of section 85 of the Constitution;		30
“ state department ” means a department, administration or office listed in Schedule 1 or 2 of the Public Service Act, 1994 (Proclamation No. 103 of 1994);		
“ this Act ” includes any regulations made in terms of section 30.		
	PART 1	35
	STATUS, FUNCTIONS AND POWERS OF COMMISSION	
Status		
2. The Financial and Fiscal Commission established by section 220 of the Constitution is a juristic person, independent and subject only to the Constitution, this Act and the law.		40
Functions		
3. (1) The Commission acts as a consultative body for, and makes recommendations and gives advice to, organs of state in the national, provincial and local spheres of government on financial and fiscal matters.		45
(2) The Commission—		
(a) must perform the functions mentioned in subsection (1) to the extent that its performance of those functions are envisaged in the Constitution or required by national legislation; and		

- (b) may perform those functions—
 (i) on its own initiative; or
 (ii) on request of an organ of state. 5
- (3) The Commission must be impartial.
- (4) No person or organ of state may interfere with the functioning of the Commission.
- (5) All organs of state, when appropriate, must assist the Commission to perform its functions effectively.
- (6) The Commission must submit for tabling copies of all its recommendations made in terms of a provision of the Constitution to both Houses of Parliament and to the provincial legislatures. 10
- Powers**
4. (1) The Commission may do all that is necessary or expedient to perform its functions effectively, which includes the power to— 15
- (a) determine its own staff establishment and appoint employees in posts on the staff establishment;
- (b) obtain the services of any person, including any organ of state or institution to perform any specific act or function;
- (c) confer with any person or organ of state; 20
- (d) acquire or dispose of any right in or to property, but ownership in immovable property may be acquired or disposed of only with the consent of the Minister;
- (e) open, and operate on, its own bank accounts;
- (f) insure itself against any loss, damage, risk or liability;
- (g) perform legal acts, or institute or defend any legal action in its own name; 25
- (h) do research and publish reports; and
- (i) do anything that is incidental to the exercise of any of its powers.
- (2) The Commission may not borrow money or overdraw its bank accounts.

PART 2

MEMBERSHIP OF COMMISSION

Composition

5. In terms of section 221(1) of the Constitution, the Commission consists of the following women and men appointed by the President: 30
- (a) A chairperson and a deputy chairperson;
- (b) nine persons, each of whom is nominated by the Executive Council of a province, with each province nominating only one person after nominations have been invited in the provincial gazette and in at least two newspapers circulating in the province; 35
- (c) two persons nominated by organised local government in accordance with the Organised Local Government Act, 1997; and
- (d) nine other persons.

Chairpersons 40

6. The Chairperson and Deputy Chairperson of the Commission are appointed in terms of section 221(1)(a) of the Constitution.

Qualifications

7. A member of the Commission must have appropriate expertise.

Terms of office 45

8. (1) The members of the Commission must be appointed for a term not exceeding five years.

(2) A member may be reappointed when that member's term expires.

Remuneration, allowances and benefits

- 9.** (1) The remuneration, allowances and other benefits of members of the Commission must be determined by the President, taking into account—
- (a) the recommendations of the Minister; 5
 - (b) the remuneration, allowances and other benefits of members of other commissions established by the Constitution;
 - (c) the role, duties and responsibilities of a member of the Commission;
 - (d) affordability in relation to the responsibilities of the Commission;
 - (e) the level of expertise and experience required of a member of the Commission; and 10
 - (f) any relevant recommendations of the independent commission referred to in section 219(2) of the Constitution.
- (2) The remuneration of a member may not be reduced during the term of the member.

Resignations 15

10. A member of the Commission may resign by giving at least three months' written notice to the President, but the President may accept a shorter notice period in a specific case.

Removal from office

- 11.** (1) The President may remove a member of the Commission from office, but only on the ground of misconduct, incapacity or incompetence. 20
- (2) A decision to remove a member on the ground of misconduct or incompetence must be based on a finding to that effect by a tribunal appointed by the President.
- (3) The President may suspend a member of the Commission from office while awaiting the finding of the tribunal concerning that member. 25
- (4) The President must consult—
- (a) the Premier of a province before removing from office a member nominated by that province in terms of section 5(b); or
 - (b) organised local government before removing from office a member nominated in terms of section 5(c). 30

Vacancies

12. As soon as practical after a vacancy has occurred in the Commission, the President must appoint another person in accordance with section 5 to fill the vacancy.

