

Annual Report

2004 - 2005



FINANCIAL AND FISCAL
COMMISSION

ANNUAL REPORT

2004 - 2005

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This Report marks the conclusion of ten years of the existence of the Commission which was established in terms of the provisions of the Constitution of the Republic of South Africa. It is also submitted to Parliament at the closure of ten years of democracy in South Africa.



To celebrate the tenth anniversary of the Commission, a conference on intergovernmental fiscal relations was convened on the 10 - 12 August 2005, in Cape Town. The conference was a huge success and was attended by delegates from all three spheres of government in South Africa, interested professionals, local and international academics from South Africa, Mexico, India, Canada, Nigeria, and Tanzania. The conference demonstrated the paramount vantage point in the democratic system that the Commission occupies as a leading authority with respect to debates and perspectives relating to intergovernmental fiscal relations in South Africa.

As we enter the second decade of democracy, and notwithstanding the progress made thus far with respect to the delivery of services, some of the IGFR challenges of the previous decade continue to remain with us. There is a need to address persistent trends in overspending and under-spending by government and in particular, the provincial governments. The budget for 2004/05 also points to the decreases in budgetary allocations for health and education in provinces, a worrying sign of under-provision for these critical services. This is further exacerbated by the trend in some provinces to cut back on allocations for social welfare services with the exception of Kwa-Zulu Natal that increases its allocations to social welfare by approximately 25 per cent. There was approximately R1.8bn of under-spending in capital expenditure for the 2004/05 financial-year. Local government's provision of basic services remains a critical factor for advancing the quality of life for previously disadvantaged communities. The persistent trend in under-spending certainly poses certain risks for the allocative efficiency of the IGFR system as a whole and requires the urgent attention of government and Parliament during 2005/06 fiscal year. It must be reversed if the credibility and integrity of the system, its mechanisms and processes, the modernization and advancements thus far achieved, are to be maintained.

This challenge is also part of the demands placed on the Commission for in-depth and extensive research on these trends in order to provide recommendations and proposals to Parliament and government in 2005/06. To meet these demands the Commission has undertaken a programme to restructure its operations and expand its skill and human resource base. Our continued interaction with stakeholders will not only be critical but also important in generating additional fiscal issues for deliberation by the Commission.

In putting my signature to this report, as Chairperson and CEO, I do so confidently that this Annual Report attests to our application of public resources in a manner that is consistent with the requirements of the Public Finance Management Act. The Auditor-General's Report and financial statements as provided in the Annexure A not only demonstrates this outcome but also rewards the Commission with an unqualified audit. This would also not be possible were it not for the maintenance of the highest standards of integrity and accountability of the Commissioners and members of the staff.

I would like to thank all those who served on the Commission over the last year for their valuable contribution to the work of the FFC. I wish the Commission all the success in their future activities to ensure the further enhancement and improvement of the intergovernmental fiscal relations system in South Africa.

Central to the ongoing work and daily activities of the Commission is the unwavering support and commitment of the staff of the FFC. In presenting this Report I wish to thank the staff for making my short stay an interesting and enriching experience. So too do I extend my gratitude and appreciation to the various stakeholders especially Parliament's Joint Budget, Portfolio and Select Committees on Finance, the Provincial Legislatures' Standing Committees on Finance, National Treasury, the various national departments and organized local government (SALGA).

A handwritten signature in black ink, appearing to read 'Renosi Mokate'.

**DR RENOSI MOKATE
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** 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 1.1.3 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

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

- The chairperson and deputy chairperson, namely Dr. Renosi Mokate and Jaya Josie, respectively;
- Three persons appointed from a list of nominations agreed upon by the premiers of the provinces (Tania Ajam, Martin Kuscus and Risenga Maluleke);
- Two persons appointed from a list of nominations compiled by the South African Local Government (Kamalasen Chetty and Blake Mosely-Lefatola);
- Two other persons (Gugu Moloi and Prof Antony Melck).

1.4 Members of the Commission during the reporting period



Dr Renosi Mokate is the Chairperson of the Financial and Fiscal Commission. She is currently Executive Director of her own company, Mandisis Consulting cc, Honorary Professor at the University of Pretoria and Chairperson of Umgeni Water. She is a national nominee and her current term of office ends on 30 June 2009.



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.



Tania Ajam is a public finance economist and currently lectures in the School of Economics, University of Cape Town and is Director of AFReC (UCT), the academic partner organisation of Applied Fiscal Research Centre (Pty) Ltd where she holds the position of Senior Specialist. Tania serves on the Financial and Fiscal Commission as a provincial nominee and her term of office ends on 30 June 2009.



Antony Melck is a professor in economics and was previously Principal and Vice-Chancellor at the University of South Africa (UNISA). Prof Melck served as the first deputy chairperson of the Financial and Fiscal Commission. He is currently advisor to the Rector of the University of Pretoria. He has also been appointed, as a national nominee, for a second term as member of the Financial and Fiscal Commission. His current term of office will end on 31 December 2007.



Gugu Molo is currently the CEO of Umgeni Water. She also serves as a non-executive director on the Board of the First Rand Group. She is a member of the University of KwaZulu - Natal Council. She is a national nominee and her current term of office ends on 30 June 2009.



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. He is a nominee of SALGA and serves on the Commission until 31 December 2007.



Blake Mosley-Lefatola is a specialist qualifying in African Political Studies and Industrial Sociology at the University of Witwatersrand in 1986. He is currently the Municipal Manager of Tshwane Municipality. He is a nominee of SALGA and serves on the Commission until 30 June 2009.



Martin Kuscus graduated from the University of South Africa in 1992. He is currently completing his MBA. Mr. Kuscus served as MEC for Finance in the North West Provincial Government for ten years, from 1994 until April 2004. He was appointed as Chief Executive Officer of the South African Bureau of Standards in June 2004. He is a provincial nominee and his term of office ends on 30 June 2009.



Risenga Maluleke graduated from the University of the North in 1991. Since December 2001 he has been working at Stats SA as an Executive Manager in the office of the Statistician-General, where he provides strategic support to the Statistician-General and the Executive Management Team. He is also current chairperson of the Advisory Board for Statistics in Africa. He is a provincial nominee and his term of office ends on the 30 June 2009.

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 2004/05 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 2005.

Members of the newly constituted Audit Committee are Martin Kuscus (Chairperson), Antony Melck, Tania Ajam and Mr Jerry Sithole (non-commissioner).

1.5.2 Remuneration and Performance Review Committee (RPRC)

The Terms of Reference for the Remuneration Committee was finalised during 2003. The terms of reference was reviewed to include performance reviews of work of the Commission. The committee's name was changed to the Remuneration and Performance Review Committee. This Committee strengthens corporate governance in the Commission with respect to the remuneration of managers and executives and their performance. During the period under review, the Committee was consulted with regard to proposed annual increases in salaries for SMS staff, HR and skill retention strategies and the remuneration packages of the Chairperson and the Deputy Chairperson.

Members of the Committee are Blake K. Mosely-Lefatola (Chairperson), Gugu Moloi and Risenga B. Maluleke and Kamalasen Chetty.

1.5.3 The IGFR Conference / 10th Anniversary Committee

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

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

The 10th Anniversary was successfully convened between 10 - 12 August 2004, in Cape Town. The various inputs from the conference and the conference report can be accessed on the FFC's website.

