



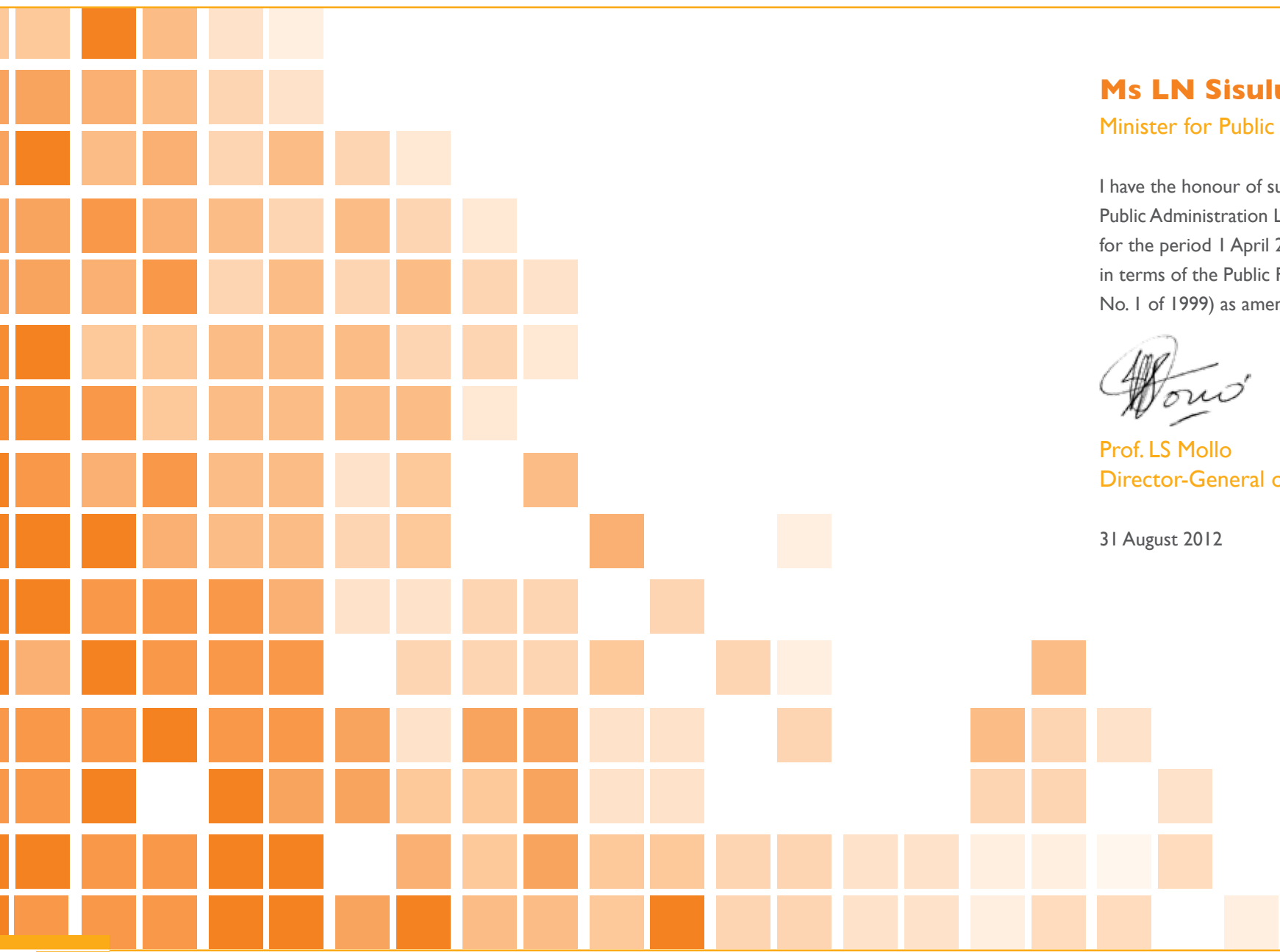
ANNUAL REPORT 2011/2012

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**palama**

Public Administration Leadership  
and Management Academy  
REPUBLIC OF SOUTH AFRICA



**Ms LN Sisulu, MP**

Minister for Public Service and Administration

I have the honour of submitting the Annual Report of the Public Administration Leadership and Management Academy for the period 1 April 2011 to 31 March 2012, as prescribed in terms of the Public Finance Management Act, 1999 (Act No. 1 of 1999) as amended by Act No. 29 of 1999.

Prof. LS Mollo

Director-General of PALAMA

31 August 2012

# Vision, Mission and Values

PALAMA's purpose is to help build a capable public service, through providing and co-ordinating extensive opportunities and access to leadership, management and administration competency development-oriented programmes.

These are specifically aligned to the learning and knowledge needs of public service managers and executives, and contributing to service delivery and development.

## Vision

PALAMA's vision is an ideal public sector cadre who is responsive to the needs of the South African citizen.

## Mission

The mission is to contribute towards the improvement of public sector delivery through innovative, research-based, needs-driven, and policy-oriented capacity building interventions.

## Values

PALAMA subscribes to the values and principles of public administration (as outlined in the Constitution of the Republic of South Africa, 1996), the eight principles of *Batho Pele* (Putting People First), as well as to the following set of organisational values:

- i Integrity
- P People-centred
- A Activism
- L Loyalty
- A Accountability
- M Motivated
- A Adaptability

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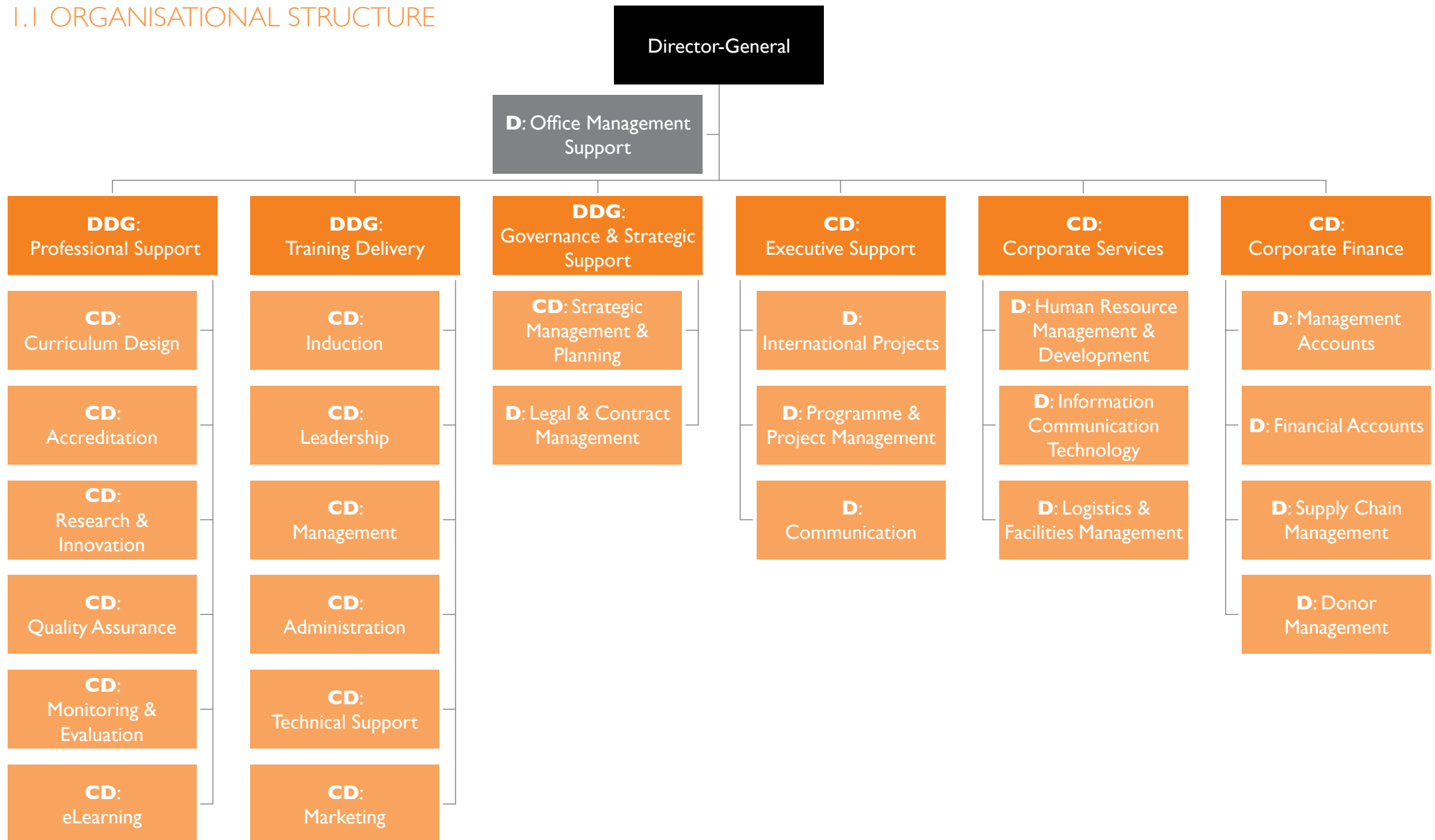


# Part One: General Information



# Part One: General Information

## I.1 ORGANISATIONAL STRUCTURE



# Part One: General Information

## 1.2 Constitutional and Legislative Mandate

### 1.2.1 The Constitution of the Republic of South Africa, 1996

The Constitution is considered by many as one of the most progressive constitutions in the world and provides the legal foundations for entrenched human rights, the structure and functioning of the State, as well as for accountability and responsibility within a democracy. The Constitution enshrines a Bill of Rights that guarantees the rights of people and affirms the democratic values of human dignity, equality and freedom, including, among others, the right to equality; the right to human dignity; freedom of expression; freedom of association; the right to fair labour practices; the right to have access to health care, food, water and social security; the right to education; and the right to access information.

The Constitution remains the supreme law of the country and any law or conduct that is inconsistent with the Constitution is therefore invalid. This implies that any violation of law or any conduct in contravention of the Constitution can be legally challenged through the Constitutional Court.

The uniqueness and progressive structure of the Constitution is also evident in its other critical sections, most notably being the recognition of all languages in South Africa; detail to the structure of Government and how each sphere should govern co-operatively; and the recognition given to constitutional institutions that serve to safeguard democracy.

The Constitution (chapter 10) also enshrines a set of basic values and principles that govern public administration and which are critical to any public or state institution. These values and principles are:

- A high standard of professional ethics must be promoted and maintained
- Efficient, economic and effective use of resources must be promoted
- Public administration must be development-oriented.
- Services must be provided impartially, fairly, equitably and without bias
- People's needs must be responded to, and the public must be encouraged to participate in policy-making.
- Public administration must be accountable
- Transparency must be fostered by providing the public with timely, accessible and accurate information
- Good human resource management and career development practices, to maximise human potential, must be cultivated
- Public administration must be broadly representative of the South African people, with employment and personnel management practices based on ability, objectivity, fairness, and the need to redress the imbalances of the past to achieve broad representation.

