

Annual Report

2005/2006





It is with great pleasure and confidence that I present the Annual Report and the Audited Financial Statements for 2005/2006 to Parliament and the Provincial Legislatures. The report, once again, attests to the efficient management of the Commission's resources within the ambit and framework of the Public Finance Management Act. As in previous years, the Auditor-General's Report (Annexure A) gives the Commission an unqualified audit. This positive outcome would not have been possible were it not for the Commission's high standards of integrity, financial and fiduciary policies, and accountability of the Commissioners and the staff.

I assumed my duties as the new Chairperson of the Commission on the 1st August 2005. I am pleased to report that my predecessor, Dr. Renosi Mokate, passed on to me an institution that is playing a critical and highly dynamic role in the South African intergovernmental fiscal relations system. Dr. Mokate has now moved on to take up her new appointment as the Deputy-Governor of the Reserve Bank. I am thankful for her guidance and advice. Equally, I express my gratitude to the Deputy Chairperson, Mr. Jaya Josie, the Commissioners and the secretariat, who gave me the necessary support and back-up that ensured a smooth transition in the Commission's operations and activities during the period under review.

The past year has provided me with an opportunity to reflect on aspects of the Commission's current scope of functions and activities. It is my view that enhancements and improvements in the area of knowledge management, information systems, a research agenda that includes long-term studies, and research capacity would greatly benefit if not prepare the FFC to meet the varied and complex demands from government for recommendations on financial and fiscal policy matters. The relevance of the experience of the Commission in intergovernmental fiscal relations (IGFR) is being recognized as enquiries from African countries are increasing and our technical advice is sought.

The past year has also focused the Commission's attention on the re-arrangement and improvement to the FFC's structure and its various functional units. Units falling under the supervision and management of the Deputy Chairperson, the Executive Manager, the Chief Financial Officer (CFO) and the Parliamentary Manager have been reviewed and restructured for efficiency and effectiveness in executing the duties and responsibilities of the Commission. In particular, two new areas have been added to the research and recommendations programme. They are IGFR Policy unit, the Macro-economics and Public Finance unit. The IGFR research unit will primarily include research on institutional matters and issues relating to the powers and functions of the three spheres of government. The Macroeconomics research unit will assess the impact of overall economic policy variables that are determined by the national government on the public finance system in South Africa. Matters relating to co-operative governance and legal obligations, and support services to the Commission will be emphasized through the restructured post of the Executive Manager.

In signing this report, as Chairperson and CEO, I wish to thank all Commissioners for their contributions and support during the year under review. I also wish to thank all the staff that has been central to the on-going operations and activities of the Commission during 2005-2006. I wish to express my gratitude to all stakeholders for their participation in consultative meetings especially Parliament's Joint Budget, Portfolio and Select Committees on Finance, the Provincial Legislatures' Standing Committees on Finance, the various national departments, the South African Local Government Association (SALGA), and organizations representing the tertiary health sector.



DR BETHUEL SETAI
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 processes for the division of revenue.
- 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. This section requires that the FFC provide 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.
- 1.2.4** Section 4 of the Local Government: Municipal Finance Management Act requires the FFC to comment in writing on any draft legislation directly or indirectly amending the said Act.

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. Bethuel Setai 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 Moloji and Prof. Antony Melck).

1.4 Members of the Commission during the reporting period



Dr. Bethuel Setai is currently the Chairperson and CEO of the Financial and Fiscal Commission and he formerly served as the Director-General of the Free State Province. Dr. Setai has extensive teaching experience having taught inter alia at the Universities of California in Santa Cruz, Lincoln University, University of Vermont in Burlington, Vermont, and the National University of Lesotho. He is a presidential appointee and will serve a five year term.



Jaya Josie, for the period covered in this report, is the Deputy Chairperson of the FFC. He is a national nominee and serves on the Commission until 31 December 2007. He has been full-time Deputy Chairperson of the Commission responsible for the recommendations research programme since 2002; Acting Deputy Chairperson from 1999 to 2002 and a Commissioner since 1994. Prior to his appointment as Deputy Chairperson he was Director of Development Economic Services with Ernst and Young. Between 1991 and 1996 he was head of the Macroeconomic Research Group (MERG) and later Executive Director of the National Institute for Economic Policy (NIEP). Mr Josie has published several research reports and articles on public finance and macroeconomic policy in South Africa. He is a trained development economist having undertaken post-graduate studies at the School of Oriental and African Studies (SOAS), University of London and the International Institute of Public Administration (IIAP), National School of Administration, Paris. Mr. Josie lectured in Public Finance and Macroeconomic Policy at School of Government (University of Western Cape) and the Institute of Government, (University of Fort Hare). He currently holds a part-time joint research fellowship from the Belgian Interuniversity Council and the University of the Western Cape (UWC).



Tania Ajam is a public finance economist . She is the Director of the Knowledge Centre at the Applied Fiscal Research Centre (AFReC(Pty)Ltd, a UCT affiliated company) and the Managing Director of PBS (Pty) Ltd which implements performance budgeting systems. Tania serves on the Financial and Fiscal Commission as a provincial nominee and her term of office ends on 30 June 2009.



Antony Melck was previously professor of economics at the University of Stellenbosch and inter alia Principal and Vice-Chancellor at the University of South Africa (UNISA). Prof Melck served as the first deputy chairman of the Financial and Fiscal Commission. He is currently advisor to the Rector of the University of Pretoria. He has 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.



Mr Chetty is currently the Municipal Manager of the Cape Winelands District Municipality. He holds degrees from the University of Natal and UNISA in, Public Finance, Economics, and undergraduate degrees in Social Science as well as in Chemistry. Mr Chetty has completed numerous short courses in Management, Finance and Development from various national and international institutions. He has wide ranging experience that include numerous executive positions as the Chief Financial Officer of National Parliament, Institutional Economist in the World Bank, Director of FCR, a Research Institution, and an Analytical Chemist at Pfizer. His work experience includes projects in 15 countries internationally and in the Southern Africa. Mr Chetty is a Commissioner for the Financial and Fiscal Commission. He currently serves on the following institutions: Corporate Footprint, Contact Trust, and chairs the reference group for the Earth Equity Fund, and the SAWIT Audit Committee.



Blake Mosley-Lefatola is an Honours graduate from WITS in Industrial Sociology. He is a local government specialist having worked in and with the Public Sector for 16 years. He is presently the Municipal Manager at the City of Tshwane Metropolitan Municipality. He is a nominee of SALGA and will serve on the Commission until 30 June 2009.



Martin Kuscus was the former MEC for Finance in the Northwest Provincial Government from 1994 until 2004. Since June 2004 he became President & CEO of the South African Bureau of Standards. Martin hails from the Northwest Province. Born in Klerksdorp on 10 November 1955, Martin matriculated at the Promosa High School in Potchefstroom. He holds a BA Cur degree and a post-graduate Diploma in Company Direction. Currently he is busy with MBA studies at the Business School of the Netherlands. Martin attended various Executive Development Programmes, including The Prestigious Executive Programme for Leaders in Development at the Kennedy School of Government, Harvard University, in June 2000. In 1996 he attended the Economic Policy Development Programme at the London School of Economics. In September 2004 he was appointed by the President to the Financial and Fiscal Commission for a five year term, and in June 2005 he was elected as Chairperson of the first Board of Trustees for the Government Employee Pension Fund (a portfolio worth R600 billion). He has recently being appointed to the PRI Board, a UN Global Compact initiative on responsible investment.



Mr. 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.



Gugu Moloi is the past CEO of Umgeni Water. She also serves as a non-executive director on the Board of the First Rand Group. She was a member of the University of KwaZulu-Natal Council. She is a national nominee and her current term of office ends on 31 June 2009. (Resigned on the 26 May 2006).

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 2005/06 fiscal year, the Committee deliberated on issues pertaining to the external audit, reports from the internal audit unit, the internal audit three-year plan, fraud prevention plan, the supply chain management policy, risk management, and approved the financial statements ending March 2006.

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

1.5.2 Remuneration and Performance Review Committee (RPRC)

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.