1.5.3 Task Teams for the Research and Recommendations Programme

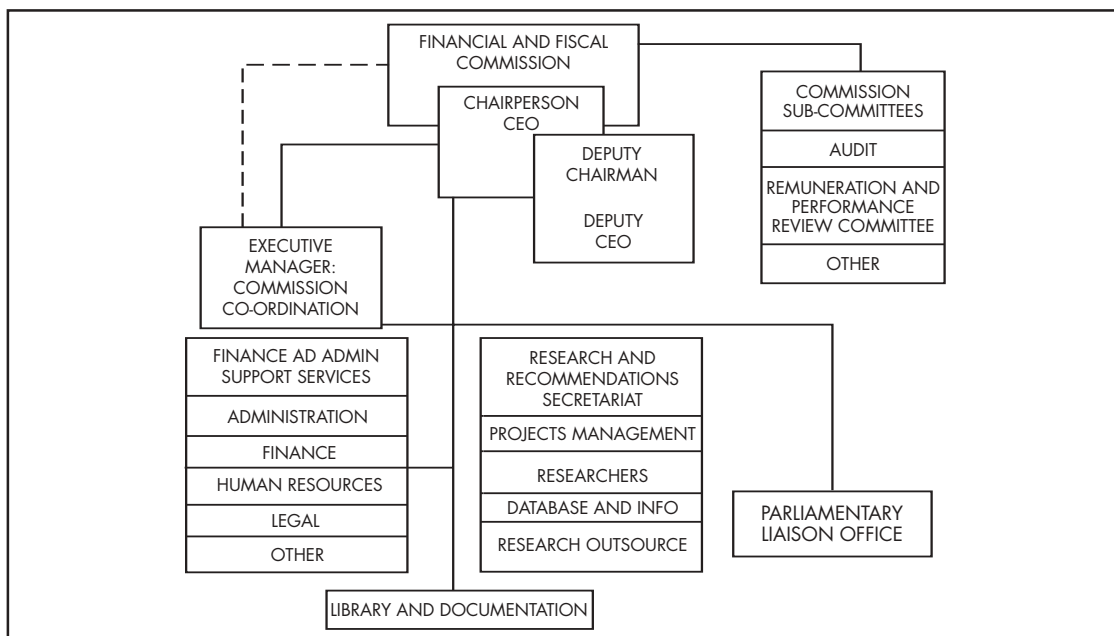
During 2004, several task teams were established to guide the work of the various research projects. The members of each team were as follows:

Fiscal Policy: Jaya Josie, Kam Chetty, Gugu Moloi, Blake Mosley-Lefatola
 Infrastructure: Jaya Josie, Gugu Moloi, Risenga Maluleke, Blake Mosley-Lefatola
 Budget Analysis: Renosi Mokate, Gugu Moloi, Kam Chetty, Tanja Ajam, Antony Melck
 Data & Information: Risenga Maluleke

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 2004/05.

Dr. Renosi Mokate	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	Chief Financial Officer
Conrad van Gass	Manager: Budget Analysis
Bongani Khumalo	Manager: Fiscal Policy
Hildegard Fast	Manager: Parliamentary Office & Local Government Research
Vincent Makinta	Co-ordinator: Database
Rathipe Nthite	Research Co-ordinator: Infrastructure Finance
Goodwill Dithlage	Researcher: Fiscal Policy
Nomonde Madubula	Assistant Researcher: Fiscal Policy
Phillemon Mathane	Researcher Co-ordinator: Fiscal Policy
Hammed Amusa	Researcher: Fiscal Policy
Jeffrey Mashele	Researcher: Budget Analysis
Robert Mabunda	Researcher: Data and Information
Denver Kallis	Researcher: Local Government Research Program
Annaleeze Prosee	Projects Administrator
Lyn Desai	Office Administrator
Kim Biko	Administrative Secretary (Cape Town office)
Deliswa Schoeman	Accounts Officer
Cordia Dube	Administration Assistant (Accounts)
Annah Mosiane	Receptionist
Elizabeth Frazer	Receptionist & General Assistant (Cape Town office)
Kate Tshabalala	General Assistant



1.6.1 Structure of the Secretariat as at 31 March 2005

1.6.2 The Executive Committee

The Executive Committee meets on a monthly basis to deal with all matters requiring decisions at the executive level. The Committee is comprised of the Chairperson (Dr. Renosi Mokate), the Deputy Chairperson (Jaya Josie), the Executive Manager (Myron Peter) and the Chief Financial Officer (Mavuso Vokwana).

1.6.3 Management Committee

The Management Committee (Mancom) was established to manage and implement the Commission's overall strategic objectives and operational activities. During 2004/05, the Mancom agenda was restructured to focus attention on strategic tasks rather than routine operational matters. Members of Mancom are Dr. Renosi Mokate (Chairperson), Jaya Josie (Deputy Chairperson), Myron Peter, Mavuso Vokwana, Bongani Khumalo, Vincent Makinta and Conrad van Gass. Other staff/persons attend the Mancom meetings by invitation.

1.6.3 Non-permanent Committees

Certain ad-hoc committees are established from time to time to deal with matters relating to in-year tasks such as the committee for the 10th Anniversary of the FFC, relocation of offices, etc. Members of the staff and the executive serve on these committees.

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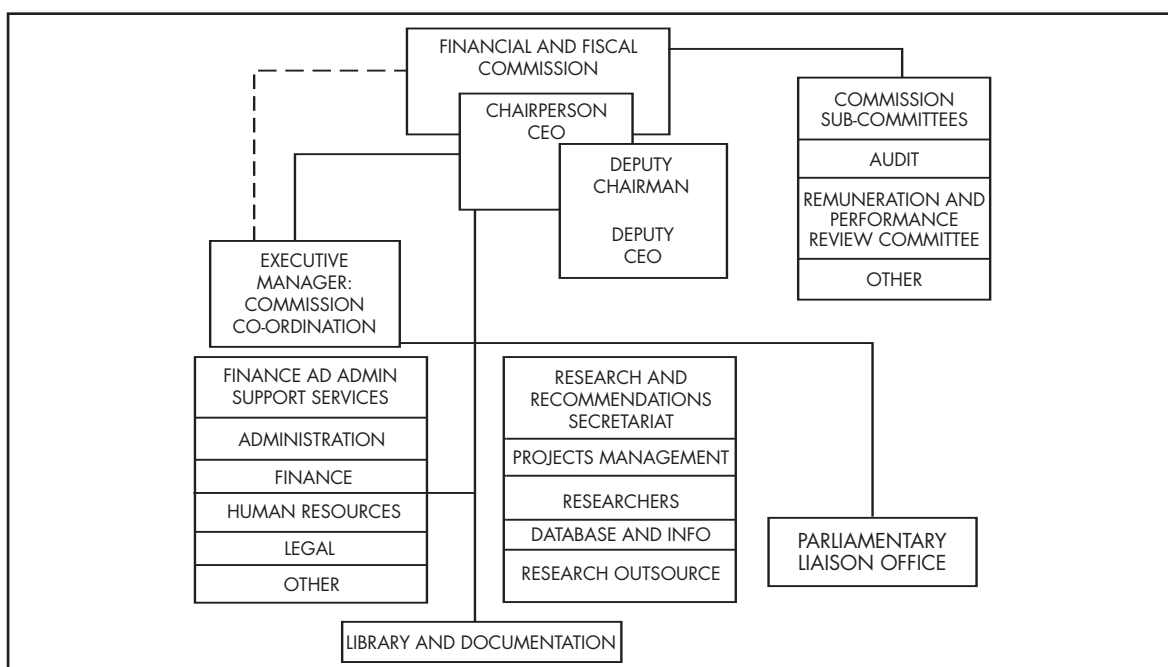
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PERFORMANCE OF THE COMMISSION IN 2004-2005

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 and implement a strategic plan.