The mandate for the Public Service is therefore drawn from the Constitution primarily on the aforementioned values and principles.

In terms of section 197 of the Constitution:

- There is a public service for the Republic, which must function and be structured in terms of national legislation, and which must loyally execute the lawful policies of the government of the day
- The terms and conditions of employment in the public service must be regulated by national legislation. Employees are entitled to a fair pension as regulated by national legislation
- No employee of the public service may be favoured or prejudiced only because that person supports a particular party or cause
- Provincial governments are responsible for the recruitment, appointment, promotion, transfer and dismissal of members of the public service in their administrations within a framework of uniform norms and standards applying to the public service.

### 1.2.2 Public Service Amendment Act, 2007 (Act No. 30 of 2007)

One of the first steps that the democratic Government had to undertake was to transform the public service and manage processes of integrating the fragmented system of public service delivery under the different administrations. The proclamation of the Public Service Act in 1994, as amended, provides for coherence in the norms and standards related to the Public Service, including the organisation and administration of the Public Service; the regulation of the conditions of employment;



# Part One: General Information

terms of office; discipline; and retirement and discharge of members of the Public Service.

The Public Service Act is currently applicable to national and provincial government departments and related components, by definition of a “department” in the Act. The local sphere of Government is governed by such pieces of legislation as the Municipal Systems Act and the Municipal Structures Act.

The legislative mandate for the provision of training is outlined as follows in the Public Service Amendment Act:

- (1) There shall be a training institution listed as a national department in Schedule I.
- (2) The management and administration of such institution shall be under the control of the Minister.
- (3) Such institution-
  - (a) shall provide such training or cause such training to be provided or conduct such examinations or tests or cause such examinations or tests to be conducted as the Head of the institute may, with the approval of the Minister; decide on courses as may be prescribed as a qualification for the appointment or transfer of persons in or to the public service;
  - (b) may issue diplomas or certificates or cause diplomas or certificates to be issued to persons who have passed such examinations.

## 1.2.3 Other Legislative and Policy Prescripts Impacting on Public Service Training and Development

The following legislative and policy prescripts also currently influence and impact on public service training and development, but also signal areas of influence and the future impact of legislation towards the repositioning of PALAMA into a School of Government.

### Public Service Regulations (2001)

In terms of the Regulations, the Minister for Public Service and Administration shall oversee and ensure the participation of the public service in any institution aimed at promoting training in the public service, and may issue directives regarding the training of employees or categories of employees in the public service.

In respect of the senior management service (SMS), the Minister shall identify generic managerial and leadership training needs of members of the SMS; arrange that standard courses and programmes be developed on the basis of those training needs; and continuously evaluate those courses and programmes with due regard to their relevance and value for money. Furthermore, a member of the SMS shall avail himself or herself to train employees in the public service.

### Skills Development Act, 1998 (Act No. 97 of 1998)

In terms of the Act, each public service employer must budget at least 1% of the payroll for the training and education of employees. The follow-up legislation, Skills Development

Levies Act of 1999, exempts any public service employer in the national and provincial sphere of Government from paying towards the skills development levy that was imposed on all employers in the country.

### National Skills Development Strategy (NSDS III)

The strategy seeks to improve the effectiveness and efficiency of the skills development system, towards encouraging the linking of skills development to career paths, career development and promoting sustainable employment and in-work progression. One of the goals of the NSDS III is the strengthening of public sector capacity for improved service delivery and supporting the building of a developmental state.

### Human Resource Development for the Public Service

The strategy addresses the focused demand for human resource development in the Public Service, and rests on the four pillars of capacity development; organisational support systems; governance and institutional development; and economic and growth development.

### Policy on Revolving Door Enablers

The policy is aimed at bridging the divide between the State, academia and private sector to strengthen the interface and address the needs of the Developmental State. It provides for the secondment of SMS members to any recipient organisation to improve his/her knowledge and skills base through a focused on-the-job training/ learning programme or teaching experience. The policy also provides for the secondment of candidates from academic institutions or other institutions into the public service.

# Part One: General Information

## National Development Plan, 2011

The Plan, as unveiled in November 2011, sets out a vision for South Africa for 2030. The Plan notes that there is uneven performance in the public service resulting from interplay of complex factors including tensions in the political-administrative interface, instability of the administrative leadership, skills deficits, the erosion of accountability and authority, poor organisational design, inappropriate staffing and low staff morale.

The Plan makes some recommendations towards building a capable state, including creating stability in the political-administrative interface; building a skilled and professional public service from top and bottom towards making public service and local government careers of choice; developing technical and specialist professional skills to fulfil core functions; improve relations between the three spheres of Government; strengthen the role of the Public Service Commission; and a long-term perspective on training and management.

## 1.2.4 Medium-Term Strategic Framework (2009-2014) – (MSTF)

The MSTF is a framework to guide Government's programmes. The current administration under the leadership of President Jacob Zuma, adopted the following ten strategic priorities which set goals for achievement during this electoral cycle:

- i. Speed up growth and transform the economy to create decent work and sustainable livelihoods
- ii. Implement a massive programme to build economic and social infrastructure

- iii. Implement a comprehensive rural development strategy linked to land and agrarian reform and food security
- iv. Strengthen the skills and human resource base
- v. Improve the health profile of all South Africans
- vi. Intensify the fight against crime and corruption
- vii. Build cohesive, caring and sustainable communities
- viii. Pursue African advancement and enhanced international co-operation
- ix. Have sustainable resource management and use
- x. Build a developmental state including improvement of public services and strengthen democratic institutions.

The activities of PALAMA are largely influenced by strategic priority ten (x) relating to the building of a developmental state. However, PALAMA's work is also significant in the achievement of all other strategic priorities, thus contributing to the overall building of state capacity through training and development.

Of importance in building a developmental state, is the improvement of the technical capacity for those serving in Government to be able to translate its objectives into action plans and deliverables to serve South Africa's national interests. The required capacity and efficacy improvements include strengthening the capacity for medium to long-term planning; improving capacity for effective monitoring and evaluation; improving the management and development of human resources in departments; improving the performance and management capacity of frontline services and back office support systems; and entrenching a culture and practice of an efficient, transparent, honest and compassionate public service.

## 1.2.5 Outcomes Approach to Government performance

One of the key attributes of the administration under the leadership of President Zuma is the strong emphasis placed on outcomes-oriented Government performance. The new administration adopted the outcomes-oriented approach towards Government performance, and is guided by three imperatives: (i) the need for prioritisation; (ii) outcomes-based planning; and (iii) performance management with a focus on a few priorities.

The outcomes approach builds efficacy in the work of Government by identifying twelve outcomes to be achieved during this electoral cycle and which are aligned to the strategic priorities set out in the Medium-Term Strategic Framework document. The January 2010 Cabinet Lekgotla adopted the following twelve (xii) outcomes:

- i. Improved quality of basic education
- ii. A long and healthy life for all South Africans
- iii. All people in South Africa are and feel safe
- iv. Decent employment through inclusive economic growth
- v. A skilled and capable workforce to support an inclusive growth path
- vi. An efficient, competitive and responsive economic infrastructure
- vii. Vibrant, equitable and sustainable rural communities with food security for all

# Part One: General Information

- viii. Sustainable human settlements and improved quality of household life
- ix. A responsive, accountable, effective and efficient local government system
- x. Environmental assets and natural resources that are well protected and continually enhanced
- xi. Create a better South Africa and contribute to a better and safer Africa and World and
- xii. An efficient, effective and development-oriented public service and an empowered, fair and inclusive citizenship.

The Minister for Public Service and Administration is accountable for Outcome 12 (an efficient, effective and development-oriented public service and an empowered, fair and inclusive citizenship) and has entered into a delivery agreement with relevant and key stakeholders. This delivery agreement seeks to achieve the following outputs in order to ensure that the public service operates more efficiently and effectively:

- i. Service delivery quality and access (including responsiveness, service user satisfaction, value for money, and access)
- ii. Human resource management and development (including performance development, performance assessment, recruitment, retention, career-pathing, discipline, human resource planning, and skills development)
- iii. Business processes, systems, decision rights and accountability management (including improving PERSAL functionality and accuracy, SITA effectiveness,

supply chain management and procurement, delegations and decision rights, implementation of PAIA and PAJA, financial management, organisation design and business processes) and

- iv. Tackling corruption effectively.

In contributing towards this delivery agreement, PALAMA must also ensure that skills development and cadre development take place within the public service, through *inter alia*, determining the methodology to measure the extent and depth of skills levels in the public service, determining the percentage of public service employees to be trained in mandatory training programmes, developing and implementing a policy for all public servants to attend mandatory training programmes and to have minimum annual training days. Over all and in support of other eleven outcomes, PALAMA's work contributes towards building the capacity of public servants to deliver services and constantly improve efficiencies and standards of performance.

## 1.3 Entities Reporting to the Minister

As an appointed member of the national executive, the Minister reports to the President of the Republic of South Africa. The following portfolios of institutions, in addition to PALAMA, also report to the Minister for Public Service and Administration:

Table 1: Entities reporting to the Minister

Name of Entity	Legislation	Nature of Business
DPSA	Public Service Act, 1994 (as amended)	Policy development and enforcement in the public service
SITA	State Information Technology Act, 1998	Information technology in the public service
CPSI	Public Service Act, 1994 (as amended)	The CPSI is an initiative of the MPSA, established to identify, support and nurture innovation in the public sector with a view to improving service delivery
GEMS	Medical Schemes Act, 1998	Restricted membership to a medical scheme for public service employees

The Public Service Commission (PSC) is an independent oversight body established by the Constitution. It derives its budget support from the MPSA.

# Part One: General Information

## 1.4 Statement by the Minister



**Ms LN Sisulu, MP**  
Minister for Public Service  
and Administration

I submit this Annual Report to Parliament on behalf of my colleague, late Minister for Public Service and Administration, the Honourable Roy Padayachie, who presided over Public Administration Leadership and Management Academy (PALAMA) during the year under review.

During 2011/12 financial year, by direction of the previous Executive Authorities, the Public Administration Leadership and Management Academy (PALAMA)

implemented a number of training programmes within the public service. The mostly short course training programmes, targeted officials from the senior to junior management levels and administrative support staff.