1.5.3 Task Teams for the Research and Recommendations Programme

During 2005, several task teams were established to guide the work of the various research projects. The members of each team were as follows:

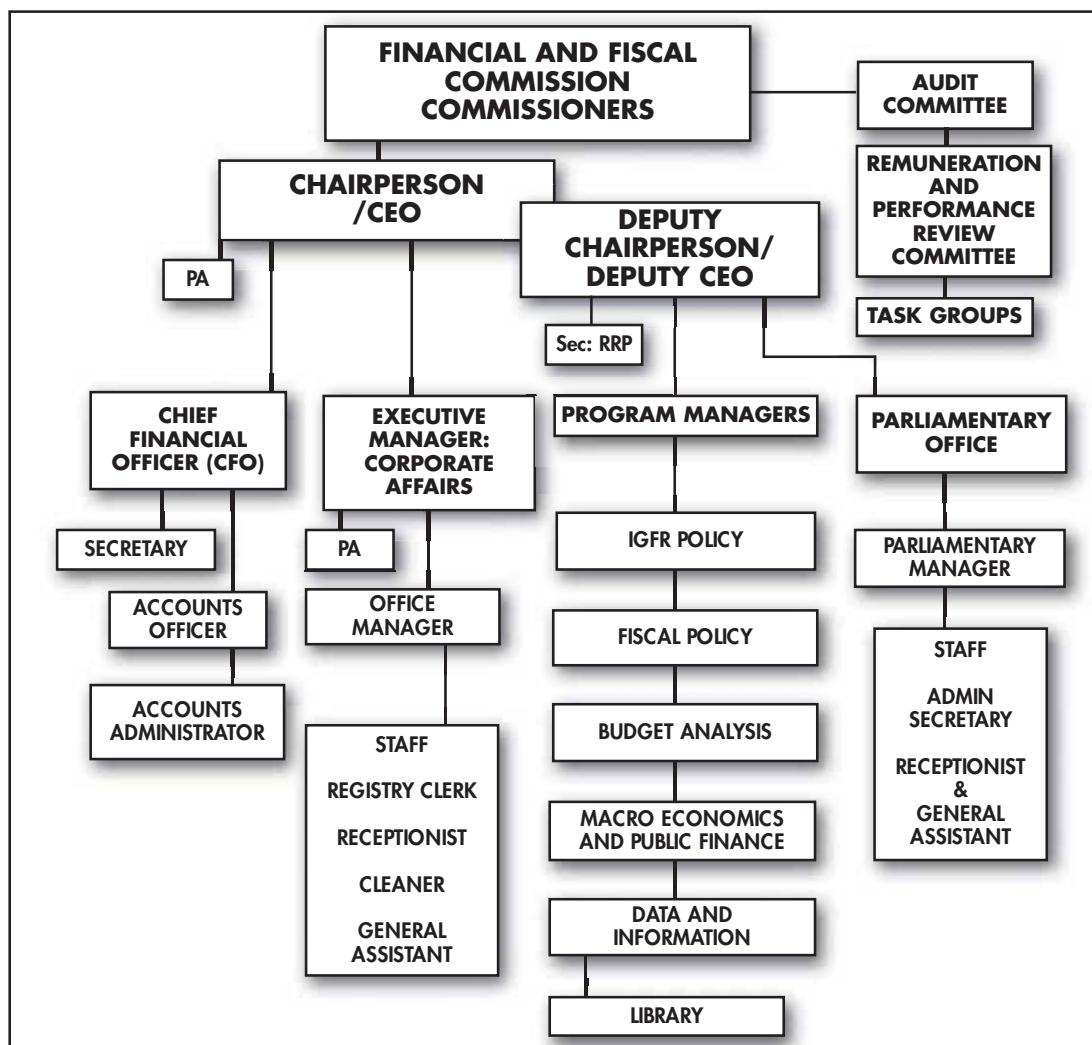
Fiscal Policy:	Kam Chetty, Gugu Moloi, Blake Mosley-Lefatola. Tania Ajam and Antony Melck.
Infrastructure:	Jaya Josie and Tania Ajam.
Budget Analysis:	Gugu Moloi, Tanja Ajam, Antony Melck and Blake Mosley-Lefatola.
IGFR Policy	Tania Ajam and Gugu Moloi.
Data & Information:	Risenga Maluleke.

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 2005/06.

Dr. Bethuel Setai	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	Program Manager: Budget Analysis
Bongani Khumalo	Program Manager: Fiscal Policy
Vincent Makinta	Manager: Data and Information
Rathipe Nthite	Research Co-ordinator: Infrastructure Finance
Goodwill Dithlage	Senior Researcher: Fiscal Policy
Nomonde Madubula	Assistant Researcher: Fiscal Policy
Phillemon Mathane	Researcher Co-ordinator: Fiscal Policy (resigned)
Hammed Amusa	Senior Researcher: Fiscal Policy
Robert Mabunda	Researcher: Data and Information
Denver Kallis	Senior Researcher: Local Government Research Program
Henry Eksteen	Parliamentary Liaison Officer
Philadelphia Sekhoane	PA to the Executive (resigned)
Annaleeze Prosee	PA to the Executive Manager
Sheina Tseke	PA to the Chairperson
Gloria Sekokotla	Secretary: Finance Department
Thembela Skenjana	Registry Administrator
Lyn Desai	Office Manager
Kim Biko	Administrative Secretary (Cape Town office)
Krish Chetty	Data Warehouse Assistant (fixed term contract)
Phillipine Ngobeni	Intern - website development
Maureen Molefe	Cleaner
Deliswa Schoeman	Accounts Officer
Cordia Sibanda	Administration Assistant (Accounts)
Lee Traut	Administrative Secretary (Cape Town office)
Annah Mosiane	Receptionist
Elizabeth Frazer	Receptionist & General Assistant (Cape Town office)
Kate Nkabinde	General Assistant

1.6.1 Structure of the Secretariat as at 31 March 2006



1.6.2 The Executive Committee (EXCO)

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. Bethuel Setai), the Deputy Chairperson (Jaya Josie), the Executive Manager (Myron Peter) and the Chief Financial Officer (Mavuso Vokwana).

1.6.3 Management Committee (MANCOM)

The Management Committee (Mancom) was established to manage and implement the Commission's overall strategic objectives and operational activities. During 2005/06, the Mancom focussed on implementing the new structure for the secretariat and managing the transition in between changes to the appointment of the Chairperson of the Commission. Members of Mancom are Dr. Bethuel Setai (Chairperson of the Commission), Jaya Josie (Deputy Chairperson of the Commission), Myron Peter (Chairperson of Mancom meetings), Mavuso Vokwana, Bongani Khumalo, Vincent Makinta and Conrad van Gass. Other staff/persons attend the Mancom meetings by invitation.

1.6.4 Information Technology (IT) Committee

The IT Committee was formed to oversee the development of information technology at the FFC. This also involved reviewing and evaluating existing IT arrangements with a view to their further enhancement and development. Members of the IT committee for 2005/06 were Dr. Bethuel Setai (Chairperson of the Committee), Vincent Makinta, Myron Peter and Mavuso Vokwana. Information Technology as well as all processes and activities relating to it would continue to be given high priority by the Chairperson of the Commission during the next fiscal year.

PERFORMANCE OF THE COMMISSION IN 2005-2006

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 2005-2006. Accompanied by indication of the Commission's performance for this period, these are as follows:

OBJECTIVE	INDICATOR	OUTPUT/OUTCOMES	PERFORMANCE
A. Develop and submit, annually, recommendations for the MTEF budget cycle as per the Intergovernmental Fiscal Relations Act.	Annual Submission made to Parliament, the provincial legislatures and SALGA at least 10 months before the start of the annual budget cycle.	Printed document submitted to the Clerk of Papers, Parliament, and distributed to provincial legislatures, SALGA, and the Minister of Finance by the 1 April of each fiscal year or on a later date as agreed to with the Minister of Finance.	The FFC Submission, for the Division of Revenue 2007/2008 was tabled to Chairperson of the NCOP and Speaker of the National Assembly) on 15 May 2006. Subsequently, the submission was tabled to the Speakers of Provincial Legislatures, and SALGA. The FFC also submitted its annual submission to the Minister of Finance.
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, 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 16 February 2006.
C. To respond to requests from stakeholders, other policy issues, and to fulfill the FFC obligations as per the prescripts of the relevant legislation, and in that respect investigate policy options, make proposals and recommendations on, and give advice to stakeholders on fiscal matters.	Number of stakeholder requests, policy issues, and legislative obligations responded to as per the mandates of the FFC provided for in the relevant legislation.	Number of written submissions made to stakeholders and to Parliament.	The FFC responded to three requests from stakeholders, viz, comment on: <ul style="list-style-type: none"> • Submission on the Western Cape Fuel Levy. 2005. • FFC's comments on National Treasury's Proposals to replace the Regional Council and Joint Services Board levies (RSC) Levies) 2005. • FFC's comments on the Development Component of the Local Government Equitable Share 2005.
D. Submit, annually, to Parliament and the relevant legislatures and bodies, as per the relevant legislation, an Annual Report & audited financial statements.	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.	Printed copies of the Annual Report and audited financial statements are submitted to the Clerk of Papers (Parliament), legislatures, SALGA and National Treasury.	The Report for 2005/2006 was submitted to Parliament on the 31 August 2006.