The following are four key legal mandates of the Commission for this fiscal year 2004-2005. 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.	<p>The FFC Submission, for the Division of Revenue 2006/2007, was tabled to Chairperson of the NCOP and Speaker of the National Assembly on the 29 April 2005. Subsequently, the submission was tabled to the Speakers of Provincial Legislatures, and SALGA.</p> <p>The FFC also submitted its annual submission to the Minister of Finance.</p> <p>The following Supplementary Submissions were also made:</p> <ul style="list-style-type: none"> • The Equitable Sharing of Infrastructure Finance using a Capital Grant Scheme Model with Provincial Disabilities • The Financing of Social Welfare Services
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 submitted to the Minister of Finance & National Treasury during the same month.

OBJECTIVE	INDICATOR	OUTPUT/OUTCOMES	PERFORMANCE
<p>C. To respond to requests from stakeholders, other policy issues, and to fulfill the FFC's 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.</p>	<p>Number of stakeholder requests, policy issues, and legislative obligations responded to as per the mandates of the FFC provided for in the relevant legislation.</p>	<p>Number of written submissions made to stakeholders and to Parliament.</p>	<p>The FFC responded to ten requests from stakeholders, viz, comment on</p> <ul style="list-style-type: none"> • NCOP's interim report on Provincial Conditional Grants February 2005 • On the use of the education component in the provincial equitable share formula to allocate the hiv/aids (life skills education) grant to provinces – September 2004 • Comment on National Treasury's Local Government Equitable Share Proposals July 2004 • The financing of primary health care and environmental health services in SA – August 2004 • The draft amendments to the National Norms and Standards for School Funding – February 2005 • The Intergovernmental Relations Framework Bill, February 2005 • Further comment on the draft Policy Framework for the Assignment of Powers and Functions to the Local Government Sphere – April 2005 • The White Paper on Municipal Service Partnerships – April 2005
<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 2004/05 to Parliament and the relevant legislatures – the report would be submitted to Parliament at the end of August 2005. The Annual Report and Audited Financial Statements 2003/04 were submitted to Parliament on the 1 September 2004. Financial statements were submitted to the Accountant-General, National Treasury, on the 31 May 2005 i.t.o. Section c (ii) of the PFMA.</p>

2.2 Quality assurance

The Commission has placed a great emphasis on quality and a rigorous approach to its work. 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. Review sessions are held each year to monitor research activities and mediate the development of recommendations. 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 programme.

A feedback mechanism is implemented and maintained so that the Commission is timeously apprised in order to enrich its perspective on 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.

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 Medium Term Expenditure Framework (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.

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 2004/05 period focused on implementation of initiatives supporting organisational structuring and efficiency, training and development, job classification and grading, and skill retention strategies.

The next Employment Equity Progress Report is due on the first working day of October 2005.

2.5 The Commission and BEE

The Commission is committed to the national goal of the promotion of BEE through encouraging internal procurement processes that are biased towards BEEs/SMMEs.

To this extent the Commission has put in place a suppliers' list that guides procurement of services for the Commission. This list will be regularly review and evaluated in order to progressively replace some of the Commission's past suppliers with BEE/SMME companies. The list is in line with guidelines and policies for a supply chain management system.

2.6 Key Submissions and Reports for 2004-2005

The following submissions were made by the Commission during the fiscal year 2004/05:

1. Submission on the 2004/05 Division of Revenue Bill
2. Annual Submission for the Division of Revenue 2006/2007
3. Supplementary Submission on the Financing of Social Welfare Services
4. Supplementary Submission on the Equitable Sharing of Infrastructure Finance using a Capital Grant Scheme Model with Provincial Disabilities.

These reports may be accessed on the FFC's website. Other comments and submissions are listed in Section 2.1.

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 R 15, 394,000.00 plus an adjustment of R 2, 475, 000.00 was allocated to the FFC for the financial year 2004-2005. Total expenditure as per total budget provision was R 16, 882, 574.00.

2.7.2 Report from the Chairperson of the Audit Committee

The FFC's Audit Committee was newly constituted with the appointment of new Commissioners. There was a smooth handover of affairs between the old and new Committee. It 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.

The Committee is satisfied that 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 2005 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 HR and financial procedures and controls.

2.7.4 Fraud Prevention Plan

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

Every year the members of the staff are apprised of the content of the policy and sign a declaration attesting to being informed of the substance and content of the policy. This training is part of our efforts 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 2004-March 2005.

2.7.5 MTEF Submission

The FFC submitted its MTEF budget to the Medium Term Expenditure Committee (MTEC) in August 2004. The following MTEF was approved by National Treasury:

	2004/05 R'000	2005/06 R'000	2006/07 R'000	2007/08 R'000
Approved MTEF Allocation	15, 394	19, 660	19, 205	20, 178

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 and in order to strengthen the Commission's ability to review its performance the FFC included performance monitoring and evaluation of the senior staff in the terms of reference of the Remuneration and Performance Review Committee. 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

In the previous financial year organisational structuring for efficiency saw the previously separate sections of finance and administration merged under the direction of the Chief Financial Officer (CFO).

The HR Reporting formats, aligned with National Treasury guidelines, are published in Annexure B.

Job profiles and performance contracts were regularly reviewed and updated in line with project plans and output requirements for the fiscal year 2004/05.

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. 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.

Skills Development is an integral part of the performance system emphasizing both individual and collective skills training.

During 2004/05, and in terms of Job Evaluation and Remuneration Benchmarking, management explored the possibilities of implementing and adapting the public sector system to the needs of the FFC.

3.3 Other resource management issues

During the last two quarters of the year under review, the FFC held a number of strategic planning sessions to determine a long-term optimal structure for the FFC. This included reviewing the structure, various functions and portfolios of the Commission activities. The outcomes of this exercise will be implemented in the next financial year (2005/06) within the context of the budget constraints for that particular fiscal year.

3.4 HR Statistics Report - 01 April 2004 to 31 March 2005

Please refer to Annexure B.

3.5 Procurement

See Section 2.5

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 was published before the end of March 2004.

The Electronic Communications 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.

Government wide security policy (MISS)

During 2003, Cabinet approved a comprehensive framework on security for all organs of state. This policy continues to guide the FFC's efforts at enhancing its overall security.

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.

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

HR Legislation

The FFC adheres to labour laws as specified in the LRA, BCOE and the Employment Equity Act. HR and financial procedures are aligned with any new changes in these laws.

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.

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:

- Foreign delegations;
- The NCOP and its Select Committee on Finance;
- The Joint Budget Committee of Parliament;
- Budget Council and the Budget Lekgotla;
- STATSSA;
- National departments
- Parliament, its committees and public hearings;
- Provincial legislatures, its committees, administration and public hearings;
- The Tertiary Health Academic Community
- DBSA; and
- SALGA.