This Annual Report shows the various short course training programmes implemented, such as a three-day orientation and awareness programme for newly appointed staff within the public service; Khaedu programme which is part of executive development training; financial management and frontline excellent customer care. PALAMA has also implemented an eLearning method for training delivery during 2011/12. As a reflection on overall public service access to training through PALAMA, this Report shows that 51 760 persons were trained in a combination of training initiatives grouped under leadership, management, administration and orientation learning programmes.

PALAMA was also involved during 2011/12 in the implementation of a Regional Capacity Building Programme supporting the Management Development Institutes (MDIs) in Burundi, Rwanda and Southern Sudan.

PALAMA has received for 2011/12 an unqualified audit report as in the previous financial year.



**Ms LN Sisulu, MP**  
Minister for Public Service and Administration

# Part One: General Information

## 1.5 Statement by the Deputy Minister



**Ms A Dlodlo, MP**  
Deputy Minister for Public Service and Administration

The Government outcomes-based approach towards performance has been one of the defining features of this current administration – with an emphasis on delivery results that have impacted positively on people’s lives, rather than only focusing on targets achieved. The twelve outcomes adopted by Cabinet collectively set priorities towards ensuring a better life for all of our people. Outcome 12 – which is about building an efficient, effective and development-oriented public service and an empowered, fair and inclusive citizenship - is entrusted to the portfolio of Public Service and Administration. It remains one of the most critical outcomes of this collective effort to ensure that the machinery of Government functions smoothly; to inspire national confidence in Government, and create social cohesion within our communities.

The outcome also emphasises the need for effective co-operative governance, particularly between state and society towards a growth and development-oriented means of engagement.

We should never lose an understanding of the fundamental basics of public service and the notion of service delivery in a manner that is responsive to the needs of citizens, impartial, professional, effective, efficient and co-ordinated in accordance with our country’s developmental agenda. This is what we have been pursuing since the dawn of democracy.

Public service is the key enabler in overcoming the challenges of unemployment, poverty and inequality, by creating the appropriate environment, developing implementable policy frameworks, improving systems and business processes and securing the correct mix of skills with a positive attitude towards service delivery. The intangible assets for public service such as the required aptitudes, perceptiveness and a high level of emotional maturity are soft skills inherent within the ideal public servant and are important determinants of the quality of public services that are delivered to the people.

As attested by the improvements in the performance results of PALAMA for 2011/12, there is a shared commitment with Government towards ensuring a well-trained and able public service. This resonates with the conscious efforts to make the public service an employer of choice, to transform it to

best serve the interests of our people and to construct a capable developmental state. This is echoed in the National Development Plan towards Vision 2030, which requires us to make the public service and local government careers of choice. The Plan also calls on us to develop a long-term perspective on training and management, including defined career paths for public servants. This is embodied in the Matrix of Qualifications which we have developed jointly with the South African Qualifications Authority, the Quality Council for Trades and Occupations, and the Public Service SETA. This Matrix of Qualifications and supporting policy framework will determine prerequisites of employment, promotion and career progression within the public sector.

Through the MPSA portfolio, and PALAMA in particular, we remain committed to placing human resource development successfully at the centre of public service delivery, to translating the dreams of millions of South Africans into a future where the cumulative character of the public service is no longer that of indifference to the citizenry making service delivery protests a thing of the past.



**Ms A Dlodlo, MP**  
Deputy Minister for Public Service and Administration



# Part One: General Information

## I.6 Accounting Officer's Overview



**Prof. LS Mollo**  
Director-General

Governments across the world are experiencing huge pressure from the electorates to deliver better quality services at the least possible cost to the citizenry. South Africa faces the same pressure. To respond to these pressures all governments strive to have a public service comprising of dynamic and dedicated public servants, willing to serve selflessly, and capacitated with the requisite skills and competencies to fulfil the responsibilities they are entrusted with. These qualities in a South African context, describe a spirit of activism for getting the job done

effectively with the desired results, be it at the coalface of service delivery or at administration, management and leadership echelons, including the political level.

Training and development is therefore critical to Government's objective of building as is implementing in a democratic and Developmental State. PALAMA, as the government training academy, is working across the public sector towards achieving the outcome of skilled and capable public servants.

Prior to the commencement of this financial year, the senior leadership of PALAMA undertook strategic planning sessions to review the PALAMA strategy and key focus areas. Our strategy and strategic thrust for 2011/12 has shifted focus towards building entry and advancement competencies in the four broad training streams of leadership, management, administration and induction. The focused areas of training are linked to the delivery agreement for Outcome 12 as well as the Ministerial Strategic Focus Areas. They are:

- Strengthened back-office systems in order to improve service delivery to our people

- Improved labour relations
- Improved internal efficiency of public service through the implementation of the SITA Turn-around Strategy
- Accelerated training and development of a new public service cadre through the repositioning of PALAMA into a School of Government
- Corruption tackled effectively in the public service.

We also remain steadfast in our resolve to transform PALAMA and reposition it as a School of Government. During this financial year, we undertook significant benchmark analyses comparing management development institutes within Africa and other developing countries. Significant work has also been undertaken in developing a framework that would allow us to continue with stakeholder consultations and engagements on further transformation of PALAMA. Linked to this is our endeavour to professionalise the public service. This financial year we have undertaken extensive work in the development of a Matrix of Qualification for career pathing for the public service. We will continue with engagements on this matrix in the new financial year.

The values and principles of public administration, as enshrined in the Constitution of the Republic of South Africa, 1996, compel us as the public service to, inter alia, maintain high standards of professional ethics; be development-oriented; and provide services impartially, fairly, equitably and without bias.

## Part One: General Information

PALAMA is also committed to building international networks through supporting public service training and development. In this regard, our continued efforts in supporting post-conflict countries is bearing fruit, with some of our programmes being customised and rolled out in these countries. During this year we are concluding the term of agreement in providing secretariat support to the African Management Development Institutes' Network (AMDIN), which we hope will be positioned in the future to play a key role in supporting training and development initiatives on the African continent. We continue our engagements with international partners through the India-Brazil-South Africa (IBSA) agreement and BRICS which comprises of Brazil, India, China and South Africa.

We are making gains in many areas of our work as later detailed in this annual report. This is despite some of the challenges we are faced with and for which we tirelessly seek solutions.

The 2011/12 financial year provided PALAMA with an opportunity to serve under two political authorities – Minister Richard Baloyi held the portfolio of Minister for Public Service and Administration until 23 October 2011, and the late Minister Roy Padayachie was subsequently appointed by the President to take over this portfolio. The untimely passing of Minister Padayachie in May 2012 was indeed a significant loss to our country. In presenting this report, I would like to express my appreciation to both Ministers, and posthumously to Minister

Padayachie, for the leadership, guidance and support to the executive management of PALAMA. On 12 June 2012, President Jacob Zuma announced changes to the national executive and confirmed the appointment of Ms Lindiwe Sisulu as the Minister for Public Service and Administration. The PALAMA executive and I look forward to working closely with the Minister, whose wealth of experience and knowledge will certainly provide us with strategic leadership. I would also like to express my appreciation to Deputy Minister Ayanda Dlodlo, for her continued support and guidance to deliver on our mandate and performance priorities.

Lastly, I thank the management and staff of PALAMA for their commitment and contribution during this financial year, as we continue our resolve towards building an efficient, effective and development-oriented state.



**Prof. LS Mollo**  
Director-General



## Part Two: Information on Pre-Determined Objectives





# Part Two: Information on Pre-Determined Objectives

## 2.1 Overall Performance

The *Framework for Strategic Plans and Annual Performance Plans*, issued by the National Treasury in September 2010, formed the compliance basis for the development of PALAMA's strategic and performance plans for the 2011/12 financial year.

The Academy manages its organisational performance through processes such as quarterly reporting by branches against the pre-determined objectives and targets. In addition thereto, branches submit performance evidence to validate their performance reporting. A consolidation of performance information is measured against the organisational targets, and quarterly reports are submitted to the Minister, National Treasury as well as the PALAMA Audit Committee.

The organisational strategic planning workshop convened in January 2011 and subsequent meetings decided on: (i) the new strategy for PALAMA; (ii) related strategic objectives, priorities, performance indicators and targets; (iii) a reconfiguration of the organisational structure; and (iv) identifying better measures for our performance results. The process also led to PALAMA branches undertaking their individual branch planning and development of branch business plans, aligned to the annual performance plan and strategy. The determination of performance priorities were also influenced by the following:

- Medium-Term Strategic Framework (2009-2014) and priorities of Government
- Delivery Agreement for Outcome 12

- Estimates of National Expenditure (ENE)
- Ministerial Strategic Focus Areas.

When comparing this report to that of the previous financial year, it is important to note that the key performance measure used in 2010/11 and prior years for training delivered, was Person Training Days (PTDs). This has since changed in 2011/12. The key performance measure used since 1 April 2011 is a count of actual persons trained. This follows the redefining of PALAMA's strategic objectives as well as training streams re-alignment with these new strategic objectives. These changes resulted in Administration, Management, Leadership, and Induction being the current main training delivery streams as outlined in this report.

The key performance results priorities are the following:

We have trained a total of 51 760 persons in this financial year. This includes a total of public sector officials trained in the three main learning streams, namely induction of new public service employees and reorientation of senior managers, orientation of unemployed youth graduates, regional capacity building in post-conflict countries, provision of technical support to departments and other training and workshops. This is a significant performance achievement in terms of the persons trained, when measured against previous financial years.

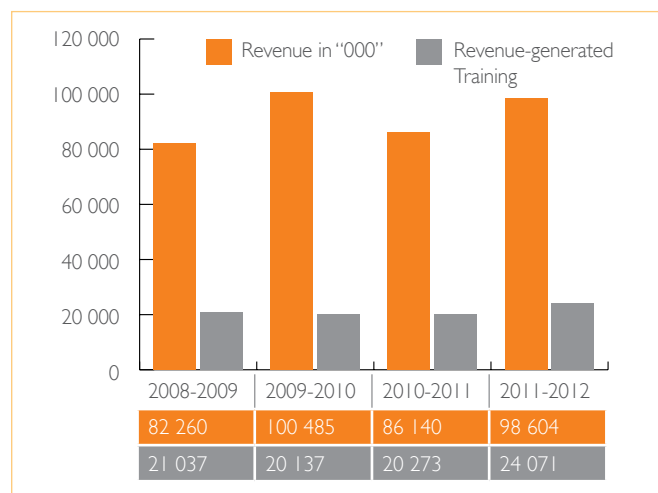
The increase in the number of officials trained in 2011/12 compared to previous years is mainly attributed to, among others, an increase in the number of new public servants undergoing

the Public Service Induction training (18 660 trained in 2010/11 as opposed to 25 167 trained in 2011/12); expanded roll-out of training to unemployed youth graduates (1 192 oriented in 2010/11 as opposed to 2 522 in 2011/12); customised training provision based on specific training requests from departments and oversight bodies, training of trainers for Induction Training (404), technical assistance to other departments and a number of workshops held in 2011/12 which is higher compared to other years. Partnerships were created with key frontline departments (SAPS, Department of Women, Children and People with Disabilities; Social Development; Health and Defence) in the provision of frontline training, as well as training rolled out to auditors from the Auditor-General's office.