Acting Chairperson

13. If the Chairperson of the Commission is absent from office or otherwise unable to perform the functions of office, or during a vacancy in the office of Chairperson, the Deputy Chairperson acts as Chairperson. 35

PART 3

OPERATING PROCEDURE OF COMMISSION

Meetings 40

- 14.** (1) The Commission decides when and where it meets, or may authorise the Chairperson to decide on its behalf.
- (2) At least four meetings must be held each year.
- (3) The Chairperson or the Deputy Chairperson presides at meetings of the Commission, but if both are absent from a meeting, the members present must elect another member to preside at that meeting. 45

(4) A member who has a personal or financial interest in any matter before the Commission, must disclose that interest and withdraw from the proceedings of the Commission when that matter is considered.

Quorums

15. (1) The majority of the members of the Commission constitutes a quorum for a meeting of the Commission. 5

(2) A question before the Commission is decided with a supporting vote of at least two thirds of the members present.

Rules of procedure

16. The Commission must— 10

- (a) determine rules of procedure for the conduct of its business; and
- (b) keep minutes of its proceedings and decisions.

Committees

17. (1) The Commission may— 15

- (a) appoint one or more committees to assist the Commission in the performance of any of its functions or the exercise of any of its powers; or
- (b) dissolve a committee at any time.

(2) A committee consists of—

- (a) two or more Commission members; or 20
- (b) at least one Commission member and at least one other person.

(3) The Commission—

- (a) must determine the functions of a committee;
- (b) must appoint the chairperson and members of a committee, but only a Commission member may be appointed as the chairperson; 25
- (c) may dismiss a member of a committee at any time;
- (d) may determine a committee's procedure; and
- (e) must determine, after consulting the Minister, the remuneration, allowances and other benefits of office of members of a committee who are not Commission members or employees. 30

Assignment of powers and duties

18. (1) The Commission may—

- (a) delegate any of the Commission's powers to a Commission member, committee or employee; or
- (b) instruct any Commission member, committee or employee to perform any of the Commission's duties. 35

(2) A delegation or instruction in terms of subsection (1)—

- (a) is subject to any conditions the Commission may impose; and
- (b) does not divest the Commission of the responsibility concerning the exercise of the power or the performance of the duty. 40

(3) The Commission may confirm, vary or revoke any decision taken by a Commission member, committee or employee in consequence of a delegation or instruction. 40

PART 4

ADMINISTRATION AND STAFF MATTERS

Administrative responsibilities of Chairperson 45

19. (1) The Chairperson of the Commission is the chief-executive officer and also the accounting officer of the Commission.

(2) As chief-executive officer the Chairperson is responsible for—

- (a) the formation and development of an efficient administration;
- (b) the organisation, control and management of the staff; 50
- (c) the maintenance of discipline; and

- (d) the carrying out of the decisions of the Commission.
- (3) As accounting officer the Chairperson is responsible for—
- (a) all income and expenditure of the Commission;
 - (b) all assets and the discharge of all liabilities of the Commission; and
 - (c) the proper and diligent implementation of Part 5.
- 5

Terms and conditions of employment

20. (1) An employee of the Commission is employed subject to the terms and conditions of employment determined by the Commission.
- (2) Persons in the public service seconded to the Commission perform their duties subject to the control and discipline of the Chairperson of the Commission.
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Pension benefits

21. (1) A person appointed as an employee of the Commission may become a member of the Government Employees' Pension Fund mentioned in section 2 of the Government Employees' Pension Law, 1996 (Proclamation No. 21 of 1996).
- (2) An employee of the Commission who becomes a member of that pension fund, is entitled to pension and retirement benefits as if that person is an official in the public service.
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Services of non-employees

22. If the Commission contracts for the services of any person, other than an employee, to perform any specific act or function, the Commission may remunerate that person, and may reimburse that person for expenses.
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PART 5

FINANCES OF COMMISSION

Funding

23. (1) The Commission is entitled to money appropriated annually by Parliament to enable it to perform its functions effectively.
- (2) For the purposes of subsection (1) the Chairperson of the Commission—
- (a) must submit to the Minister during each financial year, but before a date set by the Minister, estimates of the Commission's income and expenditure for the next financial year; and
 - (b) may submit to the Minister at any time during a financial year estimates of the Commission's income and expenditure supplementary to those mentioned in paragraph (a).
- (3) When submitting estimates the Chairperson must disclose full particulars of any income which has accrued, or is expected to accrue, to the Commission from a source other than an appropriation by Parliament.
- (4) The Commission must refund to the National Revenue Fund any money paid to the Commission in terms of subsection (1) that has not been used at the end of a financial year, unless the Minister agrees that the Commission may retain the money.
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Accountability

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24. As accounting officer of the Commission, the Chairperson must—
- (a) keep full and proper records of—
 - (i) all income and expenditure of the Commission; and
 - (ii) all the Commission's assets, liabilities and financial transactions;
 - (b) ensure that the Commission's available resources are properly safeguarded and used in the most efficient and effective way;
 - (c) ensure that all statutory measures applicable to the Commission are complied with; and
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- (d) within three months after the end of each financial year, prepare annual financial statements in accordance with generally accepted accounting practice.