2.2 Quality assurance

The documents containing the recommendations and advice of the Commission are subject to checks on quality and a rigorous approach to research and analysis. This is accomplished through the following:

- International expertise is combined with internal research to maintain rigor and analytical integrity, and accountability to the Commission.
- The Commission holds regular review sessions each year to monitor research activities to mediate the development of recommendations.
- Consultations are undertaken with stakeholders to incorporate and consider new insights and experiences in the development of recommendations and technical working papers.
- The secretariat ensures that there is a feedback mechanism so that the Commission is timeously apprised and its discussions enriched with respect to current policy debates on fiscal matters.
- Research projects are approved at the Commission's Annual Bosberaad before they are implemented.
- The Commission's comments on other fiscal matters arising from in-year requests from stakeholders are presented for ratification and adoption at the meetings of the Commission. This involves a request to Commissioners to comment on a particular issue in order to finalize an FFC viewpoint on such a matter.

2.3 Information Dissemination

The following three reports of the Commission are widely disseminated to all stakeholders on an annual basis:

- The FFC's Comment on the Division of Revenue Bill
- The Annual Submission for the next MTEF period
- 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 2005/06 period focused on implementation of its new organisational structure. This included the recruitment of additional staff, grading and skill retention strategies. Recruitment activities were in line with the overall commitment of the FFC to employment equity.

However, greater attention would be placed on the recruitment of women in senior managerial posts in the finance and corporate sections, and as programme managers in the research and recommendations programme of the Commission.

The next Employment Equity Progress Report is due on the first working day of October 2006.

2.5 The Commission and BEE

As in the previous years, the Commission continues to place great emphasis on procuring the services of BEE companies. To further facilitate this, the Commission adopted a supply chain management (SCM) policy catering for BEE and SMME suppliers. In line with SCM policy, a FFC suppliers' list currently serves to guide the procurement of services for the Commission.

2.6 Key Submissions and Reports for 2005-2006

The following submissions were made by the Commission during the fiscal year 2005/06:

1. Submission on the 2006/07 Division of Revenue Bill;
2. Annual Submission for the Division of Revenue 2006/2007;
3. Submission on the Western Cape Fuel Levy;

4. FFC's comments on National Treasury's Proposals to replace the Regional Council and Joint Services Board levies (RSC Levies); and
5. FFC's comments on the Development Component of the Local Government Equitable Share.

These report may be accessed on the FFC's website <http://www.ffc.co.za>

2.7 Government's Response to the FFC's Annual Submission for 2006/07

The Commission tabled its recommendations, as per its constitutional and legislative mandate, entitled "Annual Submission for the Division of Revenue 2006/07" in Parliament in April 2005. Furthermore, the Constitution and section 10 of the Intergovernmental Fiscal Relations Act require that government should take into account these recommendations of the FFC when determining the division of revenue between the three spheres of government.

The 2006 FFC provincial proposals covered a broad range of issues and were, as suggested previously by government, divided into two main parts. Part A dealt with issues applicable to the Division of Revenue for the 2006 medium term expenditure framework and focused on five main areas, namely a review of and proposals on the conditional grant system as it pertains to the National Tertiary Services and the Health Professions Training and Development grants, proposals on the financing of social welfare services in light of the fact that the social security grants function has shifted to the national sphere, an analysis and proposals on the framework on the assignment of powers and functions in the South African intergovernmental system, a review of the institutional and funding framework for housing in South Africa, and an assessment of and proposals on the current policy, legislative, and funding framework for transport provision in South Africa.

The FFC also made supplementary submissions in its recommendations that related to specific issues in local government finance as a follow up to its on-going work on the review of the local government equitable share. Specifically the Commission made proposals on the financing of municipal health services and further recommendations on the proposed developmental component of the Local Government Equitable Share Formula.

Government has responded in significant detail to the proposals of the FFC. The Commission notes that the government has generally responded positively to the recommendations that were made by the FFC.

With respect to the recommendations on the Health conditional grants there is agreement between government and the FFC that the NTSG be retained as a conditional grant. The government stresses the need to review this grant in order to take account of the Modernisation of Tertiary Services proposals from the health sector. The FFC had indicated in its submission last year that it would continue to review the grant and part of the review that has been done did take into account the MTS proposals. Detailed information will be presented in the Annual Submission for the 2007 MTEF cycle.

In relation to the Health Professions Training and Development Grant, there is agreement that this grant needs to be retained as a conditional grant. Government also indicates that it is currently undertaking some work and investigating options of improving the efficiency of the grant with respect to targeting. The FFC has also done further work on this grant and will be submitting detailed proposals in the Annual Submission for the 2007 MTEF cycle.

With respect to the financing of welfare services, government agrees with the recommendations of the FFC. Government further indicates that it is currently undertaking work to define the basket of welfare services in line with the FFC's recommendation.

The recommendations that the FFC made with respect to the assignment of powers and functions have all been supported and accepted by government. Government further notes that the Policy Framework for the assignment of powers and functions to local government has been transformed into Assignment Guidelines that were published in 2005. Government notes that; read with the relevant legislation, these guidelines should assist all spheres of government to find the right mix of options for the devolution of powers and functions to the local sphere. Government also supports the Commission's recommendation that there is a need to extend the framework to all three spheres of government and to ensure that any assignment and agreements by parties take the funding implications into account.

With respect to the recommendations on the institutional and funding framework for housing, government agrees with in general with the FFC's recommendations. However government emphasizes that the administrative costs associated with housing subsidies are partially accounted for through the provision that municipalities can retain up to 7.5 per cent of the Integrated Housing and Human Settlement Grant for administrative costs. The rest of the costs should be borne by the municipality. While the Commission agrees with the principle, given the fact that it is unlikely that poor municipalities with no revenue raising capacity would be accredited, this should not be assumed to apply all the time. There is a need therefore to clearly specify that those municipalities with sufficient revenue raising capacity should share in the financing of administration costs for housing subsidies.

In relation to the recommendation that there be an alignment of new housing subsidies to the MIG and the local government equitable share formula government indicated that this may prove to be very difficult given time lags that exist between the granting of subsidies and the actual construction of a house. Secondly, the fact that the MIG also targets infrastructure in existing settlements over and above new housing also complicates the issue. Given the need to ensure transparency and simplicity in the formula, the FFC agrees with the government that using the formula to address these issues may indeed complicate the formula and present technical problems. There is also agreement that there is a need for the ensuring that the growth in housing subsidy approvals be accompanied by changes in the same direction for the equitable share and the MIG in order to ensure that poorer municipalities are also able to provide and maintain basic services infrastructure.

In relation to transport funding issues government agrees with the FFC on all the recommendations and highlights the need for improving the efficiency of inter-modal transport planning. The FFC agrees with government's observation that the Gautrain Rapid Rail link provides lessons on the difficulties the transport sector experiences in coordinating planning across modes under the current funding and institutional arrangements.

The FFC included in the Submission Document a supplementary submission that it had made with respect to the funding of environmental health. Government agrees with the recommendation that the environmental health care services be included in the basic component of the local equitable share formula. This recommendation has been implemented in the 2006 Budget through the provision for a phasing-in of environmental health care services until such a period that estimated costs are matched.

However, government is of the view that there is no need to develop an environmental health care package as its elements are adequately listed in the National Health Act (Act No. 61 of 2003). The Commission is of the view that the fact that the Act lists the element is not adequate. The Act provides a general framework. The development of a package is necessary to ensure implementation. This would also make the estimation of costs relatively easier.