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 2004/05. Stakeholders from various departments/institutions attended these events.

MANAGEMENT REPORT AND AUDITED FINANCIAL STATEMENTS

MANAGEMENT REPORT FOR THE YEAR ENDED 31 MARCH 2005

MANAGEMENT REPORT for the year ended 31 March 2005

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 2004/05 financial year presented the Commission with a wide variety of challenges that mark 10 years of democracy and transformation. During 2004/05 the Commission undertook a ten-year review of its operations in preparation for the challenges that lay ahead. A conference to celebrate the Financial and Fiscal Commission's 10th anniversary was organised to review the contribution that the Commission made over the last decade. The conference constituted a significant part of our expenditure in the 2004/05 financial year. Various local and international experts made significant contributions to our research outputs that are compiled into our annual submissions to Parliament in April of each year.

The surplus amount of R1 552 897, reflected in the financial statements, has been earmarked for expenditures required in terms of the FFC's strategic plan for the financial year 2005/06. The strategic plan contains budgets as well as additional funds required for each of the key programmes and deliverables identified therein. Part of the surplus funds will be used for the on-going programme for the re-location of the FFC offices.

In addition, a significant part of the expenditure in 2004/05 financials was also due to personnel costs and research costs. Given the challenges that faced the FFC in 2004/05 financial-year, the Commission had to ensure that all its statutory obligations are met in terms of the Constitution within the constraints of the budget. Various cost saving mechanisms were put in place to ensure that priorities stated in the budget are met.

While MTEF allocations were approved for the financial year 2005-2006, various demands arising from the strategic planning process undertaken by the FFC during the 2004/05 require additional funding in the current and future MTEF periods. Most of this funding will be earmarked for institutional and capacity building. In addition to these above demands, the FFC receives various requests from organs of state. These, as usual, cannot always be predicted with accuracy.

2. Services rendered by the department

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

In this financial year, the Commission attained full compliance with respect to PFMA requirements for the institutionalisation of risk management and the development of a fraud prevention plan.

A risk assessment was completed during the 2005/06 financial year. The internal audit unit report was completed containing various recommendations for implementation in order to improve our internal control systems. Many of these recommendations were implemented during the financial year. A three-year internal audit strategic plan has also been finalized and adopted by the Commission.

The staff turnover has been a critical risk area for the Commission, not only in the 2004/05 financial year but for other past years. The Commission is committed to investing time, money and energy in the development of its human resource capacity. This aim is reflected in its strategic plan.

The Commission has ensured that it is compliant with all current labour relations, financial management and reporting requirements, and employment equity laws of the country.

Various workshops with regard to policies and procedures were organised during the financial year to deal with activities of the internal audit unit, to enhance security and financial management, the detection and prevention of fraud and the minimization of risks.

8. Discontinued activities/activities to be discontinued

Not applicable.

9. New/proposed new activities

During the period under review, the Commission undertook an extensive strategic planning process to define future activities and programmes. The activities covered areas relating to the FFC's constitutional and legislative mandate, stakeholder management, research and corporate governance. New research projects will entail matters relating to macro-economic stability, fiscal policy, policy instruments and institutional arrangements, poverty and inequality and the intergovernmental fiscal relations system, local government fiscal frameworks and statistical and data issues. The FFC will also be re-locating to new office premises during the 2005/06 financial year. Stakeholder management is a new area of activity for the FFC and will result in an increase in travelling costs.

10. Events after the accounting date

See sections 7 and 9.

11. Other

Kindly find the attached statements on foreign donations.

Approval



.....
DR RENOSI MOKATE:
CHAIRPERSON

31 July 2005

**STATEMENT OF FOREIGN AID ASSISTANCE RECEIVED:
for the year ended 31 MARCH 2004**

Source of Funds	Intended Use	Amount Received	Amount spent	Balance unspent
The Aus Aid (For fiscal year 2004/05)	Research on Infrastructure issues, procurement of expertise both local and international.	R158,317	R158,317	R0.00
		<u>R158,317</u>	<u>R158,317</u>	<u>R0.00</u>

VALUE RECEIVED IN KIND

No foreign donation received in kind for period 2004-2005.

PERFORMANCE INFORMATION ON USE OF ASSISTANCE

No foreign donation received in kind for period 2004-2005.

PENDING APPLICATIONS FOR ASSISTANCE

No pending application for this period 2004-2005.

Date: 31 July 2005

**AUDIT OPINION AND ANNUAL FINANCIAL
STATEMENTS FOR THE YEAR ENDED
31 March 2005**

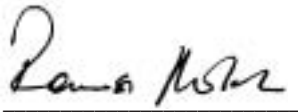
ANNUAL FINANCIAL STATEMENTS 31 MARCH 2005

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005

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APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements which appear on pages 25 to 35 have been approved and authorized for issue on date of signature by the Executive Committee and is signed on its behalf by:



RENOSI MOKATE
(Chairperson)

31 May 2005

REPORT

OF THE

AUDITOR-GENERAL

ON THE

FINANCIAL STATEMENTS OF THE FINANCIAL AND FISCAL COMMISSION

FOR

THE YEAR ENDED 31 MARCH 2005

PUBLISHED BY AUTHORITY



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

AUDITOR'S REPORT

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE FINANCIAL AND FISCAL COMMISSION FOR THE YEAR ENDED 31 MARCH 2005

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 25 to 35 for the year ended 31 March 2005 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 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004), 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. Those standards require that we plan and perform the audit 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 and applicable to financial matters.

The audit was completed in accordance with Auditor-General Directive No. 1 of 2005.

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

3. AUDIT OPINION

In my opinion, except for the effect on the financial statements of the matters referred to in paragraph 3, the financial statements fairly present, in all material respects, the financial position of the Financial and Fiscal Commission at 31 March 2005 and the results of its operations and cash flows for the year then ended, in accordance with generally accepted accounting practice and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999).

4. EMPHASIS OF MATTER

Without further 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 bind or may bind the institution or entity to any future financial commitment.

AUDITOR'S REPORT

At the end of the current year, the Financial and Fiscal Commission had a total of 3 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. A notification of the finance leases entered into by the Financial and Fiscal Commission has been sent to the Minister. These finance leases expire in the next financial year.

5. APPRECIATION

The assistance rendered by the staff and management of the Financial and Fiscal Commission during the audit is sincerely appreciated.