The graphs on the following page provide a comparison of the persons trained and revenue generated in this financial year, in comparison with previous years.

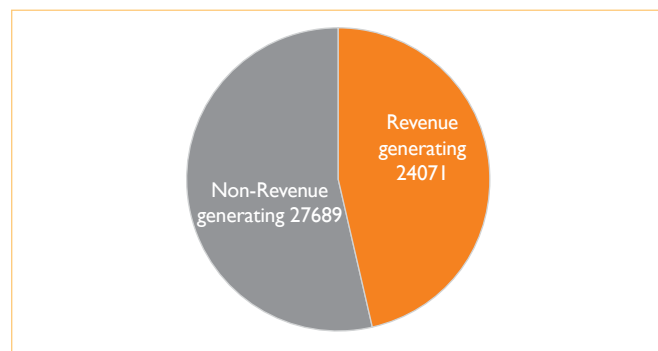
## Part Two: Information on Pre-Determined Objectives

Graph 1: Year-on-year comparison of total persons trained, revenue-generating training and training revenue



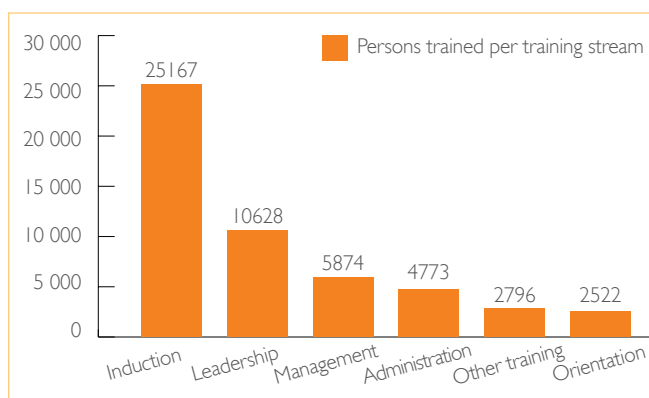
Of the total persons trained in 2011/12, 53% (27 689 persons trained in Induction and Orientation) are non-revenue-generating training, which implies that revenue was generated from the training of 24 071 persons (or 47% of total persons trained).

Graph 2: Revenue vs. non-revenue-generating training



- Induction and Orientation Programmes: In the 2011/12 financial year, a total of 25 167 new public servants were inducted. Furthermore, in preparing aspirant public servants to join the public service, PALAMA also rolled out training to 2 522 unemployed youth graduates.

Graph 3: Persons trained categorised according to training streams



- Revenue generated from training fees in this financial year amounts to R98 million against a target of R112 million. Revenue generated in 2010/11 was R86 million.
- PALAMA has outstanding debtors to an amount of R40,3 million and the average number of days taken for debt collection is 139 days. This number was 186 days in the previous year. This prevails despite measures put in place to recover the outstanding amounts. Of course, part of this debt far exceeds this average.

A detailed performance report by performance indicators and targets for Programme 1 (Administration) and Programme 2 (Public Sector Organisational and Staff Development), in line with the work carried out by the different branches, is later set out in this chapter of the report.

### 2.1.1 Voted Funds

The table below reflects a summary of the expenditure of the voted funds for 2011/12:

Table 2: Expenditure of voted funds

Main Appropriation R'000	Adjusted Appropriation R'000	Actual Amount Spent R'000	(Over) Under Expenditure R'000
118.321	118.321	111.566	6.755

Responsible Minister	Minister for Public Service and Administration
Administering Department	Public Administration Leadership and Management Academy
Accounting Officer	Director-General of PALAMA

### 2.1.2 Aim of Vote

PALAMA is a Schedule 1 Department reporting to the Minister for Public Service and Administration. Its aim is to provide and co-ordinate the provision of training and/or management development interventions that lead to improved performance and service delivery in the public service.

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## 2.1.3 Strategic Outcome-Oriented goals

PALAMA's strategic plan and performance is aligned to key policy documents and is primarily premised on the delivery agreement for Outcome 12, themed as an efficient, effective and development-oriented public service and an empowered, fair and inclusive citizenship.

The strategy of PALAMA is driven by the following goal priorities:

- To develop and sustain PALAMA as an organisation that is compliant to regulatory frameworks, operating within a conducive work environment and promoting a high performance culture
- To improve Government's service delivery, quality and access through training and development interventions, including training to frontline staff and improving the quality and implementation of Service Delivery Improvement Plans (in line with the principles of *Batho Pele*)
- To improve human resource management and development capacity in leadership, management and administrative responsibilities in the public service, through training and development
- To improve the capacity of public servants to develop and institutionalise processes and mechanisms for improved rights and accountability, through training and development
- To promote a culture of integrity ethics and anti-corruption through training and development.

## 2.1.4 Overview of the Service Delivery Environment for 2011/12

As the legislated and accredited training provider for Government, PALAMA has a critical role to play in developing the capacity of public servants to effectively respond to the challenges of the South African Developmental State. This critical role should lead to improvements in requisite skills of all public servants, improving alignment of recruitment and appointment processes with competency requirements, improvement and growth of the public service skills base, improving national data integrity on public service competency levels and developing a public service cadre with values and ethical conduct to serve the public and combat corruption.

By definition (as contained in the Public Service Act) the public service relates to the national and provincial spheres of Government. This therefore implies that PALAMA is legislatively mandated to provide training and development to these spheres of Government.

In terms of PALAMA's current business model, the provision of training is outsourced to contracted service providers. PALAMA's key service is the provision of training and development interventions in the core areas of leadership, management, administration and induction in the public service. Some of the key services that PALAMA provides in relation to the provision of training and development are:

- Training needs analysis in order to determine the training needs of the public service
- Design and development of curriculum (including customisation of programmes, particularly for use in partner countries)
- Quality assurance of all programmes and courses
- Facilitation of accreditation of credit-bearing programmes and courses
- Facilitation of training provision (e.g. issuing quotations, appointing training facilitators, post-course support, issuing certificates)
- Facilitation of intergovernmental co-operation in training and development.

The primary beneficiaries in PALAMA's provision of public service training are the national and provincial departments. The secondary beneficiaries (optional training provision) include:

- Local sphere of Government
- Members of national parliament, provincial legislatures and municipal councils
- Other organs of state (e.g. Auditor-General)
- Unemployed youth graduates (special programme)
- Partner countries as part of international capacity development initiatives.

The following are some of PALAMA's key stakeholders and strategic partners, with whom consultation on training and development is undertaken:

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- Key government departments (in particular National Treasury, Department of Public Service and Administration, the Presidency, Department of Co-operative Governance, Public Service Commission)
- All national and provincial departments
- National Parliament and Provincial Legislatures
- Office of the Auditor-General
- Public Service Sector Education and Training Authority (PSETA)
- South African Local Government Association
- Higher Education Institutions
- Private training providers
- International forum partners (e.g. IBSA, AMDIN)
- Donor organisations.

The delivery capacity of PALAMA is framed on its Administration Programme responsible for the support functions of the department and the Public Sector Organisational and Staff Development Programme responsible for all training and directly related logistical and technical support activities as well as professional support services.

Before the commencement of the 2011/12 financial year, the organisational structure and business model of PALAMA has been as follows:

- The organisational structure comprised of nine branches, each headed by a Branch Head

- The training activities of PALAMA were set out in the following main components of leadership and management development: (i) executive development programmes for the senior management service (SMS); (ii) comprehensive management training for the junior and middle management service (JMMS); and (iii) compulsory induction programme.

In the 2011/12 financial year, fundamental organisational changes were introduced, addressing some of the critical issues relating to PALAMA's organisational structure, delivery and financial model. Following these changes, PALAMA's training is categorised into four streams, namely; Administration, Leadership, Management and Induction. These streams provide training, targeting (i) the senior management service members (SMS); (ii) junior and middle management service members (JMMS); and (iii) frontline staff.

PALAMA is also implementing the youth graduate public service orientation programme preparing unemployed youth graduates for internship and other employment opportunities in the public service. This is in addition to the roll-out of a compulsory induction programme to all new public servants, across all levels of employment.

The provision of training is undertaken through strategic partnerships with a wide range of external service providers, including higher education institutions, further education

and training colleges and private sector organisations. This arrangement seeks to increase the volume of training offered to public servants through a multiplicity of rigorously selected service providers. Lessons learnt are that more is needed to optimise relevance of training to specific job competency demands. PALAMA has therefore started pilot training of facilitators identified from experts already employed as public servants and deploying them for facilitation of specific training courses.

The funding model for the Training Trading Entity of PALAMA is premised on a cost recovery approach, which incorporates three inter-related methods of fee calculation: zero-based budgeting; cost plus (where the course is being offered by a third party supplier) and tariff pricing (for normal bookings to standard courses). The funding model is currently being reviewed, as preliminary indications suggest that the model is not sustainable and is a hindrance in delivering PALAMA's mandate. An activity-based costing has been introduced to refine predetermination of course fee tariffs and to better manage training costs. Key in this regard is an effort to make PALAMA training more affordable.

### 2.1.5 Overview of the Organisational Environment for 2011/12

PALAMA's environment and organisational form is currently reflecting a balance between achieving more from the

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implementation of the existing business model and planning for the future strategy and form of PALAMA through the development of the Further Transformation Framework that structures strategic proposals made as a basis of a business case towards the new form of PALAMA as a School of Government. This process involves review of the current business model, testing of new funding approaches, active research work benchmarking the current and the envisaged future of PALAMA with best practice in public sector training and development through engagements with local experts and Management Development Institutions and Public Service Schools in other countries.

PALAMA has a strong positive governance record, as attested to by its unbroken history of unqualified audits since establishment, the level of compliance to governance prescripts relevant to it as a national department and operational policies that are in place to govern its training operations in general.

Year on year, including 2011/12, PALAMA gives attention to ensuring that it maintains its relevance and value-add in the public service. Critical in this regard are its curriculum model, financial model as well as its capacity to deliver on its mandate with prudent management of its business risks.

Though PALAMA's mandate is very clear as a training department for the public service, its operational focus is constantly influenced by service delivery challenges as well as responding to Government's policy and legislative environment.

### 2.1.6 Key Policy Developments and Changes

With reference to the Cabinet Lekgotla discussions, the President's 2011 State of the Nation Address, and the MPSA Budget Vote Speech made in 2011, in all of these, there is common reference to a need for PALAMA's capacity for training to be strengthened. This requires, among others, a review of the policy environment to support a coherent framework for training and development in the public service. This framework will provide for mandatory training days, compulsory training programmes that will be recognised in determining progression of officials in the public service and will determine an appropriate model to fund such training.