The final area of recommendations was the supplementary submission made in December 2005 on the proposed developmental component of the local government equitable share formula. Government agrees with the recommendations contained in the submission and further indicates that it will await specific proposals from the FFC with respect to how the local government equitable share formula could fully take account of the expenditure needs of government. The FFC is currently engaged in a research project that is aimed at addressing the expenditure needs of municipalities. However the final proposals are only expected to be tabled in the Annual Submission for 2008, which will be made in 2007.

In conclusion, the Commission notes and welcomes the government's response to its recommendations and also appreciates the significant challenges that government faces in dealing with the division of revenue matters and ensuring that adequate resources are allocated to all the spheres of government and are utilized efficiently and equitably. In this respect the Commission welcomes the fact that the Division of Revenue Bill, for the first time provides a list of issues that government intends to be working on in the short to medium term. This is an important departure from the past in the sense that for the Commission there is now a fair amount of guidance with respect to the issues that are of key interest to government. The FFC can incorporate some of these issues in its work program and assist government through its recommendations in addressing some of the challenges.

2.8 Finances and Resources

2.8.1 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 19 660,000.00 was allocated to the FFC for the financial year 2005-2006. Total expenditure as per total budget provision was R 19 046,284.00.

2.8.2 Report from the Chairperson of the Audit Committee

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

During the fiscal-year, the Committee received and deliberated on several reports from the Executive Management, the Internal Audit Unit, and the Auditor-General. The Committee is satisfied that the FFC continues to improve and enhance its internal financial procedures and controls. This, indeed, makes 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 2006 read together with the Report of the Auditor-General, once again attest to sound business and financial practice at the FFC. The Audit Committee is pleased that FFC continues to receive unqualified reports from the Auditor-General as has been the case in previous years.

2.8.3 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).

For the current financial year, the internal audit unit completed the risk assessment report and provided the FFC with a three- year internal audit strategic plan. The risk assessment report was reviewed by the Audit Committee and the three-year strategic plan was approved by the Commission.

2.8.4 Fraud Prevention Plan

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

Every year the members of the staff are apprised of the content of the policy. They then sign a declaration attesting that they have been informed of and understand 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 2005-March 2006.

2.8.5 MTEF Submission

The FFC submitted its MTEF budget to the Medium Term Expenditure Committee (MTEC) in August 2005. The following MTEF was approved by National Treasury:

	2005/06 R'000	2006/07 R'000	2007/08 R'000	2008/09 R'000
Approved MTEF Allocation	17,869	19,205	20,178	21,125

2.9 Financial Results

2.9.1 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 Commission exercises its responsibilities in terms of the Constitution (Section 220 and 221). It also does this within the legal framework of the FFC Act and the Public Finance Management Act. These legal frameworks, when read together with other applicable legislation to various aspects of the conduct of the business of organs of the state, determine the practice of corporate governance at the FFC.

To strengthen its practice of corporate governance the Commission restructured the post of the Executive Manager to include a greater emphasis on matters of governance, procedure and protocols including related obligations.

The FFC's Remuneration and Performance Review Committee plays an important role in monitoring performance and evaluating senior staff members.

The Executive Committee (EXCO), under the leadership of the Chairperson of the Commission, plays an important role in maintaining accountability to the Commission.

In the coming fiscal year, the Commission will undertake activities to engender a culture of honesty characterized by strong fiduciary values upheld at all levels of the Commission. The Commission is in the process of preparing a guiding document on fiduciary responsibilities and duties of the commissioners, senior managers and the secretariat.

The Commission will seek 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

The Strategic Plan for 2005/06 outlined the provisions for the implementation of an FFC Capacity Expansion Program and Realignment Structure. This strategy included the implementation of two additional Research Programs (IGFR Performance, and Macroeconomics and Public Finance) and the expansion and rationalisation of reporting lines for support functions within the organisation.

The Realignment Recruitment exercise was implemented from September 2005 and for the reporting period has appointed key personnel for the staffing of the new and revised structures.

In April 2005 the Commission reviewed proposals contained in a Report on Remuneration and Recognition Systems and agreed strategies for addressing performance management and retention processes at the FFC.

The Recommendations Research Program has previously been susceptible to high staff turnover and loss of expertise. In June 2005 the FFC Executive developed a Job Level and Remuneration Range Framework to assist with the attraction, recruitment and retention of core management and research skills.

Job Profiles and Performance Contracts for the 2005/06 period were reviewed and updated in accordance with the requirements of the Capacity Expansion Program and the Realignment Structure.

The FFC implemented an Annual Employee Review process for general and management staff to monitor employee development, recognition for service and experience and alignment of remuneration levels with applicable scales. This process has complimented the current Performance Management System, which will undergo further enhancements in the 2006/07 period.

The annual Performance Bonus, based on the average ratings achieved in the previous calendar year, was implemented in December 2005 in accordance with the Performance Bonus Guidelines.

For the 2005/06 reporting period the FFC continued to invest funds in employee skills development for both individual and team-based needs. In addition a number of employees have been granted educational assistance support for the attainment of relevant qualifications.

A Policies and Procedures workshop was held for all FFC staff at the commencement of the reporting period. Ongoing reevaluation has been implemented to ensure that organisational practice is aligned with legislative / regulatory requirements and that the need for updated or new policies is identified and addressed.

The HR Statistics Report (01 April 2005 to 31 March 2006), aligned with National Treasury reporting guidelines, is published in Annexure B.

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 that reviewed the strategic plan for the previous year. The outcomes of this exercise will be implemented in the next financial year (2006/07) within the context of the budget constraints for that particular fiscal year.

3.4 HR Statistics Report - 01 April 2005 to 31 March 2006

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. The Commission would update this manual as soon as it has completed the implementation of its new document management system.

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 and legal experts.

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. During the reporting period, the FFC finalized and approved a Supply Chain Management Policy to guide its procedures and processes for procuring goods and services.

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;
- Parliament's Portfolio Committee on Finance;
- Budget Council and the Budget Lekgotla;
- STATSSA;
- National departments;
- Provincial legislatures and its committees which hold regular public hearings on the FFC's annual submissions;
- The Tertiary Health Academic Community; 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 2005/06. Stakeholders from various departments/institutions attended these events.

In the next fiscal-year, the FFC will (as part of its strategic plans) develop and implement plans to network closely with stakeholders on policy issues, and widen as well as deepen its communication strategies with respect to the three spheres of government and other relevant institutions.

ANNEXURES

MANAGEMENT REPORT AND AUDITED FINANCIAL STATEMENTS

**MANAGEMENT REPORT FOR THE
YEAR ENDED 31 MARCH 2006**

MANAGEMENT REPORT FOR THE YEAR ENDED 31 MARCH 2006

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

In the 2005/06 financial year, I was appointed the Chairperson of the Commission and as such undertook to address matters relating to the financial and corporate management of the FFC. The financial affairs continue to remain in a healthy state and would have to respond to the future challenges faced by the Commission through the on-going review of its strategic plan.

Various strategic planning workshops, which were attended by all managers and commissioners, were held with a view to improving the effective and efficient delivery on the mandates of the Commission.

The surplus amount of R1 060 432, reflected in the financial statements, has been earmarked for implementation of various activities, required in terms of the strategic plan for the financial year 2006/07. 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 programmes for the capacity building and more office space requirements for the organisation.

A significant part of the expenditure in 2005/06 financial was due to the personnel costs and research costs. Given the challenges that faced the FFC in 2005/06 financial-year, the Commission had to ensure that all its statutory obligations are met in terms of the constitution with the constraints of the budget. Various costs 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 2006-2007, various demands arising from the strategic planning process undertaken by the FFC during the 2005/06 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 constitutional institution

Not applicable.

3. Trading activities

Not applicable.

4. Trading entities

Not applicable.

5. Public entities

Not applicable.

6. Public/private partnerships

Not applicable.

7. Risk management and fraud prevention

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 the 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 2005/06 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.

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 cover the appointment of the new executive manager and proposal to appoint research programme director for the research unit. Various programmes to deal with capacity problems are being put into place especially the ones that address the staff turnover within the research programme. The new research projects have been established to address matters relating to macro-economic stability, inter-governmental relations system, fiscal policy, policy instruments and institutional arrangements, poverty and inequality, local government fiscal frameworks and statistical and data issues. The FFC also had re-located to new office premises on another floor in the same building during the 2005/06 financial year.