GO Randell

for Auditor-General

Pretoria

30 August 2005



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

**Annual Financial
Statements 31 March 2005**

ANNUAL FINANCIAL STATEMENTS 31 MARCH 2005

FINANCIAL AND FISCAL COMMISSION BALANCE SHEET AS AT 31 MARCH 2005

	Notes	2005 R	2004 R
ASSETS			
Non-current assets			
Plant and equipment	2	1 036 740	1 871 877
Current assets			
Trade and other receivables	3	736 160	16 704
Cash and cash equivalents	4	629 385	330 671
Total assets		<u>2 402 285</u>	<u>2 219 252</u>
CAPITAL, RESERVES AND LIABILITIES			
Capital and reserves			
Capital contribution	5	918 752	918 752
Accumulated surplus/(deficit)		327 266	(1 225 631)
Non current liabilities			
Interest bearing borrowings	6	-	453 569
Current liabilities			
Accounts payable	7	349 414	971 767
Interest bearing borrowings	6	574 669	906 310
Provisions	8	232 184	194 485
Total capital reserves and liabilities		<u>2 402 285</u>	<u>2 219 252</u>

ANNUAL FINANCIAL STATEMENTS 31 MARCH 2005

FINANCIAL AND FISCAL COMMISSION INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2005

	Notes	2005 R	2004 R
Operating income	9	18 382 317	12 679 000
Transfers from National Treasury		17 869 000	12 679 000
Foreign donations received		513 317	-
Other income			
Interest received	10	50 710	145 881
Loss on sale of plant and equipment		-	(37 500)
Sundry income		2 444	-
Total income		<u>18 435 471</u>	<u>12 787 381</u>
Operating expenses			
Staff costs		(7 935 261)	(7 190 532)
Depreciation		(878 166)	(1 094 047)
Professional services		(510 644)	(601 239)
Other operating expenses		(7 392 388)	(6 069 990)
Total operating expenses		<u>(16 716 459)</u>	<u>(14 955 808)</u>
Surplus/(Deficit) before interest and Finance charges	11	1 719 012	(2 168 427)
Interest paid		(166 115)	(317 526)
Net Surplus/(Deficit) for the year		<u>1 552 897</u>	<u>(2 485 953)</u>

ANNUAL FINANCIAL STATEMENTS 31 MARCH 2005

FINANCIAL AND FISCAL COMMISSION STATEMENT OF CHANGES IN CAPITAL AND RESERVES FOR THE YEAR ENDED 31 MARCH 2005

	Capital contribution	Accumulated surplus	Total
At 1 April 2003	918 752	1 260 322	2 179 074
Deficit for the year		(2 485 953)	(2 485 953)
At 1 April 2004	918 752	(1 225 631)	(306 879)
Surplus for the year		1 552 897	1 552 897
Balance at 31 March 2005	918 752	327 266	1 246 018

ANNUAL FINANCIAL STATEMENTS 31 MARCH 2005

FINANCIAL AND FISCAL COMMISSION CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2005

	Notes	2005 R	2004 R
Cash received from Government and donors		17 869 000	12 679 000
Cash paid to suppliers and employees		(16 626 644)	(12 741 913)
Cash generated from operations	12.1	1 242 356	(62 918)
Interest received		50 710	145 881
Interest paid		(166 115)	(317 526)
Cash flows from operating activities		<u>1 126 951</u>	<u>(234 558)</u>
Cash flows from investing activities		(43 027)	(877 076)
Purchase of property, plant and equipment		(43 027)	(839 576)
-Replacement		-	16 108
-Additions		(43 027)	(855 684)
Purchase of intangible assets		-	-
Proceeds on disposal of plant and equipment	12.2	-	(37 500)
Cash flows from financing activities		(785 210)	(403 280)
Increase in interest bearing borrowings		(785 210)	(403 280)
Proceeds from long term borrowings		-	-
Payment of long term borrowings		(785 210)	(403 280)
Net increase/(decrease) in cash and cash equivalents for the year		298 714	(1 514 914)
Cash and cash equivalents at beginning of year		330 671	1 845 585
Cash and cash equivalents at end of year	4	<u>629 385</u>	<u>330 671</u>

FINANCIAL AND FISCAL COMMISSION STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2005

1. Basis of operation

The financial statements have been prepared in accordance with South African statements of Generally Accepted Accounting Practice. The financial statements are prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment, marketable securities and investments properties where appropriate.

Unless otherwise specifically stated, this basis is consistent with that of the previous year.

1.1 Revenue recognition

Income from government grants and donations are recognized when the Commission receives it.

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

1.2 Property, plant and equipment

All property, plant and equipment are initially recorded at cost and adjusted for any impairment value.

Impairment losses and reversals 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 Leased Assets

Leases of property, plant and equipment where the company assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalized at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance charge is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leasing contracts are depreciated over the useful life of the 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.

1.4 Provisions

Provisions are recognized when company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

FINANCIAL AND FISCAL COMMISSION STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2005

1.5 Employee Benefits

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.

Defined contribution plans

Contributions to a defined contribution plan in respect of services in a particular period are recognized as an expense in that period.

1.6 Foreign currencies

Transactions

Foreign currency transactions are recorded, on initial recognition in Rand, by applying to the foreign currency amount the exchange rate between the Rand and foreign currency at the date of the transaction.

At each balance sheet date:

- (a) foreign currency monetary items are reported using the closing rate,
- (b) non-monetary items, which are carried in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of transaction, and
- (c) non-monetary items which are carried at fair value denominated in a foreign currency are reported using the exchange rates that existed when the values were determined. Exchange differences arising on the settlement of monetary items or on reporting an enterprise's monetary items at the rates different from those at which they initially recorded during the period, or reported in previous financial statements, are recognized as income or expenses in the period in which they arise.

1.7 Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, trade creditors, leases and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

1.8 Cash and cash equivalents

For the purpose 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.

1.9 Unauthorised, irregular, fruitless, and wasteful expenditure

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

ANNUAL FINANCIAL STATEMENTS 31 MARCH 2005

FINANCIAL AND FISCAL COMMISSION NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005

2. Property, plant and equipment

	2005			2004		
	Cost	Accumulated Depreciation	Net book Value	Cost	Accumulated Value	Net book Depreciation
Owned Assets						
Paintings	38 806	-	38 806	38 806	-	38 806
Computer Equipment	1 432 659	1 432 658	1	1 432 659	1 432,658	1
Vehicles	255 491	144 661	110 830	255 491	103 069	152 422
Furniture, Fixture	642 876	610 402	32 474	622 362	464 216	158 146
Computer Software	870 151	856 789	13 362	853 453	812 041	41 412
Office Equipment	532 009	364 640	167 369	532 009	364 640	167 369
Leased Assets						
Computer Equipment	2 450 125	1 776 227	673 898	2 444 305	1 130 584	1 313 721
	<u>6 222 117</u>	<u>5 185 377</u>	<u>1 036 740</u>	<u>6 179 085</u>	<u>4 307 208</u>	<u>1 871 877</u>

2004	Carrying value at the beginning of year	Additions	Disposals	Depreciation	Carrying value at the end of the year
	Owned Assets				
Paintings	38 806	-	-	-	38 806
Computer Equipment	66 247	-	-	(66 246)	1
Vehicles	200 668	-	(10 003)	(38 243)	152 422
Furniture, Fixture	39 037	197 248	-	(78 139)	158 146
Computer Software	168 311	-	-	(126 899)	41 412
Office Equipment	178 877	-	(11 508)	-	167 369
	<u>691 946</u>	<u>197 248</u>	<u>(21 511)</u>	<u>(309 527)</u>	<u>558 156</u>
Capitalised Leased Assets					
Computer Equipment	1 433 728	664 513	-	(784 520)	1 313 721
	<u>2 125 674</u>	<u>861 761</u>	<u>(21 511)</u>	<u>(1 094 047)</u>	<u>1 871 877</u>