The current training delivery model must therefore shift from an outsourced to a hybrid model. This combines PALAMA's own on-board trainers, utilisation of experts from those already employed in the public service, and strategic external providers. Trainer professionalism in the selection process for those who will qualify as PALAMA's trainers is key.

The plan for the implementation of these policy directives is currently being developed through a process referred to in this report as the Further Transformation of PALAMA towards the School of Government. This is supported by the policy development work done by the Department of Public Service and Administration (DPSA) as well as consultations with the Department of Higher Education and Training and other key role players.

### 2.1.7 Departmental Revenue, Expenditure, and Other Specific Topics

Table 3: Departmental revenue, expenditure, and other specific topics

	2008/ 2009 Actual R'000	2009/ 2010 Actual R'000	2010/ 2011 Actual R'000	2011/ 2012 Target R'000	2011/ 2012 Actual R'000	% deviation from target
Non-tax revenue						
Sale of goods and services	177	67	66	65	38	-41.5%
Sales of capital assets	3	*	*	*	*	*
Interests, dividends and rent on land	*	*	17	*	2	100%
Financial transactions (recovery of loans and advances)	16	246	497	16	387	2318.7%
TOTAL DEPT. RECEIPTS	196	313	580	81	427	427.1%

\*No capital asset sales from 2009/10 and no interest paid on vote debts between 2008/9-2009/10.

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## 2.1.8 Departmental Expenditure

Table 4: Breakdown of revenue expenditure (Vote)

Programme	Total budget 2010/11 R'000	Actual 2010/11 R'000	Total budget 2011/12 R'000	Actual Expenditure 2011/12 R'000
Administration	57,265	54,339	69,272	62,517
Public Sector Organisational and Staff Development	61,149	61,149	49,049	49,049
<b>TOTAL</b>	<b>118,414</b>	<b>115,488</b>	<b>118,321</b>	<b>111,566</b>

## 2.1.9 Transfer payments to the Training Trading Account

The Training Trading Account includes the following branches: (i) Professional Support and (ii) Training Delivery.

The Training Trading Account is responsible for the management development and the training of the public sector employees. Transfer payments made for the year under review totalled R49 million.

As the Vote Account and Training Trading Account are interlinked, spending and monitoring is done via the administration function within the Vote Account.

## 2.1.10 Public and/or Trading Entity

Table 5: Breakdown of revenue and expenditure (Trade)

Programme	Actual Expenditure 2010/11 R'000	Actual Expenditure 2011/12 R'000
Revenue and other income	152,733	153,789
Course fees and other income	91,584	104,740
Augmentation	61,149	49,049
Expenditure	154,988	137,140
Staff Costs	54,498	53,775
Other costs	100,490	83,365
Surplus/(Deficit)	(2,255)	16,649

## 2.1.11 Conditional Grants and Earmarked Funds

Not applicable to PALAMA.

## 2.1.12 Capital Investment, Maintenance and Asset Management Plan

Table 6: Capital investment, maintenance and asset management plan

Asset Class	Opening Balance R'000	Additions R'000	Disposal R'000	Closing Balance R'000
Machinery and equipment	-	-	-	-
Transport assets	417	-	-	417
Computer equipment	16,045	1,220	-	17,265
Furniture and office equipment	6,145	34	-	6,179
Other machinery and equipment	1,131	6	-	1,137
<b>TOTAL</b>	<b>23,738</b>	<b>1,260</b>	<b>-</b>	<b>24,998</b>

## 2.2 Programme Performance

The activities of PALAMA are organised in the following programmes:

Programme 1: Administration

Programme 2: Public Sector Organisational and Staff Development

### 2.2.1 Programme 1: Administration

#### Purpose

Programme 1 facilitates the overall management of the Academy and provides for organisational support services enabling the Director-General, Branch Heads and all employees in PALAMA to carry out their responsibilities within an effective governance system. The responsibilities of this Programme include providing administrative, legal, human resources and financial management service across the department. Further to these are support services through monitoring and evaluation of organisational activities, advisory services for risk management, regulatory compliance as well as co-ordinated measures to support international and special projects.

Programme 1: Administration comprises the following sub-programmes:

- Office of the Director-General
- Governance and Strategic Support
- Corporate Finance
- Corporate Services.

## Part Two: Information on Pre-Determined Objectives

### Strategic objective

Develop PALAMA into a high performance organisation

### Performance indicators and targets

The key performance indicators within this programme, towards developing PALAMA into a high performance organisation, relate to:

- Training and development of PALAMA employees
- Average number of days taken for collection of debt due to training sales
- International capacity development programmes and initiatives
- Internal policies and processes
- Organisational compliance and reporting in terms of legislation and regulatory frameworks.

PALAMA implemented its approved Work-place Skills Plan and HRD Plan during the course of the financial year; and 142 PALAMA employees underwent training and development in line with these plans. The internal environment was also strengthened through the introduction of new policies and operational processes, focusing on matters of human resource management and development, finance and corporate governance.

During this financial year, PALAMA managed to generate an amount of R98 million in training fees. Two of the biggest contributors to PALAMA's weakened cash revenue base are costs incurred through training in non-revenue generating

courses, as well as the poor rate of debt payment. The Academy continues to face the challenge of debt collection from departments that undertake training without honouring due payments. The average number of days taken to collect outstanding debt is 139 days with the current value for outstanding debt being R40, 3 million as at the end of the financial year:

In terms of corporate governance, PALAMA put in place mechanisms to track compliance reporting, and all compliance reports were submitted to primary reporting institutions such as the DPSA, the Presidency and the National Treasury. The necessary frameworks and plans in relation to audit activities, risk management and fraud management are also in place.

On the continental and international special projects, PALAMA continued to play a significant role in public service training and development. The following are reported under key activities driven by PALAMA:

- The Regional Capacity Building (RCB) Project is approaching its final year of implementation ending in March 2013. From April 2012, the final Executive Development Programme (EDP) modules will be presented in all three post conflict countries (Rwanda, Burundi and South Sudan) and Project Khaedu will be rolled out in all three partner countries
- A process has commenced to revive the functioning of AMDIN, and PALAMA has been requested to serve as the interim AMDIN Secretariat

- The Korea International Co-operation Agency (KOICA), through the Embassy of the Republic of South Korea and the Department of International Relations and Co-operation (DIRCO), signed an agreement in 2011 to collaborate on a multi-year training programme, namely Human Resource Development (HRD). PALAMA facilitated the implementation of the programme and the first phase of training took place in South Korea from 22 November to 2 December 2011
- The Flemish funding enabled training for the development of women managers, with the initial target of 60 women managers trained being achieved. The remaining funds will be utilised to train 15 of these women managers who will complete the remaining modules on the EDP to obtain a Master's degree
- Customised training on Foundation Management Development Programme for Local Government (FMDPLG), Emerging and Advanced Management Development Programme for Local Government (EMDPLG and AMDPLG) was funded by the Netherlands Embassy and provided to district municipalities. Of the participants that enrolled for the courses, 77% completed all the modules.

Further details on performance indicators specific to each sub-programme are given in the matrices that follow.



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### Office of the Director-General:

The Office of the Director-General is the highest executive office in PALAMA. As the Accounting Officer of the Academy, the Director-General must lead and provide strategic vision and direction; orchestrate activities and create harmony within the department; and allocate resources. The Director-General also undertakes strategic communication with key stakeholders, including but not limited to, Parliament

and the media. The Director-General must also lead the organisational change and transformation agenda, whilst at the same time ensuring adherence to good corporate governance practices, financial viability and sustainability of the trading entity of the Academy. The Office of the Director-General contributes to the strategic and intellectual discourse on capacity building in the public service, domestically and internationally. These responsibilities include forging strategic international partnerships, mobilising resources from the donor community, and facilitating the Academy's

engagement in the global knowledge exchange network through mutually beneficial partnerships with institutions on the African continent and around the world.

The Director-General reports to the Minister for Public Service and Administration and must ensure that the Academy supports the Ministry in leading the public service and administration portfolio.

Table 7: Sub-programme performance – Office of the Director-General

Office of the Director-General				
Performance Indicator	Baseline (2010/11)	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual (2011/12)	
Provision of effective strategic support services	There is no baseline performance information, as this is a new performance indicator for 2011/12 financial year	Development of a framework for the further transformation of PALAMA into a School of Government by 31 March 2012	A concept document was developed towards revising PALAMA's institutional funding and governance model; the draft framework was revised based on the work of the internal task team  A presentation was made to the Minister on the developed framework document, and a draft Cabinet Memorandum was presented to the Minister for review	Performance target was partially achieved  A process of further engagement was undertaken with the MPSA on the framework document and draft Cabinet Memorandum
	In 2010/11, there were four Portfolio Committee engagements with PALAMA	Successful and meaningful engagements, based on invitations, with the Portfolio Committee managed during the financial year	PALAMA, held four engagements with the Portfolio Committee on Public Service and Administration; these engagements included the presentation of the strategic plan and budget; joint presentation with the DPSA on gender mainstreaming; presentation of the previous financial year annual report; and presentation regarding scarce skills in the Public Service	Performance target was achieved
Bilateral and multilateral international capacity development programmes implemented and monitored by PALAMA	In 2010/11, four programmes were implemented with three MDIs	Five international capacity development programmes implemented by 31 March 2012	Six capacity development programmes were implemented in three post-conflict countries and with partner MDIs in East Africa  The programmes include; The Lead Trainer Development programme with training of trainers (ToT); Mentorship; Coaching; Gender Mainstreaming; Monitoring and Evaluation; and e-Learning	Performance target was achieved



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Office of the Director-General				
Performance Indicator	Baseline (2010/11)	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual (2011/12)	
Effective international working relations maintained in support of capacity development initiatives	In 2010/11, international relations were maintained with three MDIs	International relations maintained with four countries and institutions (IBSA, India bilateral agreement, Chinese Academy of Governance, ENA – France)	<p>Fifteen senior managers from the South African Government attended an HRD and Planning programme supported by the Korea International Co-operation Agency (KOICA); South African officials also attended training at ENA in France in November 2011</p> <p>A memorandum of understanding (MOU) for a partnership agreement between PALAMA and the Chinese Academy of Governance (CAG) was finalised for sign-off and implementation</p> <p>The IBSA conference was postponed to a later date, but relations with partner MDIs are still maintained</p>	Performance target was achieved
Strategy and systems for implementation and reporting on international projects	In 2010/11, an ODA policy was drafted, but not approved, pending the guidelines from the National Treasury	International project and funding strategy and systems for implementation of international projects developed and implemented by 31 March 2012	<p>The development of donor funding strategy to be informed by international relations policy</p> <p>Actions to set a strategy and improve co-ordination of donor funding within the MPSA were undertaken as follows: a Technical Task Team on donor funding consulted with departments within MPSA to identify donor-funded projects and further needs for funding support; a note on the co-ordination of donor funding to address priority needs and provide guidelines on International Relations is under development and will be shared once approved</p> <p>The RCB Project Logic Model and Performance Measurement Framework utilised for reporting and archiving of information</p>	<p>Performance target was partially achieved</p> <p>This process is awaiting the finalising of a co-ordinated donor funding strategy through the MPSA</p>
Effective management of projects through project management methodology	In 2010/11, a virtual network for relevant projects was developed and implemented, under the RCB project	Database for management of information to support archiving and retrieval developed by 31 March 2012	An archiving system for international projects was established; the Logic model was used for planning and reporting on donor funding	<p>Performance target was not achieved</p> <p>The database system has been designed and is awaiting projects information from the Co-ordination Forum for International Training (CFIT); the Forum was established late in 2011/12</p>

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### Governance and Strategic Support:

The Branch provides support to the Academy on matters of strategic and support functions to position the Academy to drive its transformation and development agenda. The sub-programme is responsible for a range of activities that includes the monitoring and evaluation for organisational compliance, strategic planning, risk management, and legal and contracts management.