10. Events after the accounting date

Not applicable.

11. Acknowledgements

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

Approval



DR BETHUEL SETAI
CHAIRPERSON

31 July 2006

**STATEMENT OF FOREIGN AID ASSISTANCE RECEIVED:
for the year ended 31 MARCH 2006**

Source of Funds	Intended Use	Amount Received	Amount spent	Balance unspent
The Aus Aid (For Fiscal year 05/06)	Research on Infrastructure issues, procurement of expertise both local and international	R239 000	R239 000	R0.00
		<hr/> R239 000	<hr/> R239 000	<hr/> R0.00

VALUE RECEIVED IN KIND

No foreign donation received in kind for period 2005/2006

PERFORMANCE INFORMATION ON USE OF ASSISTANCE

No foreign donation received in kind for period 2005/2006

PENDING APPLICATIONS FOR ASSISTANCE

No pending application for the period 2006/2007

Date: 31 July 2006

**AUDIT OPINION AND ANNUAL FINANCIAL
STATEMENTS FOR THE YEAR ENDED
31 MARCH 2006**

FINANCIAL AND FISCAL COMMISSION

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

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APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements which appear on pages 20 to 35 have been approved and authorized for issue on date of signature by the Executive Committee and is signed on its behalf by:



DR B SETAI
(Chairperson)

31 May 2006

REPORT

OF THE

AUDITOR-GENERAL

ON THE

FINANCIAL STATEMENTS OF THE FINANCIAL AND FISCAL COMMISSION

FOR

THE YEAR ENDED 31 MARCH 2006

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 2006



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

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 23 to 35, for the year ended 31 March 2006, 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 are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

2. SCOPE

The audit was conducted in accordance with the International Standards of Auditing read with *General Notice 544* of 2006, issued in *Government Gazette no. 28723* of 10 April 2006 and *General Notice 808* of 2006, issued in *Government Gazette no. 28954* of 23 June 2006. Those standards require that I 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.

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

3. BASIS OF ACCOUNTING

The entity's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as described in note 1 to the financial statements.

4. AUDIT OPINION

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Financial and Fiscal Commission at 31 March 2006 and the results of this operations and its cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury of South Africa, as described in note 1 to the financial statements, and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999).

5. APPRECIATION

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

G.O Randall
for Auditor-General

30 July 2006



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

**Annual Financial
Statements 31 March 2006**

ANNUAL FINANCIAL STATEMENTS 31 MARCH 2006

FINANCIAL AND FISCAL COMMISSION STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2006

	Notes	2006 R	2005 R
ASSETS			
Non-current assets			
Plant and equipment	2	2 019 977	1 036 740
Current assets			
Trade and other receivables	3	1 730 333	1 365 545
Cash and cash equivalents	4	141 673	736 160
		1 588 660	629 385
Total assets		<u>3 750 310</u>	<u>2 402 285</u>
CAPITAL, RESERVES AND LIABILITIES			
Capital and reserves			
Capital contribution	5	2 306 449	1 246 017
Accumulated surplus/(deficit)		918 752	918 752
		1 387 697	327 265
Non current liabilities			
Interest bearing borrowings			-
Current liabilities			
Trade and other payables	7	1 443 861	1 156 268
Interest bearing borrowings	6	1 121 468	349 414
Provisions	8	22 270	574 669
		300 123	232 185
Total capital reserves and liabilities		<u>3 750 310</u>	<u>2 402 285</u>

FINANCIAL AND FISCAL COMMISSION STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2006

	Notes	2006 R	2005 R
Operating income	9	19 899 000	18 382 317
Transfers from National Treasury		19 660 000	17 869 000
Foreign donations received		239 000	513 317
Other income			
Interest received	10	198 840	50 710
Gain on sale of plant and equipment		7 676	-
Sundry income		1 200	2 444
Total income		<u>20 106 716</u>	<u>18 435 471</u>
Operating expenses			
Staff costs		(8 463 052)	(7 935 261)
Depreciation		(909 427)	(878 166)
Professional services		(508 422)	(510 644)
Other operating expenses		(9 138 639)	(7 392 388)
Total operating expenses		<u>(19 019 540)</u>	<u>(16 716 459)</u>
Surplus/(Deficit) before interest and Finance charges	11	1 087 176	1 719 012
Interest paid		(26 744)	(166 115)
Net Surplus/(Deficit) for the year		<u>1 060 432</u>	<u>1 552 897</u>

FINANCIAL AND FISCAL COMMISSION STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2006

	Capital contribution	Accumulated surplus	Total
At 1 April 2004	918 752	(1 225 631)	(306 879)
Surplus for the year		1 552 897	1 552 897
At 1 April 2005	918 752	327 266	1 246 018
Surplus for the year		1 060 432	1 060 432
Balance at 31 March 2006	918 752	1 387 697	2 306 449

**FINANCIAL AND FISCAL COMMISSION
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2006**

	Notes	2006 R	2005 R
Cash received from Government and donors		19 899 000	18 382 317
Cash paid to suppliers and employees		(16 675 631)	(17 142 405)
Cash generated from operations	12	3 223 369	1 239 912
Other Income		1 200	2 444
Interest received		198 840	50 710
Interest paid		(26 744)	(166 115)
Cash flows from operating activities		3 396 665	1 126 951
Cash flows from investing activities		(1 884 991)	(43 027)
Purchase of property, plant and equipment		(1 935 841)	(43 027)
-Additions	2	(1 935 841)	(43 027)
Proceeds on disposal of plant and equipment	12	50 850	-
Cash flows from financing activities			
Increase in interest bearing borrowings		(552 399)	(785 210)
Payment of interest bearing borrowings		(552 399)	(785 210)
Net increase/(decrease) in cash and cash equivalents for the year		959 275	298 714
Cash and cash equivalents at beginning of year		629 385	330 671
Cash and cash equivalents at end of year	4	1 588 660	629 385

FINANCIAL AND FISCAL COMMISSION STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2006

1. Basis of operation

The financial statements have been prepared in accordance with South African statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such statements issued by the Accounting Practices Board, with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP statement as follows:

Standard of GRAP

GRAP 1: Presentation of financial statements
GRAP 2: Cash flow statements
GRAP 3: Accounting policies, changes in accounting estimates and errors

Replaced Statement of GAAP

AC101: Presentation of financial statements
AC118: Cash flow statements
AC103: Accounting policies, changes in accounting estimates and errors

The recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1, 2 & 3 has resulted in the following significant changes in the presentation of the financial statements:

1. Terminology differences:

Standard of GRAP

Statement of financial performance
Statement of financial position
Statement of changes in net assets
Net assets
Surplus/deficit for the period
Accumulated surplus/deficit
Contributions from owners
Distributions to owners
Reporting date

Replaced Statement of GAAP

Income statement
Balance sheet
Statement of changes in equity
Equity
Profit/loss for the period
Retained earnings
Share Capital
Dividends
Balance sheet date

2. The cash flow statement can only be prepared in accordance with the direct method.

3. Specific information such as:

- (a) receivables from non-exchange transactions, including taxes and transfers;
- (b) taxes and transfers payable;
- (c) trade and other payables from non-exchange transactions:
must be presented separately on the statement of financial position.

4. The amount and nature of any restriction on cash balances is required to be disclosed.

Paragraph 11-15 of GRAP 1 has not been implemented as the budget reporting standard is in the process of being developed by the international and local standard setters. Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure will not affect fair presentation.

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.

FINANCIAL AND FISCAL COMMISSION STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2006 – continued

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 contacts 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 the commission 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.

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 a current asset in the balance sheet until such expenditure is either recovered, authorized by Parliament or set off against future funds.