2005	Carrying value at the beginning of year	Additions	Disposals	Depreciation	Carrying value at the end of the year
	Owned Assets				
Computer Equipment	1	-	-	-	1
Vehicles	152 422	-	-	(41 594)	110 828
Office Equipment	167 369	-	-	-	167 369
Furniture and fittings	158 146	20 515	-	(146 187)	32 474
Computer Software	41 412	16 700	-	(44 748)	13 364
Paintings	38 806	-	-	-	38 806
	<u>558 156</u>	<u>37 215</u>	<u>-</u>	<u>(232 529)</u>	<u>362 842</u>
Capitalised Leased Assets					
Computer Equipment	1 313 721	5 814	-	(645 637)	673 898
	<u>1 871 877</u>	<u>43 029</u>	<u>-</u>	<u>(878 166)</u>	<u>1 036 740</u>

	2005 R	2004 R
3. Trade and other receivables		
Trade receivables	93 365	-
Staff loans	17 151	-
Prepayments	<u>625 644</u>	<u>16 704</u>
	<u>736 160</u>	<u>16 704</u>

ANNUAL FINANCIAL STATEMENTS 31 MARCH 2005

FINANCIAL AND FISCAL COMMISSION NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005

	2005	2004
	R	R
4. Cash and cash equivalents		
Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:		
Cash on hand	4 231	500
Bank balance	<u>625 154</u>	<u>330 171</u>
	<u>629 385</u>	<u>330 671</u>
5. Capital contribution		
Value of assets acquired from National Treasury	<u>918 752</u>	<u>918 752</u>
6. Interest bearing borrowings		
Secured liabilities	574 669	1 359 881
Liabilities under capitalised finance leases payable over 3 years effective interest rate ranging from 17% to 18% per annum. Secured by equipment with a book value of R673 898 (2004: R1 313 721)		
Less: Current portion included in current portion of borrowings	<u>(574 669)</u>	<u>(906 311)</u>
	<u>-</u>	<u>453 570</u>
7. Accounts payable		
Trade creditors	112 630	595 269
Accruals	<u>236 781</u>	<u>376 500</u>
	<u>349 411</u>	<u>971 769</u>
8. Provisions		
Leave pay benefits	<u>232 184</u>	<u>194 485</u>
9. Income		
Income comprises grants received from Government and occasional donations.		
10. Interest received		
This is interest on available funds held in current accounts with financial institutions.	<u>50 710</u>	<u>145 882</u>
11. Surplus		
<i>Net surplus/(deficit) for the year has been arrived at after debiting:</i>		
Auditors remuneration	190 481	277 292
Professional services	510 644	601 239
Commissioners' expenses	222 689	296 795
Rentals in respect of operating leases:		
Office equipment	235 553	29 738
Depreciation:	878 166	1 094 047
Computer hardware	645 637	850 767
Computer software	44 748	126 899
Furniture, fittings and equipment	59 631	22 502
Office equipment	86 556	55 639
Motor Vehicles	41 594	38 240

ANNUAL FINANCIAL STATEMENTS 31 MARCH 2005

FINANCIAL AND FISCAL COMMISSION NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005

	2005 R	2004 R
Staff costs	7 935 261	7 274 157
Included in staff costs are:		
Defined contribution plan expense	973 764	856 722
See note 17		
<i>And after crediting:</i>		
Interest received:		
Current account	50 333	145 882
Staff loans	377	-
	<u>50 710</u>	<u>145 882</u>

12. Cash (utilized in) / generated from operations

<i>Reconciliation of surplus/(deficit) to cash (utilized in) generated by operations:</i>		
Net surplus/(deficit) for the year	1 552 897	(2 485 953)
Adjusted for:	1 031 270	1 303 192
Depreciation	878 166	1 094 047
Loss on sale of plant and equipment	-	37 500
Interest received	(50 710)	(145 881)
Movement in provisions	37 699	-
Finance charges	166 115	317 526
Surplus/(deficit) before working capital changes	2 584 167	(1 182 761)
Working capital changes:	(1 341 811)	1 119 848
(Decrease)/increase in accounts payable	(622 355)	1 127 904
(Increase) in accounts receivable	(719 456)	(8 056)
Cash (absorbed by) generated from operations	<u>1 242 356</u>	<u>(62 913)</u>
Proceeds on sale of plant and equipment		
Profit on sale of plant and equipment	-	(37 500)
Carrying value of plant and equipment	-	-
	<u>-</u>	<u>(37 500)</u>

13. 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.

Fair values

At 31 March 2005 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.

14. Foreign donations

Foreign donations comprised amounts received during 2004/2005 from the AusAid.

ANNUAL FINANCIAL STATEMENTS 31 MARCH 2005

FINANCIAL AND FISCAL COMMISSION NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005

	2005 R	2004 R
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15. Surplus funds

Surplus funds represent funds committed for FFC strategic plans in progress.

16. Commitments

Finance Lease

The future minimum lease payments under maintenance contracts are as follows:

Not later than 1 year	574 669	172 368
Later than 1 year and not later than 5 years	-	57 456
	<u>574 669</u>	<u>229 824</u>

17. Retirement benefits information

During the year, the FFC 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 R975 940 (2004: R856 722) was recognized as an expense during the year for contributions to the retirement fund.

ANNUAL FINANCIAL STATEMENTS 31 MARCH 2005

FINANCIAL AND FISCAL COMMISSION EXPENDITURE SCHEDULE FOR THE YEAR ENDED OF 31 MARCH 2005

	2005	2004
	R	R
Advertising	10 000	24 609
Auditor's Remuneration	190 481	277 292
Internal Auditor's fees	164 512	224 811
Bank charges	17 883	11 666
Commissioners' expenses	222 689	296 795
Computer maintenance	314 815	286 520
Courier expenses	75 948	73 600
Depreciation	878 166	1 094 047
Diginet lines rental	319 638	332 278
Provident fund	-	(57 469)
General repairs and office maintenance	105 165	210 487
Interest paid	166, 115	317 526
IGFR Conference	1 730 940	
Loss on disposal of tangible assets	-	37 500
Meetings and conferences	210 115	420 726
Motor vehicle expenses	31 631	32 006
Penalties and fines	3 567	
Postage, printing and stationery	425 943	603 765
Professional services	510 644	601 239
Research costs	1 426 321	1 381 451
RSC levies	25 797	21 852
Rental of office equipment	235 553	29 738
Staff costs	7 935 261	7 190 532
Skills development	223 166	382 494
Sundry Expenses	12 838	35 321
Telephone and fax	492 863	357 055
Travel and accommodation	1 152 523	1 124 993
	<u>16 882 574</u>	<u>15 310 834</u>

ANNUAL FINANCIAL STATEMENTS 31 MARCH 2005

FINANCIAL AND FISCAL COMMISSION STATEMENT OF APPLICATION OF FOREIGN DONATIONS RECEIVED FOR THE YEAR ENDED 31 MARCH 2005

	2005 R	2004 R
Donations received		
Donation from AusAid	158 317	242 658
Local donations	<u>355 000</u>	<u>242 658</u>
	<u>513 317</u>	<u>242 658</u>
Utilized in:		
Consultants costs: Jeff Petchey / David Solomon	(158 317)	(242 658)
IGFR Conference	<u>(355 000)</u>	<u>242 658</u>
	<u>(513 317)</u>	<u>(242 658)</u>
Utilisation of donations received	<u>-</u>	<u>-</u>