Table 8: Sub-programme performance – Governance and Strategic Support

Governance and Strategic Support				
Performance Indicator	Baseline (2010/11)	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual (2011/12)	
Number of PALAMA strategic planning sessions convened by the Director-General on a quarterly basis, and by 31 March 2012, in accordance to PALAMA policy on organisational performance in order to insure alignment of organisational planning and performance to PALAMA's strategy and overall improved organisational performance.	In 2010/11, one strategic planning session was convened	Four PALAMA strategic planning sessions convened by 31 March 2012 to ensure alignment of organisational planning and performance to PALAMA strategy and overall improved organisational performance	Three strategic planning sessions were convened - the first session sought to ensure alignment of the branch business plans to the PALAMA strategic plan; the second was an organisational performance review session; and the third a planning session for the new financial year	Performance target was partially achieved  The reported planning sessions sufficiently addressed organisational performance issues  Other planning sessions dealt specifically with the further transformation project
Number of approved PALAMA plans tabled in Parliament and to relevant authorities within stipulated timelines and implemented by 31 March 2012 in accordance with the framework documents to ensure compliance and alignment of organisational planning and performance	In 2010/11, the PALAMA Strategic Plan was tabled	Two approved organisational plans - PALAMA Strategic Plan and Annual Performance Plan - tabled within stipulated timelines	The Strategic Plan and Annual Performance Plan for 2011/12 were approved and implemented	Performance target was achieved
Number of approved PALAMA compliance reports submitted to relevant authorities, within a legislative-specific reporting structure and timeline, monitored through the PALAMA compliance calendar	In 2010/11, two reports were submitted	Two compliance reports – access to information and Annual Report – approved by the Director-General and submitted to relevant authorities within a legislative-specific reporting structure and timeline, in order to improve accountability and maintain compliance	The 2010/11 Annual Report was finalised and tabled in September 2011. The report was distributed to PALAMA stakeholders in the following categories: academia; development partners; diplomatic missions; public libraries; government departments; and other relevant institutions  The Promotion of Access to Information Act (PAIA) report on requests to access to information, submitted to SAHRC in April 2011	Performance target was achieved
	In 2010/11, four quarterly reports were submitted	Four quarterly organisational performance reports submitted by the Director-General to the Minister, the Presidency and National Treasury within one calendar month after the end of the quarterly reporting period	All four quarterly performance reports have been submitted per requirements and set timelines	Performance target was achieved

## Part Two: Information on Pre-Determined Objectives

Governance and Strategic Support				
Performance Indicator	Baseline (2010/11)	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual (2011/12)	
Number of approved internal PALAMA policies implemented in accordance with specific relevant legislative prescripts, in order to enhance accountability and performance	In 2010/11, one policy on organisational performance management was approved and implemented	Four approved internal policies relating to organisational performance, legal and contract management, implemented by 31 March 2012	The following were undertaken during the financial year: <ul style="list-style-type: none"> <li>The Fraud Policy and Prevention plan was reviewed</li> <li>The existing policy on managing performance information was reviewed, but not updated</li> <li>The Enterprise Risk Management Framework was reviewed</li> </ul>	Performance target was partially achieved  The internal policy on performance information was not updated, as it is intended to develop a process framework for managing performance information
Number of working days taken to vet all contracts submitted for approval by the Director-General, according to the required standards of drafting legal documents, in order to maintain compliance and prevent potential litigation	There is no baseline performance information, as this is a new performance indicator for the 2011/12 financial year	Vetted contracts, compliant with legal prescripts, submitted within ten working days from receipt to final vetting of contract	During the financial year, 96% (50 out of 52) of contracts were vetted within the requisite ten days	Performance target was achieved
PALAMA contracts monitored through the electronic contract management system in accordance with the approved contract management policy and contract terms to ensure the effective monitoring and reporting on PALAMA contracts	There is no baseline performance information, as this is a new performance indicator for the 2011/12 financial year	Monitor the status of 100% of PALAMA contracts' through an implemented contract management system by 31 March 2012	The procurement of the Contract Management tool was only finalised in the fourth quarter. The implementation of the tool will be undertaken in 2012/13, and thereupon the uploading of PALAMA contracts will commence	Performance target was not achieved  Delays were experienced in the finalisation of the procurement procedures for the tool, as well as engagements on the service contract
PALAMA documents classified and managed in accordance with MISS, in order to ensure effective information management through classification and handling of documents	There is no baseline performance information, as this is a new performance indicator for the 2011/12 financial year	Classify and manage 100% of PALAMA documents (generated from 2010/11 financial year and new documents) in accordance with MISS	The Minimum Information Security Standards (MISS) document was analysed to identify the relevant sections to inform the policy  The guideline on the classification of documents has been finalised, but not approved	Performance target was not achieved  The document setting out the policy and guidelines on classifying documents was drafted, but not yet approved, due to the delayed start of the project as a result of reprioritising work
Legislative documents audited to ensure PALAMA's compliance to relevant prescripts, policies, delegations and reporting requirements in accordance with standards	There is no baseline performance information, as this is a new performance indicator for the 2011/12 financial year	Organisational compliance to prescripts, policies, delegations and reporting requirements based on ten legislative documents audited, by 31 March 2012	An internal Compliance Calendar for 2011/12 was developed and distributed to all staff to ensure reporting compliance  The following legislative documents were audited for organisational compliance: Public Service Act; Public Service Regulations; MISS; Constitution of the Republic of South Africa; Municipal Systems Act; Skills Development and Skills Development Levies Act	Performance target was partially achieved  The Compliance software could not be procured because of a lack of funds. The auditing was therefore conducted manually and took longer than initially planned.

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Governance and Strategic Support				
Performance Indicator	Baseline (2010/11)	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual (2011/12)	
Number of working days taken to finalise investigation reports conducted in PALAMA, in accordance with applicable legislation, common law and case law, in order to inform legal processes and actions	There is no baseline performance information, as this is a new performance indicator for the 2011/12 financial year	Finalised investigation reports submitted to the Director-General within thirty working days from date of receipt of request	<p>During the financial year, two investigations on employee irregularity matters were conducted and presented. One investigation report enabled the commencement of a disciplinary hearing and in the second report there was not sufficient evidence to institute a disciplinary hearing</p> <p>The Branch also represented the organisation in presentation of evidence and preparation of witness statements for the disciplinary case. This has enabled the finalisation of the disciplinary hearing within two days</p>	Performance target was achieved
Provision of legal advice on behalf of PALAMA to line managers, in accordance with applicable legislative prescripts, in order to ensure legal compliance and effective administrative justice	There is no baseline performance information, as this is a new performance indicator for the 2011/12 financial year	Advisory notes that are compliant in terms of applicable legislative prescripts issued within ten working days	100% of legal advisory services (opinions) were fully provided within ten days (legal advice provided within six days)	Performance target was achieved
Increase PALAMA's anti-corruption rating through the implementation of measures in the Guidelines for Minimum Anti-Corruption Capacity Requirements in the Public Service	In 2010/11, PALAMA's anti-corruption rating was 67.3%	External assessment report confirming PALAMA's anti-corruption rating and findings for improvement, by 31 March 2012, in order to improve PALAMA's capability to prevent, detect and combat corruption	<p>An internal ethical culture survey was conducted to determine the perception of ethical culture in PALAMA. The report was submitted to the Director-General and the results were made available to staff together with the Implementation Plan to improve ethical culture perceptions</p> <p>No external assessor was appointed to undertake the follow-up assessment</p>	<p>Performance target was not achieved</p> <p>The project was deferred and replaced by the implementation of the Organisational Ethical Culture Survey</p>
PALAMA Audit Committee and Risk Management Committee meetings convened, in line with the approved audit committee charter and risk management committee charter, in order to maintain effective corporate governance within PALAMA	In 2010/11, five Audit Committee and five Risk Management Committee meetings were convened	Five Audit Committee meetings convened by 31 March 2012	<p>In this financial year, the IT Risk Register, Audit Committee Charter, and Strategic Risk Register were reviewed and approved</p> <p>Two Risk Management Committee meetings and two strategic risk workshops were conducted with reports to the Audit Committee</p> <p>Four Audit Committee meetings were held</p>	Performance target was achieved

## Part Two: Information on Pre-Determined Objectives

Governance and Strategic Support				
Performance Indicator	Baseline (2010/11)	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual (2011/12)	
Internal audit activities undertaken on PALAMA's business processes, in terms of the approved internal audit plan and auditing standard in order to assess the effectiveness of control measures of business processes	In 2010/11, five internal audit reports were submitted	Seven approved internal audit reports submitted within specified timelines	In this financial year, the Internal Audit plan for 2011/12 was approved, and seven internal audit reports were approved  The internal audit charter was also reviewed and approved	Performance target was achieved
Organisational risks rated as priority one in terms of PALAMA risk register reduced in order to improve PALAMA's risk profile	In 2010/11, PALAMA had five Priority One risks	Improved risk profile through the reduction of the number of Priority One risks from five to two by 31 March 2012	Training was provided on the use of a risk management implementation tool (risk dash board)  During the financial year, a Strategic Risk Assessment workshop was held, resulting in the approval of the revised Strategic Risk Register  In order to address identified risks, the remedial action plans and management implementation plan are being monitored by the risk management committee and audit committee.	Performance target was partially achieved  During the financial year, a Strategic Risk Assessment workshop was held, resulting in the approval of a revised Strategic Risk Register with new strategic risks
Effective management of parliamentary questions, in accordance with parliamentary guidelines, in order to enhance accountability and access to information	In 2010/11, there were 12 parliamentary questions responded to.	Relevant and quality parliamentary responses provided to Ministry within four working days from date of receipt	During the financial year, a total of ten parliamentary questions were finalised, within the four working days timeline	Performance target was achieved
PALAMA participation Governance and Administration (G&A) Cluster and its technical structures	During 2010/11, PALAMA attended all G&A Cluster and technical working sessions	Participation and attendance in 24 G&A Cluster and technical meetings (two per month)  G&A Cluster programme of action and report cards confirming PALAMA participation and contribution in the Cluster	All monthly G&A Cluster and technical working sessions were attended and feedback provided	Performance target was achieved

## Part Two: Information on Pre-Determined Objectives

### Corporate Finance:

The Corporate Finance Branch is responsible for the overall management of financial affairs of the Academy. The sub-programme provides services to support planning, controlling and monitoring financial performance targets, through its units namely: Supply Chain Management, Financial Management and Reporting, Financial Accounting and Donor Financial Management. This also covers the establishment and continuous improvement of effective systems for the management and safeguarding of PALAMA assets.