FINANCIAL AND FISCAL COMMISSION NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

2. Property, plant and equipment

	2006			2005		
	Cost	Accumulated Depreciation	Net book Value	Cost	Accumulated Depreciation	Net book Value
Owned Assets						
Paintings	38 806	-	38 806	38 806	-	38 806
Computer Equipment *	4 792 878	(3 873 615)	919 263	1 432 659	(1 432 658)	1
Vehicles	255 491	(182 663)	72 828	255 491	(144 661)	110 830
Furniture, Fixture and office equipment	1 870 289	(1 065 413)	804 876	1 180 699	(975 042)	205 657
Computer Software	1 089 681	(905 477)	184 204	870 151	(856 789)	13 362
Leased Assets						
Computer Equipment *				2 450 125	1 776 227	673 898
	8 047 145	(6 027 168)	2 019 977	6 222 117	(5 185 377)	1 036 740
2006						
	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	673 899	940 374	-	(689 196)		919 263
Vehicles	110 828	-	-	(38 000)		72 828
Furniture, Fixture and office equipment	199 844	775 938	(43 174)	(133 545)		804 876
Computer Software	13 362	219 529	-	(48 687)		184 204
	1 036 740	1 935 841	(43 174)	(909 428)		2 019 977
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
Furniture, fittings and office equipment	325 516	20 515	-	(146 187)		199 844
Computer Software	41 412	16 700	-	(44 748)		13 364
Paintings	38 806	-	-	-		38 806
	558 156	37 215	-	(232 529)		362 842
Capitalised Leased Assets						
Computer Equipment	1 313 721	5 814	-	(645 637)		673 898
	1 871 877	43 029	-	(878 166)		1 036 740

* All assets that were under a finance lease at 2005 become owned assets.

FINANCIAL AND FISCAL COMMISSION NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

	2006 R	2005 R
3. Trade and other receivables		
Trade receivables	104 330	93 365
Staff loans	14 065	17 151
Prepayments	23 278	625 644
	<u>141 673</u>	<u>736 160</u>
4. Cash and cash equivalents		
Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:		
Cash on hand	11 881	4 231
Bank balance	1 576 779	625 154
	<u>1 588 660</u>	<u>629 385</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	22 270	574 669
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 NIL (2005: R673 898)		
	<u>22 270</u>	<u>574 669</u>
7. Accounts payable		
Trade creditors	601 562	112 630
Accruals	519 906	236 784
	<u>1 121 468</u>	<u>349 414</u>
8. Provisions		
Leave pay benefits	<u>300 123</u>	<u>232 184</u>
9. Income		
Income comprises grants received from Government and occasional donations.	19 899 000	18 382 317
10 Interest received		
This is interest on available funds held in current accounts with financial institutions.	198 840	50 710
11 Surplus		
<i>Net surplus/(deficit) for the year has been arrived at after debiting:</i>		
Auditors remuneration	307 655	190 481
Professional services	508 422	510 644
Commissioners' expenses	72 965	222 689
Rentals in respect of operating leases:		
Office equipment	340 894	235 553

FINANCIAL AND FISCAL COMMISSION NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

	2006 R	2005 R
Depreciation:	909 428	878 166
Computer hardware	689 196	645 637
Computer software	48 687	44 748
Furniture, fittings and equipment	133 545	146 187
Motor Vehicles	38 000	41 594
Staff costs	8 463 052	7 935 261
Included in staff costs are:		
Defined contribution plan expense	1 099 730	973 764
See note 16		
And after crediting:		
Interest received:		
Current account	197 677	50 333
Staff loans	1 163	377
	<u>198 840</u>	<u>50 710</u>

12 Cash (utilized in) / generated from operations

Reconciliation of surplus/(deficit) to cash (utilized in) generated by operations:		
Net surplus/(deficit) for the year	1 060 432	1 552 897
Adjusted for:	796 393	1 028 826
Depreciation	909 427	878 166
Gain on sale of plant and equipment	(7 676)	-
Interest received	(198 840)	(50 710)
Other Income	(1 200)	(2 444)
Movement in provisions	67 938	37 699
Finance charges	26 744	166 115
Surplus/(deficit) before working capital changes	1 856 825	2 581 723
Working capital changes:	1 366 544	(1 341 811)
(Decrease)/increase in accounts payable	772 056	(622 355)
(Increase) in accounts receivable	594 487	(719 456)
Cash (absorbed by) generated from operations	<u>3 223 369</u>	<u>1 239 912</u>
Proceeds on sale of plant and equipment		
Profit on sale of plant and equipment	7 676	-
Carrying value of plant and equipment	43 174	-
	<u>50 850</u>	<u>-</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 2006 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.

FINANCIAL AND FISCAL COMMISSION NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006 (Contd.).

14. Foreign donations

Foreign donations comprised amounts received during 2005/2006 from the AusAid.

15. Surplus funds

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

16. 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 R1 099 730 (2005: R973 764) was recognized as an expense during the year for contributions to the retirement fund.

**FINANCIAL AND FISCAL COMMISSION
EXPENDITURE SCHEDULE
FOR THE YEAR ENDED OF 31 MARCH 2006**

	2006	2005
	R	R
Accounting fees	111 524	-
Advertising	76 657	10 000
Auditor's Remuneration	307 655	190 481
Internal Auditor's fees	250 273	164 512
Bank charges	12 075	17 883
Commissioners' expenses	72 965	222 689
Computer maintenance	365 165	314 815
Courier expenses	69 935	75 948
Depreciation	909 427	878 166
Diginet lines rental	257 187	319 638
Provident fund	1 099 730	973 764
General repairs and office maintenance	230 074	105 165
Interest paid	26 744	166 115
Bosberaaf/IGFR Conference	300 910	1 730 940
Loss on disposal of tangible assets	-	-
Meetings and conferences	212 604	210 115
Motor vehicle expenses	42 901	31 631
Penalties and fines	-	3 567
Postage, printing and stationery	405 975	425 943
Professional services	508 422	510 644
Research costs	1 920 748	1 426 321
RSC levies	27 375	25 797
Refurbishment costs	1 835 785	-
Rental of office equipment	340 894	235 553
Staff costs	7 363 322	6 959 321
Skills development	260 373	223 166
Sundry Expenses	6 337	12 838
Telephone and fax	583 407	492 863
Travel and accommodation	1 447 820	1 152 523
	<u>19 046 284</u>	<u>16 882 574</u>

FINANCIAL AND FISCAL COMMISSION

SCHEDULE OF APPLICATION OF FOREIGN DONATIONS
RECEIVED FOR THE YEAR ENDED 31 MARCH 2006

	2006 R	2005 R
Donations received		
Donation from AusAid	239 000	158 317
Local donations	-	355 000
	<u>239 000</u>	<u>513 317</u>
Utilized in:		
Consultants costs: Jeff Petchey	(239 000)	(158 317)
IGFR Conference	-	(355 000)
	<u>(239 000)</u>	<u>(513 317)</u>
Utilisation of donations received	<u>-</u>	<u>-</u>

HR STATISTICS REPORT - 01 APRIL 2005 TO 31 MARCH 2006

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 2006. 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 2005/06

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	381 465	34 058	347 407		58.9%	34 058
Salary levels 3 - 5	1 824 688	435 059	1 389 629		23.8%	108 765
Salary levels 6 - 8	1 861 324	471 695	1 389 629		25.3%	117 924
Salary levels 9 - 12	7 767 687	3 251 393	4 516 294		41.9%	250 107
Salary levels 13 - 14	4 365 012	2 627 976	1 737 036		60.2%	525 595
Salary levels 15 - 16	2 846 108	1 642 872	694 814	508 422	57.7%	821 463
Total	19 046 284	8 463 053	10 074 809	508 422	44.4%	291 829

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

Senior Management Service

CEO/Chair
Deputy CEO/Chair

Salary Levels 13 - 14 (Professionals)

Executive Manager: Commission Coordination
Program Manager: Fiscal Policy
Program Manager: Budget Analysis
Chief Financial Officer
Manager: Data and Information Unit

Salary Levels 9 - 12

Parliamentary Liaison Officer
Research Coordinators/Specialist
Senior Researcher
Researcher
Data Researcher
Assistant Researcher
Office Manager
PA to Executive Manager
Accounts Officer

Salary Levels 6 - 8

Administration Assistant (Finance)
Administration Secretary – Cape Town Office
Secretary – Recommendations Research Program
Secretary – Finance Department

HR STATISTICS REPORT - 01 APRIL 2005 TO 31 MARCH 2006

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Parliamentary Liaison Officer
Research Coordinators/Specialist
Senior Researcher
Researcher
Data Researcher
Assistant Researcher
Office Manager
PA to Executive Manager
Accounts Officer

Salary Levels 6 - 8

Administration Assistant (Finance)
Administration Secretary – Cape Town Office
Secretary – Recommendations Research Program
Secretary – Finance Department