Audits

25. The Auditor-General must audit the accounts and financial records of the Commission.

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PART 6

MISCELLANEOUS

Annual Report

26. (1) The Commission must annually submit to both Houses of Parliament, to each provincial legislature and to the national organisation representing organised local government recognised in terms of the Organised Local Government Act, 1997, a report on the activities of the Commission during a financial year.

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- (2) The report must be submitted within six months after the end of the financial year to which it relates, and must include—

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- (a) a summary of all recommendations made by the Commission in terms of a requirement of the Constitution; and
(b) audited financial statements reflecting the Commission's financial affairs during the year, consisting of at least—
- (i) a balance sheet;
(ii) an income statement;
(iii) a cash flow statement; and
(iv) a report of the auditors.

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Information required by Commission

27. (1) The Commission may obtain information it requires for the performance of its functions from the Central Statistical Service.

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- (2) Any information which the Commission requires for the performance of its functions and which is available to an organ of state or to any institution that derives any funds from the National Revenue Fund, a Provincial Revenue Fund or a municipality, must be supplied free of charge to the Commission, on the Commission's request, by that organ of state or institution.

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Liability of Commission

28. (1) The State Liability Act, 1957 (Act No. 20 of 1957), applies, with the necessary changes, in respect of the Commission, and in such application a reference in that Act to the Minister of a department concerned must be construed as a reference to the Chairperson of the Commission.

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- (2) No person, including the Commission, is liable for anything done or omitted in good faith when performing a function or exercising a power in terms of this Act.

Protection of confidential information

29. (1) No person may disclose any information acquired on a confidential basis in the course of the application of this Act, except when—

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- (a) necessary for the purposes of this Act;
(b) required in terms of other legislation or the law;
(c) required in the course of legal proceedings; or
(d) a court so orders.

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- (2) A person who contravenes subsection (1) is guilty of an offence and on conviction liable to a fine or to imprisonment not exceeding one year or to a fine and imprisonment.

Regulations

30. The Minister, with the concurrence of the Commission, may make regulations, not inconsistent with this Act or any other Act of Parliament, prescribing procedures to facilitate the performance by the Commission of its functions.

PART 7

5

TRANSITIONAL ARRANGEMENTS**Definitions**

31. In this Part—

- “**new Commission**” means the Commission referred to in section 2;
- “**previous Commission**” means the Financial and Fiscal Commission established by section 198 of the previous Constitution; 10
- “**previous Constitution**” means the Constitution of the Republic of South Africa, 1993 (Act No. 200 of 1993).

Members of previous Commission

32. (1) A person who held office in the previous Commission immediately before this Act took effect— 15

- (a) as the Chairperson or Deputy Chairperson, is regarded as having been appointed as the Chairperson or the Deputy Chairperson of the new Commission in terms of section 5(a) of this Act;
- (b) as a member designated by a provincial Executive Council in terms of section 200(1)(b) of the previous Constitution, is regarded as having been nominated by that Council and appointed to the new Commission in terms of section 5(b) of this Act; and 20
- (c) as a member appointed in terms of section 200(1)(c) of the previous Constitution, is regarded as having been appointed to the new Commission in terms of section 5(d) of this Act. 25

(2) The Chairperson and Deputy Chairperson are regarded as having been appointed to the new Commission for a term of five years as from the date this Act took effect.

(3) The members referred to in subsection (1)(b) and (c) are regarded as having been appointed to the new Commission for a term of four years as from the date this Act took effect. 30

Transfer of assets, liabilities, staff, etc.

33. When this Act takes effect—

- (a) all assets, liabilities, rights and obligations of the previous Commission are vested in the new Commission; 35
- (b) an employee of the previous Commission becomes an employee of the new Commission—
 - (i) subject to the terms and conditions of employment that were applicable to that person as an employee of the previous Commission, until altered in terms of section 20; and 40
 - (ii) with retention of all accrued pensionable service, leave and other benefits; and
- (c) anything done by or on behalf of the previous Commission is regarded as having been done by or on behalf of the new Commission.

Financial and administrative records

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34. The new Commission is entitled to all financial, administrative and other records of the previous Commission.

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Short title and commencement

35. This Act is called the Financial and Fiscal commission Act, 1997 and takes effect 1 January 1998.