HR Statistics Report - 01 April 2004 to 31 March 2005

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 2004/05

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	2 324, 714	359, 619	1 965 095		2%	119,873
Salary levels 6 - 8	3 099, 616	675, 344	2,424,272		4%	168,836
Salary levels 9 - 12	6 974,136	3 483, 631	3 490,505		20%	387,070
Salary levels 13 - 16	4 649,425	3 467,599	1,181,826	510,644	20%	577,933
Total	17 047,891	7 986,193	9 061,698	510,644	46%	363,008

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

Senior Management Service

Chair
Deputy Chair

Salary Levels 13 - 14 (Professionals)

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 Officer
Accounts Administrator
Administrative Secretary

Salary Levels 3 - 5

Receptionist
General Office Assistant

Salary Levels 1 - 2

No job positions

The statistical information in these tables is relevant for the Chair and Deputy Chair (who were full-time Commissioners for the reporting period), 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, 2004/05

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	10 800	3%
Salary levels 6 - 8	0	0	0	0	21 600	3%
Salary levels 9 - 12	0	0	581 124	17%	60 000	1.7%
Salary levels 13 - 14	0	0	646 896	19%	57 600	1.7%
Total	0	0	1 228 020	15%	150 000	1.9%

Table 2.1 - Approved establishment by programme

Financial and Fiscal Commission	Approved Establishment		Medium-term establishment estimated		
	1 April 2003/4	31 March 2004/5	2005/6	2006/07	2007/08
Total	22	22	24	29	33

Table 2.2 and 2.3 - Employment and vacancies by programme, salary band, 31 March 2005

Salary Levels	Establishment	Number of employees	Vacancy Rate	Additional to the establishment
Salary levels 1 - 2	0	0	0	0
Salary levels 3 - 5	3	3	0	0
Salary levels 6 - 8	4	4	0	0
Salary levels 9 - 12	10	9	10%	0
Salary levels 13 - 14	5	4	20%	0
Senior Management Service	2	2	0	0
Programme Total	24	22	8.3%	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 2004 to 31 March 2005

The South African Public Service version of the EQUATE Job Evaluation system was implemented at the FFC in June 2004. All FFC job positions were evaluated and graded with the assistance of a DPSA Job Evaluation team.

No Job Evaluations were conducted during the April 2004 to March 2005 reporting period.

There are job positions at the FFC where remuneration levels do exceed the grade determined by job evaluation. These are detailed in the tables below.

The FFC strategic plan will be implementing a strategic plan and re-alignment structure during the 2005/06 reporting period and job evaluation will be conducted in this process.

Table 3.3 - Remuneration levels that exceeded the grade determined by job evaluation, 01 April 2004 to 31 March 2005

Occupation	Number of Employees	Job Evaluation Level	Remuneration Level	Reason for deviation
Office Coordinator	1	09	12	Post previously benchmarked against Private Sector rates
Projects Administrator	1	08	09	Post previously benchmarked against Private Sector rates
Administration Secretary	1	07	08	Post previously benchmarked against Private Sector rates
Receptionist	1	04	07	Post previously benchmarked against Private Sector rates
General Assistant	1	03	04	Post previously benchmarked against Private Sector rates
Total Number of employees whose remuneration exceeded the grade determined by job evaluation 2004 / 05			5	
Percentage of total employment			22.7%	

Table 3.4 - Profile of employees whose remuneration levels exceed the grade determined by job evaluation, 01 April 2004 to 31 March 2005

Beneficiaries	African	Asian	Coloured	White
Female	3	0	1	1
Male	0	0	0	0
Employees with disability	0			

Table 4.1 - Appointments, promotions and terminations, 01 April 2004 to 31 March 2005

	Employees 01 April 2004	Appointments and Transfers	Promotions	Terminations
African				
Male	10			2
Female	6	2		1
Asian				
Male	2			
Female	0			
Coloured				
Male	1			
Female	1	1		
White				
Male	1			
Female	2			1
Employees with disability	0			
Total	23	3	0	4

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	1	0	0%
Salary levels 6 - 8	0	0	0%
Salary levels 9 - 12	1	2	20%
Salary levels 13 - 14	0	1	22%
Senior Management Service	1	1	50%
Total	3	4	17.8%

The turnover rate was calculated by dividing the number of terminations for the period (1) by the average staff complement for the reporting period (22.5).

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, 2004 / 05

The FFC's Employment Equity Progress report was submitted to the department of Labour on 01 October 2004.

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

- The development of a revised Strategic Plan and Realignment Structure in consultation with all staff. The Strategic Plan and Realignment structure are scheduled for implementation in the 2005 / 06 reporting period.
- The introduction of a competency-based application process for the evaluation of candidates in the recruitment and selection procedures of the organization. This has assisted in the objective evaluation of inherent requirements for the job and ensured that all recruitment processes are conducted in line with fair labour practice requirements.
- The formulation of entrance requirements (qualifications, prior experience) for the research levels in the Recommendations Research Program. This includes a development post (Research Assistant) which will enable the development of incumbents with basic qualifications and limited experience in line with EE representation targets.
- Development of principles for the establishment of a skills retention strategy for the retention of research and support service resources.
- The compilation of detailed Employee Skills Profiles (prior work experience, qualifications, current study and training courses attended) as a data source for reviewing individual succession and career advancement plans.
- 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 reevaluation and updating of organisational Policies and Procedures (HR, Finance and Administration) in consultation with all staff, to align organisational practice with legislative and regulatory compliance requirements.
- Reevaluation of the FFC's Performance Management system in line with best practice experience in comparable organizations and to integrate performance review with employee development.
- The introduction of an Annual Employee Review process to recognize excellent performance, attainment of qualifications, service and experience and alignment with the remuneration scales of the Public Sector.

With regard to numerical; targets, the FFC Employment Equity Plan has identified the need to increase the representation of women in the management and professional (Research Program) categories. Previously this has been restricted by a low staff turnover rate. The Strategic Plan and Realignment Structure has created an opportunity for this target to be addressed and this will be a focus of the Realignment Recruitment process.

Table 6.1 - Performance Rewards, by race, gender and disability, 01 April 2004 to 31 March 2005

	Number of beneficiaries	Number of employees	% of total within group	Cost	Per capita cost
African					
Male	9	9	100%	240 715	26 746
Female	6	7	86%	65 478	9 354
Asian					
Male	1	2	50%	45 372	22 686
Female	—	—			
Coloured					
Male	1	1	100%	19 772	19 772
Female	2	2	100%	34 334	17 167
White					
Male	1	1	100%	37 795	37 795
Female	2	2	100%	52 536	26 268
Total	22	24	92%	496 002	20 667

Table 6.2 - Performance Reward by salary level, 01 April 2004 to 31 March 2005

Salary Levels	Number of beneficiaries	Number of employees	% of total within group	Cost	Per capita cost
Salary levels 1 - 2	—	—	—	—	—
Salary levels 3 - 5	3	3	100%	27 984	9 328
Salary levels 6 - 8	4	4	100%	51 957	12 989
Salary levels 9 - 12	10	10	100%	222 693	22 169
Salary levels 13 - 14	5	5	100%	194 368	38 874
Senior Management Service	0	2	0	0	0
Total	22	24	92%	496 002	20 667