Salary Levels 3 - 5

Receptionist
Registry Administrator
General Office Assistant

Salary Levels 1 - 2

Cleaner

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

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

Tables 1.3 and 1.4 - Overtime, Allowances and Benefits by programme and salary level, 2005/06

	Amount ₹	% of personnel cost	Amount ₹	% of personnel cost	Amount ₹	% of personnel cost
Salary levels 1 - 2	0	0	0	0	15 229	45%
Salary levels 3 - 5	0	0	0	0	162 269	37%
Salary levels 6 - 8	0	0	0	0	86 057	18%
Salary levels 9 - 12	0	0	457 805	14%	442 646	14%
Salary levels 13 - 14	0	0	400 322	15%	193 746	7%
Salary levels 15 - 16	0	0	296 119	18%	63 970	4%
Total	0	0	1 154 246	14%	978 791	12%

Table 2.1 - Approved establishment by programme

2004/05	2005/06	2006/07	2007/08	2008/09
22	29	45	47	50

Table 2.2 and 2.3 - Employment and vacancies by programme, salary band, 31 March 2006

Salary Levels	Establishment	Number of employees	Vacancy Rate	Additional to the establishment
Salary levels 1 - 2	1	1	0	0
Salary levels 3 - 5	4	4	0	0
Salary levels 6 - 8	4	4	0	0
Salary levels 9 - 12	13	13	0	0
Salary levels 13 - 14	5	5	0	0
Salary levels 15 - 16	2	2	0	0
Programme Total	29	29	0	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 2005 to 31 March 2006

Job positions at the FFC are currently graded on the EQUATE Job Evaluation system, which was implemented in June 2003.

No formal Job Evaluations were conducted during the April 2005 to March 2006 reporting period.

Appointments made for the reporting period in terms of the FFC's Strategic Realignment and Capacity Expansion Program, were allocated grades in line with the existing job level and grade structure.

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.

Job Evaluation at the FFC will be reviewed as part of the 2006/07 Human Resources Strategy.

Table 3.3 - Remuneration levels that exceeded the grade determined by job evaluation, 01 April 2005 to 31 March 2006

Occupation	Number of Employees	Job Evaluation Level	Remuneration Level	Reason for deviation
Office Manager	1	11	12	Post previously benchmarked against Private Sector rates
Secretary: Recommendations Research Program	1	07	08	Post previously benchmarked against Private Sector rates
Receptionist	1	04	07	Post previously benchmarked against Private Sector rates
General Office Assistant Cape Town Office	1	03	04	Post previously benchmarked against Private Sector rates
General Office Assistant Midrand Office	1	03	04	Post previously benchmarked against Private Sector rates

Table 3.4 - Profile of employees whose remuneration levels exceed the grade determined by job evaluation, 01 April 2005 to 31 March 2006

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

Table 4.1 - Appointments, promotions and terminations, 01 April 2005 to 31 March 2006

	Employees 01 April 2003	Appointments and Transfers	Promotions	Terminations
African				
Male	8	1	4	1
Female	7	6	1	2
Asian				
Male	2	1		
Female	0			
Coloured				
Male	1	1	1	
Female	2	1	1	
White				
Male	1			
Female	1		1	
Employees with disability	0			
Total for FFC	22	10	8	3

Table 4.2 - Annual turnover rates by salary bands

Salary Levels	Appointments and Transfers	Terminations and Transfers	Turnover rate
Salary levels 1 - 2	1	0	0%
Salary levels 3 - 5	1	0	0%
Salary levels 6 - 8	2	0	0%
Salary levels 9 - 12	5	2	18%
Salary levels 13 - 14	0	0	0%
Salary levels 15 - 16	1	1	50%
Total	10	3	11.8%

The total turnover rate was calculated by dividing the number of terminations for the period (3) by the average staff

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	2
Expiry of Contract	
Dismissal - organisational changes	
Dismissal - misconduct	
Dismissal - inefficiency	
Discharge due to ill-health	
Retirement	
Other	1 (Transfer)
Total	3

Tables 5.1 to 5.3 - Affirmative action, employees below SMS, SMS, target group, 2005 / 06

The last FFC 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 implementation of the 2005/06 Realignment Structure and Capacity Expansion Program. An additional seven positions have been appointed during the reporting period. Further appointments in line with the Capacity Expansion Program are underway for the 2006/07 period.
- The development of a revised FFC Strategic Plan, scheduled for adoption and implementation during the 2006/07 period.
- The implementation of an integrated Corporate Affairs function to coordinate all aspects of the FFC's support operations, internal systems and regulation of compliance requirements.
- The development of a 1 - 3 year Human Resources Strategy to identify processes for enhancing and consolidating such areas as Performance Management, Job Evaluation, Succession Planning, Competency Assessment and Targeted Skills Development, Retention Strategy etc.
- The successful implementation of a competency-based application process for the evaluation of candidates in the recruitment and selection procedures of the organization.
- The adoption of the Recommendations Research Program Job and Remuneration Level Structure to address retention of research expertise and the implementation of developmental posts for future staffing requirements.
- Implementation of a Training and Development Programme for the 2005/06 period which has included individual development, part-time educational assistance and team-based development interventions.
- Development of new Policies and Procedures to regulate ongoing administrative and corporate affairs requirements - Information Security Policy, Document Management, Corporate Governance Guidelines and Commission Performance Evaluation.
- 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.
- The implementation of the Annual Employee Review process for general and management staff.

The FFC Employment Equity Plan identifies the need to increase the representation of women in the management and professional (Research Program) categories as a key challenge. The Capacity Expansion Program provides an opportunity for these targets to be realised and the current recruitment program is focused on appointment of women to senior / professional levels.

The total FFC complement as at 31 March 2006 comprises 52% women employees. At Job Levels 09 - 12 women represent 46% of incumbents. Currently no women are employed in the Senior Management Services (SMS - Job Level 13+) category.

Table 6.1 - Performance Rewards, by race, gender and disability, 01 April 2005 to 31 March 2006

	Number of beneficiaries	Number of employees	% of total within group	Cost	Per capita cost
African					
Male	7	8	88%	218 426	27 303
Female	6	11	55%	78 057	7 096
Asian					
Male	1	3	33%	40 971	13 657
Female	0	0	0%	0	0
Coloured					
Male	1	2	50%	22 430	11 215
Female	2	3	67%	37 125	12 375
White					
Male	1	1	100%	40 971	40 970
Female	1	1	100%	15 900	15 900
Total	19	29	66%	453 880	15 651

Table 6.2 - Performance Reward by salary level, 01 April 2005 to 31 March 2006

Salary Levels	Number of beneficiaries	Number of employees	% of total within group	Cost R	Per capita cost
Salary levels 1 - 2	0	1	0	0	0
Salary levels 3 - 5	3	4	75%	30 950	7 738
Salary levels 6 - 8	3	4	75%	42 783	10 696
Salary levels 9 - 12	9	13	69%	218 195	16 784
Salary levels 13 - 14	4	5	80%	161 952	32 390
Salary levels 15 - 16	0	2	0	0	0
Total	19	29	66%	453 880	15 651

Table 6.3 - Performance Reward by critical occupation, 01 April 2005 to 31 March 2006

See notes to Table 2.4

Table 7.1 - Foreign Workers, 01 April 2005 to 31 March 2006

Salary Levels	01 April 2005		31 March 2006		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 - 14	0	0	0	0	0	0
Salary levels 15 - 16	0	0	0	0	0	0
Total	0	0	1	4.5%	1	4.5%

Table 8.1 - Sick Leave, 01 April 2005 to 31 March 2006

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	0	0	0	0	0	0
Salary levels 3 - 5	18	87.5%	4	15%	4.5	R8 462
Salary levels 6 - 8	12	58.3	4	15%	3.0	R5 275
Salary levels 9 - 12	24.5	26.6%	13	50%	1.9	R14 673
Salary levels 13 - 14	7	28.5%	5	20%	1.4	R17 946
Salary levels 15 - 16	-	-	-	-	-	-
Total	0	0	0	0%	0	0

Table 8.2 - Disability leave (temporary and permanent), 01 April 2005 to 31 March 2006

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 - 14	0	0	0	0%	0	0
Salary levels 15 - 16	0	0	0	0%	0	0
Total	0	0	0	0%	0	0