Table 9: Sub-programme performance – Corporate Finance

Corporate Finance				
Performance Indicator	Baseline (2010/11)	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual (2011/12)	
Number of PALAMA staff members trained and developed on internal SCM and finance policies and procedures in order to ensure efficiency and effectiveness	In 2010/11, a total of 44 PALAMA staff members were trained in finance and SCM processes	Sixty PALAMA staff members trained in Internal Finance and SCM processes and procedures by 31 March 2012	A total of 88 PALAMA staff members were trained in Internal Finance and SCM processes - an achievement of 147% against the performance target	Performance target was achieved
Reduction in the average number of days taken for PALAMA to collect debt from its clients, in order to increase PALAMA's cash-flow	In 2010/11, the average number of days taken to collect debt was 186 days	Increased debtors' collections related to training activities by progressively reducing the average number of days from 150 to 90, from date of receipt of case file, for debt collection from PALAMA clients by 31 March 2012	The current collection rate of debt is 139 days (a reduction of 45 days) against an annual target of 90 days	Performance target was not achieved  In order to improve performance, a continuous process of collection and visits to affected provinces, letters of demand, and the Minister's report on the outstanding debtors, were undertaken.
Number of approved internal PALAMA policies implemented, in accordance with specific relevant legislative prescripts	In 2010/11, internal policies related to SCM and financial management were approved and implemented	Five approved internal policies related to supply chain management, financial accounting, management accounting and donor financial management, implemented by 31 March 2012	Three policies were approved and implemented, whilst another three were developed and are awaiting approval  Three standard operating procedures (petty cash, irregular expenditure and loss) were developed and submitted for approval	Performance target was partially achieved  The outstanding policies are undergoing internal consultative processes to obtain input and buy-in

## Part Two: Information on Pre-Determined Objectives

Corporate Finance				
Performance Indicator	Baseline (2010/11)	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual (2011/12)	
Number of approved internal operational processes implemented in order to minimise duplication of activities, and enhance efficiency and performance within PALAMA	In 2010/11, three internal operational processes related to SCM and financial management were approved and implemented	Five approved internal operational processes related to supply chain management and financial management implemented by 31 March 2012	Two internal processes were implemented and the Financial Delegations were approved  The internal processes related to travel management were revised  The on-line procurement system (LOGIS) was implemented  The revised preferential procurement regulations were implemented from December 2011 and the revised Contract Registration Application was implemented from March 2012	Performance target was achieved
Number of approved PALAMA compliance reports submitted to relevant authorities, within a legislative-specific reporting structure and timeline, and monitored through the compliance calendar	In 2010/11, 21 compliance reports were approved and submitted	Submit 21 approved compliance reports related to financial management by 31 March 2012	All compliance reports were submitted on time. These include: interim financial statements; SCM compliance reports; monthly EVS reports; draft ENE; donor quarterly reports; financial statements; and all contracts above R100 000 awarded. A full list is covered in the updated compliance report for PALAMA	Performance target was achieved
	In 2010/11, the VAT returns were completed and submitted to SARS	EMP 201/EMP 601 and accurate and complete VAT returns submitted to SARS on monthly and bi-monthly bases	In the financial year, VAT returns were timeously submitted and reconciliations on PAYE undertaken	Performance target was achieved
Percentage compliance with the National Treasury requirements on procurement threshold and supplier database	In 2010/11, there was 100% compliance to procurement transactions and threshold	100% compliance to National Treasury procurement threshold and PALAMA internal policies in terms of procurement checklist by 31 March 2012	All procurement transactions complied to National Treasury Threshold and to internal processes	Performance target was achieved
Number of inventory and asset verification audits conducted in accordance with the Treasury Regulations and PALAMA internal policies to ensure compliance and accountability	In 2010/11, four inventory and asset verification audits were undertaken	Undertake eight inventory and asset verification audits by 31 March 2012 in order to verify stock levels of inventory, ensuring efficiency and accountability on PALAMA assets	Eight verification audits were performed	Performance target was achieved
General ledger reconciliations in accordance with the Treasury Regulations and PALAMA internal policies, to ensure compliance and accountability	In 2010/11, there was 100% general ledger reconciliations	100% reconciliation of general ledger towards a zero balance on the suspense accounts, through monthly reconciliations	There was 100% reconciliation of all monthly payroll reports	Performance target was achieved

## Part Two: Information on Pre-Determined Objectives

Corporate Finance				
Performance Indicator	Baseline (2010/11)	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual (2011/12)	
Percentage of variance on utilisation of financial resources in accordance with the Treasury Regulations and PALAMA internal policies to ensure compliance and accountability	In 2010/11, the variance was 5,3% for the Vote and 17,6% for the Trade Account	PALAMA's financial resources effectively utilised to a variance of 0% (Vote) and 10% (Trade) by 31 March 2012	The year-end variance report on budget expenditure level for both accounts: 6% for the Vote and 20% for the Trade Account	Performance target was not achieved  Regarding the Vote, the vacant posts not filled in this financial year; will be filled in 2012/13  Regarding the Trade Account, savings were realised on training costs budgeted

### Corporate Services:

The Corporate Services Branch is responsible for the provision of corporate services to the Academy. The sub-programme is constituted by three units, namely: Information Communication Technology (ICT), Logistics and Facilities Management (LFM), and Human Resource Management and Development (HRM&D). The three units play a strategic role of enabling and supporting Branches within the Academy to meet or exceed their strategic objectives by offering ICT solutions, logistics and facilities management, and HR&D support, respectively. ICT and facilities management services are outsourced to enhance and provide a more efficient and modern services to the Academy.

Table 10: Sub-programme performance – Corporate Services

Corporate Services				
Performance Indicator	Baseline (2010/11)	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual (2011/12)	
Number of approved internal PALAMA policies implemented in accordance with specific relevant legislative prescripts, in order to enhance accountability and performance within PALAMA	In 2010/11, a total of 34 internal policies were approved and implemented (including HRM&D, ICT and LFM)	Twenty approved policies implemented in human resource management and development; ICT; and logistics and facilities management	Six policies were approved and implemented  There are currently sixteen policies/SOPs and strategies in draft format and submitted for approval	Performance target was partially achieved  Internal and external consultations at various levels contributed to delays in the approval of some of the policies
Number of approved internal operational processes implemented in order to minimise duplication of activities and enhance efficiency	In 2010/11, a total of 12 operational processes were implemented (including HRM&D, ICT and LFM)	Sixteen internal operational processes implemented by 31 March 2012 in Human Resource Management and Development; ICT; and logistics and facilities management	Eight operational processes were completed, and two were approved  A further ten processes are in draft format and awaiting approval	Performance target was partially achieved  Internal consultations at various levels contributed to delays in the approval of some of the operational processes



## Part Two: Information on Pre-Determined Objectives

Corporate Services				
Performance Indicator	Baseline (2010/11)	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual (2011/12)	
Number of approved reports submitted, within a predetermined reporting structure, and monitored through the PALAMA compliance calendar; in order to improve accountability and maintain compliance with relevant prescripts	In 2010/11, a total of 21 reports were submitted (including HRM&D, ICT and LCM)	Ten approved HRM&D plans and reports submitted in accordance with a predetermined reporting structure and timeline	A total of thirteen reports and plans were approved and submitted to the relevant statutory bodies within the prescribed time frames. These include: Workplace Skills Plan; HRD Monitoring Tool; HR Plan; Financial Disclosure; Employment Equity Plan and Report; and HRD Plan	Performance target was achieved
Performance agreements and appraisals of PALAMA employees finalised within the stipulated timelines, in accordance with applicable policy	In 2010/11, the submission of performance agreements achieved 71% compliance	A number of 200 performance agreements of PALAMA employees signed and submitted	By 31 March 2012, there were 179 employees employed and 173 submitted performance agreements – representing a compliance of 96%	Performance target was partially achieved  Employees with grievances on the redefinition of their employment positions with effect from 1 April 2011 did not conclude performance agreements
	In 2010/11, a total of 155 performance appraisals were undertaken	A total of 200 performance appraisals of PALAMA employees finalised	A total of 166 PALAMA employees qualify for performance appraisal, and processes are underway to finalise the appraisal	Performance target was partially achieved
Number of PALAMA employees trained and developed in core business functions by 31 March 2012, in accordance with the approved workplace skills plan, in order to enhance the skills capacity for improved performance	In 2010/11, a total of 142 PALAMA employees were trained and developed	A number of 150 PALAMA employees trained and developed in core business functions, aligned to the approved WSP by 31 March 2012	A number of 157 employees attended training interventions – an achievement of 105%	Performance target was achieved
Number of employee health and wellness interventions undertaken	In 2010/11, a total of twenty health and wellness interventions were undertaken	Six employee's health and wellness interventions undertaken by 31 March 2012	A total of fourteen were undertaken through health screenings, awareness sessions and sports activities	Performance target was achieved
Percentage of grievances, suspensions, disciplinary enquiries and labour disputes resolved	There is no baseline performance information, as this is a new performance indicator for the 2011/12 financial year	90% of labour-related matters and disputes resolved within stipulated timelines as contained in the applicable legislative frameworks	In this financial year, nine labour related matters and disputes were resolved and outcomes implemented within stipulated timelines	Performance target was achieved
PALAMA job profiles developed and job evaluations conducted towards ensuring efficiency and effectiveness of positions in relation to remuneration	In 2010/11, no job profiles were developed or job evaluations conducted	Sixty PALAMA job profiles and descriptions aligned through the process of job profile development and job evaluation by 31 March 2012	A total of 68 job profiles were drafted and aligned, of which 24 were job-evaluated and approved	Performance target was achieved