Table 6.3 - Performance Reward by critical occupation, 01 April 2004 to 31 March 2005

See notes to Table 2.4

Table 7.1 - Foreign Workers, 01 April 2004 to 31 March 2005

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	

Table 8.1 - Sick Leave, 01 April 2004 to 31 March 2005

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	25	88%	3	13.6%	8.33	R8 462
Salary levels 6 - 8	13	53%	4	18.2%	3.25	R5 275
Salary levels 9 - 12	13	31%	8	36.4%	1.44	R14 673
Salary levels 13 - 14	11	75%	3	13.6%	2.75	R17 946
Senior Management Service						
Total	62	66.67%	18	82%	2.82	R46 356

Table 8.2 - Disability leave (temporary and permanent), 01 April 2004 to 31 March 2005

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 2004 to 31 March 2005

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	61	3	20.33
Salary levels 6 - 8	78	4	19.50
Salary levels 9 - 12	140.5	9	15.61
Salary levels 13 - 14	77	4	19.25
Senior Management Service	9	2	4.5
Total	365.5	22	16.61

Table 9.1 - Collective Agreements, 01 April 2004 to 31 March 2005

Total Collective Agreements	None
-----------------------------	------

Table 9.2 - Misconduct and discipline, 01 April 2004 to 31 March 2005

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 2004 to 31 March 2005

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	8	2.67	R10 530	R3 510
Salary levels 6 - 8	14	3.50	R22, 204	R5 510
Salary levels 9 - 12	50	5.56	R104, 581	R11, 620
Salary levels 13 - 14	13	3.25	R26 160	R6 540
Senior Management Service	3	1.50	R4 283	R2 142
Total	88	4.00	167, 758	R7 625

Table 10.2 - Skill development by race, gender and disability, 01 April 2004 to 31 March 2005

	Training day equivalents	Average days per employee	Total expenditure	Average per employee
African				
Male	50	6.25	R110, 835	R13, 854
Female	23	3.29	R35, 052	R5 007
Asian				
Male	5	2,50	R9 375	R4 688
Female	—	—	—	—
Coloured				
Male	3	3.00	R4, 283	R4, 283
Female	5	2.50	R6, 248	R3 124
White				
Male
Female	2	2.00	R1 965	R1 965
Total	88	4.00	R167, 758	R7 625

Table 10.3 - Skill development by type of training, 01 April 2004 to 31 March 2005

Type of training	Number of beneficiaries	Training day equivalents	Average days per person	% of total	Total expenditure	Average per employee
Equity awareness	-	-	-	-	-	-
Internal training	-	-	-	-	-	-
Formal training	5	11	2.2	22.7%	29,174	5,835
Computer training	2	5	2.5	9.1%	7,524	3,762
Management development	3	6	2	13.6%	22,230	7,410
Office-based training	2	4	2	9.1%	8,938	4,469
Policy-specific training	-	-	-	-	-	-
ABET	-	-	-	-	-	-
Other	27	62	2.3	68%	99,892	3,700
Total		88	4.00		167,758	7,625

Table 10.4 - Total expenditure on skills development by programme, 2004/05

Financial and Fiscal Commission	Approved Establishment			Medium-Term Expenditure estimates		
	Original Estimate	Actual Expenditure	Variance	2004/05	2005/06	2006/07
Total	328,000	233,166	29%	450,000	470,000	490,000

Table 10.5 - Bursaries granted by salary level, 01 April 2004 to 31 March 2005

Salary Levels	Number of beneficiaries	Number of employees in salary band	% of total in salary band	Cost	Per capita cost
Salary levels 1 - 2	-	-	-	-	-
Salary levels 3 - 5	1	3	33.3%	2,500	833
Salary levels 6 - 8	2	4	50%	14,258	3,565
Salary levels 9 - 12	5	9	55.6%	38,650	4,294
Salary levels 13 - 14	0	4	0	0	0
Senior Management Service	0	2	0	0	0
Total	8	22	36.4%	55,408	2,519

Table 11.1 - Injury on duty, 01 April 2004 to 31 March 2005

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

FFC AMENDMENT ACT, 2003, AND THE FFC ACT, 1997

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

GENERAL EXPLANATORY NOTE:

- | | | |
- Words in bold type in square brackets indicate omissions from existing enactments.
- Words underlined with a solid line indicate insertions in existing enactments.

ACT

To amend the Financial and Fiscal Commission Act, 1997, so as to extend the functions of the Financial and Fiscal Commission; to bring the number, and appointment procedure, of members of the Commission into line with section 221 of the Constitution; and to alter certain procedures in respect of financial matters in order to bring the said Act into line with the Public Finance Management Act, 1999; and to provide for matters connected therewith.

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

Amendment of section 3 of Act 99 of 1997

1. Section 3 of the Financial and Fiscal Commission Act, 1997 (hereinafter referred to as the principal Act), is hereby amended by— 5

(a) the insertion after subsection (2) of the following subsections:

¹(2A) (a) An organ of state in one sphere of government which

seeks to assign a power or function to an organ of state in another sphere of government in terms of a law must first, before assigning the power or function—

(i) notify the Commission of the fiscal and financial implications of such assignment on—

(aa) the future division of revenue raised nationally between the spheres of government as required by section 214 of the Constitution;

(bb) in the case of an assignment to a provincial or local organ of state, the fiscal power, fiscal capacity and efficiency of the relevant province or municipality; and

(cc) any transfer of employees, assets and liabilities, if any; and

(ii) request the recommendation or advice of the Commission regarding such assignment.

(b) The Commission must, not later than 180 days from the date of its receipt of the notification and request contemplated in paragraph (a) or such other period agreed with the relevant organ of state, make such recommendation or give such advice on the intended assignment as may be appropriate.

(c) An assignment contemplated in paragraph (a) has no legal force unless the organ of state making such assignment has given consider

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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.	5
(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).	10
(2B) An organ of state must notify the Commission or request the Commission to perform a function in the form prescribed by the Commission.	15
(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—	20
(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:	25
“(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

(c) 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.”

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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)] S(1)(b); or

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

Amendment of section 24 of Act 99 of 1997

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

“(d) within [three] 180 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).”

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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—

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(i) a balance sheet;

(ii) an income statement;

(iii) a cash flow statement; and

(iv) a report of the auditors]

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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.

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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.

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Short title

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

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**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><i>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.</i></p> <p><i>(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).</i></p> <p><i>(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).</i></p> <p><i>(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"</i></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:—

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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
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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— 20
 (a) two or more Commission members; or
 (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 25
 Commission member may be appointed as the chairperson;
 (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 35
 the Commission's duties.
 (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 40
 of the power or the performance of the duty.
 (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.

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— 50
 (a) the formation and development of an efficient administration;
 (b) the organisation, control and management of the staff;
 (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.
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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. 5

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. 10

(2) The report must be submitted within six months after the end of the financial year to which it relates, and must include— 15

(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— 20

(i) a balance sheet;

(ii) an income statement;

(iii) a cash flow statement; and

(iv) a report of the auditors.

Information required by Commission

27. (1) The Commission may obtain information it requires for the performance of its functions from the Central Statistical Service. 25

(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. 30

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. 35

(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— 40

(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. 45

(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; 20
- (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
- (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.

Short title and commencement

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