Table 8.3 - Annual Leave, 01 April 2005 to 31 March 2006

Salary Levels	Total days taken	Number of employees in grade	Average per employee
Salary levels 1 - 2	4	1	4
Salary levels 3 - 5	40	4	10
Salary levels 6 - 8	21	4	5.25
Salary levels 9 - 12	125	13	9.62
Salary levels 13 - 14	72	5	14.4
Salary levels 15 - 16	26	2	13
Total	288	29	29.93

Table 9.1 - Collective Agreements, 01 April 2005 to 31 March 2006

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

Table 9.2 - Misconduct and discipline

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

Table 10.1 - Skill development by salary band, 01 April 2005 to 31 March 2006

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	9	2.25	14 762	3 691
Salary levels 6 - 8	6	1.5	5 465	1 366
Salary levels 9 - 12	34	2.6	50 265	3 867
Salary levels 13 - 14	19.5	3.9	138 383	27 677
Salary levels 15 - 16	9	4.5	51 498	25 749
Total	77.5	2.7	260 373	8 978

Table 10.2 - Skill development by race, gender and disability, 01 April 2005 to 31 March 2006

	Training day equivalents	Average days per employee	Total expenditure [®]	Average per employee [®]
African				
Male	23	2.88	94 445	11 806
Female	28	2.55	57 864	5 260
Asian				
Male	9.5	3.17	53 247	17 749
Female	–	–	–	–
Coloured				
Male	2	1.00	1 392	696
Female	10	3.33	232 534	10 845
White				
Male	3	3.00	19 499	19 499
Female	2	2.00	1 392	1 392
Total	77.5	2.7	260 373	8 978

Table 10.3 - Skill development by type of training, 01 April 2005 to 31 March 2006

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	3	0.5	0.7	10.3%	6 508	2 169
Computer training	2	5	2.50	6.9%	4 770	2 385
Management development	10	9	0.90	34.5%	161 000	16 100
Office-based training	2	8	4.00	6.9%	22 227	11 113
Policy-specific training	–	–	–	–	–	–
ABET	–	–	–	–	–	–
Other	21	55	2.60	72.4%	65 868	3 137
Total	21	77.5	2.70		260 373	8 978

Table 10.4 - Total expenditure on skills development by programme, 2005/06

Financial and Fiscal Commission	Approved Establishment estimates			Medium-Term Expenditure estimates		
	Original Estimate	Actual Expenditure	Variance	2006/07	2007/08	2008/09
Total	470 000	260 373	45%	490 000	515 000	520 000

Table 10.5 - Bursaries granted by salary level, 01 April 2005 to 31 March 2006

Salary Levels	Number of beneficiaries	Number of employees in salary band	% of total in salary band	Cost	Per capita cost
Salary levels 1 - 2	0	1	0	0	0
Salary levels 3 - 5	2	4	50%	8 865	2 216
Salary levels 6 - 8	0	4	0	8 865	0
Salary levels 9 - 12	2	13	15	0	976
Salary levels 13 - 14	0	5	0	12 687	0
Salary levels 15 - 16	0	2	0	0	0
Total	4	29	14%	21 552	743

Table 11.1 - Injury on duty, 01 April 2005 to 31 March 2006

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

REPUBLIC OF SOUTH AFRICA

**FINANCIAL AND FISCAL
COMMISSION ACT**

REPUBLIEK VAN SUID-AFRIKA

**WET OP DIE FINANSIËLE EN
FISKALE KOMMISSIE**

No , 1997

ACT

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

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

ARRANGEMENT OF SECTIONS

1. Definitions		
	<i>Part 1</i>	5
	<i>Status, functions and powers of Commission</i>	
2. Status		
3. Functions		
4. Powers		
	<i>Part 2</i>	10
	<i>Membership of Commission</i>	
5. Composition		
6. Chairpersons		
7. Qualifications		
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9. Remuneration, allowances and benefits		15
10. Resignations		
11. Removal from office		
12. Vacancies		
13. Acting Chairperson		20
	<i>Part 3</i>	
	<i>Operating procedure of Commission</i>	
14. Meetings		
15. Quorums		
16. Rules of procedure		25
17. Committees		
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	<i>Administration and staff matters</i>	
19. Administrative responsibilities of Chairperson		30
20. Terms and conditions of employment		
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4

Part 5**Finances of Commission**

23. Funding	
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25. Audits	5

Part 6**Miscellaneous**

26. Annual report	
27. Information required by Commission	
28. Liability of Commission	10
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Part 7**Transitional arrangements**

31. Definitions	15
32. Members of previous Commission	
33. Transfer of assets, liabilities, staff, etc.	
34. Financial and administrative records	
35. Short title and commencement	

Definitions 20

1. In this Act, unless the context indicates otherwise—	
“ Commission ” means the Financial and Fiscal Commission referred to in section 2;	
“ employee ”, except in sections 20(1), 21 and 33, includes a member of the public service seconded to the Commission;	25
“ financial year ” means the financial year of the Commission, which is the same as that of state departments;	
“ Minister ” means the Minister of Finance;	
“ organ of state ” means the same as in section 239 of the Constitution;	
“ President ” means the President acting as head of the national executive in terms of section 85 of the Constitution;	30
“ state department ” means a department, administration or office listed in Schedule 1 or 2 of the Public Service Act, 1994 (Proclamation No. 103 of 1994);	
“ this Act ” includes any regulations made in terms of section 30.	

PART 1 35**STATUS, FUNCTIONS AND POWERS OF COMMISSION****Status**

2. The Financial and Fiscal Commission established by section 220 of the Constitution is a juristic person, independent and subject only to the Constitution, this Act and the law.	40
---	----

Functions

3. (1) The Commission acts as a consultative body for, and makes recommendations and gives advice to, organs of state in the national, provincial and local spheres of government on financial and fiscal matters.	45
(2) The Commission—	
(a) must perform the functions mentioned in subsection (1) to the extent that its performance of those functions are envisaged in the Constitution or required by national legislation; and	

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

PART 2

MEMBERSHIP OF COMMISSION

Composition

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

Chairpersons 40

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

Qualifications

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

Terms of office 45

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

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

Remuneration, allowances and benefits

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

Resignations 15

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

Removal from office

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

Vacancies

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

Acting Chairperson

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

PART 3

OPERATING PROCEDURE OF COMMISSION

Meetings 40

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

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

Quorums

15. (1) The majority of the members of the Commission constitutes a quorum for a meeting of the Commission. 5
 (2) A question before the Commission is decided with a supporting vote of at least two thirds of the members present.

Rules of procedure

16. The Commission must— 10
 (a) determine rules of procedure for the conduct of its business; and
 (b) keep minutes of its proceedings and decisions.

Committees

17. (1) The Commission may— 15
 (a) appoint one or more committees to assist the Commission in the performance of any of its functions or the exercise of any of its powers; or
 (b) dissolve a committee at any time.
 (2) A committee consists of— 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
- 45

(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

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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.

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.

(e) Despite paragraph (c), if the Commission does not make a recommendation or give advice within the period contemplated in paragraph (b), the relevant organ of state may, after consultation with the National Treasury, proceed to assign a power or function to another organ of state if such assignment takes into account the measures referred to in subsection (2A)(a)(i).

(2B) An organ of state must notify the Commission or request the Commission to perform a function in the form prescribed by the Commission.

(2C) If the Commission fails to comply with subsection (2A)(b), the Commission must submit written reasons for such failure to Parliament, and if appropriate, also to the relevant provincial legislature.

(2D) Before requesting the recommendation or advice of the Commission, the organ of state seeking to assign the power or function must, in the case—

(a) of a national organ of state, obtain the written approval of the National Treasury; or

(b) of a provincial organ of state, obtain the written approval of the provincial treasury; and

(b) the substitution for subsection (5) of the following subsection:

"(5) All organs of state [, when appropriate,] must assist the Commission to perform its functions effectively."

Substitution of section 5 of Act 99 of 1997

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

"Composition

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);**

(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**

(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.

(b) The Minister must compile a list of the nominees and must circulate the list to each Premier.

(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).

(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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8

**SCHEDULE
AMENDMENT OF LAW**

(Section 6)

No and year of law	Short Title	Extend of amendment
Act No 52. of 1997	Organised Local Government Act, 1997	<p>The substitution of section 5 of the following section:</p> <p>"Nomination of persons to financial and Fiscal Commission</p> <p><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>