## Part Two: Information on Pre-Determined Objectives

Corporate Services				
Performance Indicator	Baseline (2010/11)	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual (2011/12)	
Improved organisational efficiency through ICT enhancement within PALAMA	There is no baseline performance information, as this is a new performance indicator for the 2011/12 financial year	Two information systems (Document Tracker; Signature Encryption) developed/implemented and one information system (TMS) upgraded by 31 March 2012	To date, two business information systems were developed, piloted and are awaiting roll-out	Performance target was not achieved Financial constraints and IFMS restrictions
	There is no baseline performance information, as this is a new performance indicator for the 2011/12 financial year	Three ICT internal awareness campaigns undertaken in order to create awareness among staff	To date, a survey to determine awareness on ICT services was conducted and responses received  A draft ICT services awareness programme was developed	Performance target was not achieved  This target was not achieved due to human resources capacity constraints
	In 2010/11, the enterprise architecture plan was not implemented	Three ICT projects (HR training database, online recruitment, output solution) implemented by 31 March 2012 to improve organisations efficiency	To subscribe for the online recruitment in the short term, incorporate HR Training database requirements in the TMS enhancement project and await Treasury's RT3 contract in the new financial year	Performance target was not achieved  None of the targets were achieved as they are in contravention of the IFMS and Treasury Practice Note 5 respectively
Outsourced service providers managed through approved contracts in order to ensure delivery of quality service and in line with agreed service standards	In 2010/11, monthly performance reports were submitted	Monitored services of outsourced ICT service provider through twelve monthly performance reports	To date, 12 monthly performance reports and bi-weekly reports were submitted; the reports were analysed, and services rendered were found to be satisfactory	Performance target was achieved
	In 2010/11, monthly performance reports were submitted	Monitored services of outsourced logistics and facilities service provider through twelve monthly performance reports	To date, 12 monthly performance reports were submitted; the reports were analysed, and services rendered were found to be satisfactory	Performance target was achieved
	In 2010/11, monthly performance reports were submitted	Monitored services of outsourced health and wellness service provider through twelve monthly performance reports	To date, 12 monthly performance reports were submitted; the reports were analysed, and services rendered were found to be satisfactory	Performance target was achieved

## Part Two: Information on Pre-Determined Objectives

### 2.2.2 Programme 2: Public Sector Organisational and Staff Development

#### Purpose:

The purpose of the programme is to facilitate transfer payments to the Training Trading Account for management development and training of public sector employees.

#### Strategic objectives:

- Improve service delivery quality and access
- Improve human resource management and development
- Improve business processes, decision rights and accountability
- Tackle corruption effectively.

#### Performance indicators and targets:

Programme 2: Public Sector Organisational and Staff Development comprises the following sub-programmes:

- Training Delivery
- Professional Support.

The key performance indicators within this programme relate to:

- Provision of training in leadership, management, administration and induction
- Inculcating public service values, ethos and culture to new and potential public servants
- Provision of training to frontline public servants

- eLearning training interventions
- Targeted training in HRM&D, supply chain management and good governance
- Provision of training towards ethics management and anti-corruption.

#### Performance per sub-programme:

PALAMA's mainstream training is categorised into leadership, management and administration focus areas. Additionally, emphasis is placed on induction and orientation of new and existing employees inculcating the values and ethos of being a public servant of the South African Government.

Overall performance results in this financial year represent a significantly higher achievement than in the previous year (refer to graph 1 on page 18).

The table below provides a breakdown of the persons trained in this financial year, according to the different training streams.

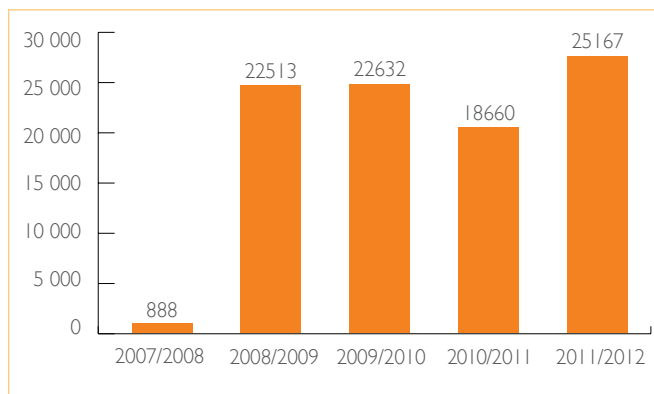
Table 11: Persons trained according to training streams

Stream	Number of Persons Trained	Comments
Leadership	10,628	Training includes the EDP, Wamkelekile, LCBP, SMS Workshops, and MDP suite of programmes
Management	5,874	Training includes HRM, SCM, SCOA&ERF, OD, other workshops and training
Administration	4,773	Training includes Project Khaedu, good governance, frontline staff, and ethics and anti-corruption (including local government)
Induction	25,167	Induction of new public servants at national and provincial government
Orientation	2,522	Orientation of unemployed youth graduates to the public service
Other forms of training	2,796	Training cuts across mainstreams and includes regional and continental capacity building (RCB project), orientation of trainers, provision of technical support to departments, and workshops and seminar training
TOTAL	51,760	

The graph on the following page reflects the yearly comparison of Public Service Induction training across national and provincial government departments comparing current and prior years. The 2007/8 financial year was the launch year for the programme.

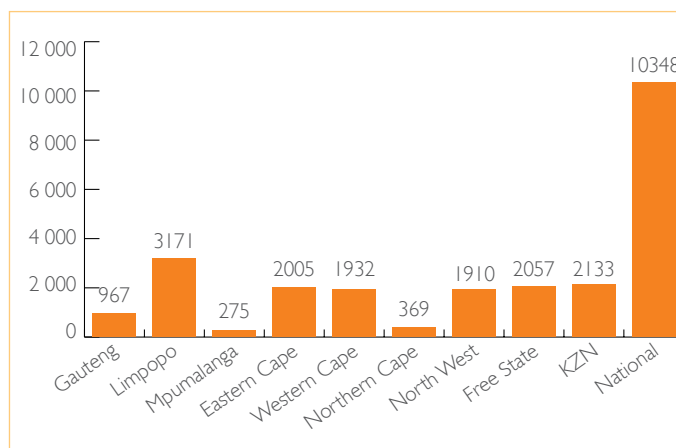
## Part Two: Information on Pre-Determined Objectives

Graph 4: Year-on-year comparison of induction training



The graph below reflects the national and provincial breakdown of Public Service Induction training for the 2011/12 financial year.

Graph 5: Public Service Induction (PSI) breakdown per province



The Breaking Barriers to Entry Programme gained momentum since its introduction in 2010/11. The roll-out of this programme is managed in partnership with the National Youth Development Agency (NYDA).

Highlights of the 2011/12 report are given in the Accounting Officer's Report section 3.2.1. (Significant events that have taken place during the year) and (Major projects undertaken or completed during the year) as well as 3.2.4 reporting on the utilisation of donor funds.

### Training Delivery:

The sub-programme is responsible for the roll-out of training and post-training delivery support in leadership, management and administration as defined in the following units:

- Leadership:** The core function of this Unit is to develop public servants into leaders who care, serve and deliver. Leadership development will include, but will not be limited to mentorship and executive coaching, induction into the Public Service and breaking barriers to entry targeted at introducing unemployed youth graduates to public sector career streams and entry requirements
- Management:** This Unit focuses on the technical skills for generic management competencies. These cover the following core areas: financial management; human resource management; project management; supply chain management; monitoring and evaluation; planning; and organisation design

- Administration:** This Unit focuses on advancing good governance and improving the administrative capacity of the state, for which there has been repeated calls by key role players. It focuses on the following core training areas; Khaedu, a service delivery oriented intervention; ethics and anti-corruption; gender; communications; customer service; writing skills; etiquette and office administration
- Induction:** This Unit is responsible for the implementation of programmes that give effect to the induction and orientation of all public servants in line with the constitutional requirements, the principles of *Batho Pele* and values and ethos of the public service. In addition, the unit also looks into the preparation of unemployed youth graduates for entry into the public service
- Technical Support:** This Unit focuses on training delivery logistics management, including the following: strategic relations; marketing PALAMA training programmes; and training records management
- Marketing:** This Unit is responsible for the marketing of PALAMA initiatives to increase awareness on opportunities for training and development, through initiatives such as exhibitions, marketing material and brand development and enhancement.

## Part Two: Information on Pre-Determined Objectives

Table 12: Sub-programme performance – Training Delivery

Training Delivery				
Performance Indicator	Baseline (2010/11)	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual (2011/12)	
Number of officials trained in the approved EDP by 31 March 2012 in order to improve leadership capacity in the public sector	In 2010/11, a total of 4 638 officials were trained in the EDP	Train 2 000 public sector officials in modules of the EDP by 31 March 2012	A total of 1 860 persons were trained in the EDP – 93% achievement rate	Performance target was partially achieved  However, PALAMA undertook leadership training through its other suite of programmes and trained a total of 10 628 officials (inclusive of the EDP)
Number of public sector officials trained in management programmes in accordance with approved training programmes, in order to improve the management capacity in the public sector	In 2010/11, a total of 4 138 officials were trained in management programmes	Train 5 000 public sector officials <sup>1</sup> in management programmes (including programmes in finance, supply chain management, project management, human resources management, planning and monitoring and evaluation) by 31 March 2012	A total of 5 874 officials were trained in management programmes – a 24% achievement rate	Performance target was achieved  The 24 000 target figure in the APP includes a target for PSI (20 000) reported on separately later in this report  Performance reported for Management Training (5 874) and PSI (25 167) surpass the target (31 041)
Number of public sector officials trained in administration in accordance with approved training programmes, in order to improve the administration capacity in the public sector	In 2010/11, a total of 3 630 officials were trained in administration programmes	Train 3 000 public sector officials <sup>2</sup> in administration programmes by 31 March 2012	A total of 4 773 officials were trained in administration programmes – a 159% achievement rate	Performance target was achieved
Number of frontline public sector officials trained in accordance with approved training programmes, in order to ensure excellent customer service in the public sector	In 2010/11, a total of 1 338 officials were trained in excellent customer care	Train 1 700 frontline public sector officials in Excellent Customer Service for Frontline Staff and <i>Batho Pele</i> by 31 March 2012	A total of 1 455 public sector officials were trained – an 86% achievement rate	Performance target was partially achieved  Less registrations by departments than projected
Number of SMS members participating in the Khaedu Programme and deployed to service delivery points in South Africa in order to contribute towards service delivery challenges	In 2010/11, a total of 852 officials were trained in the Khaedu programme	Ensure participation of 300 public sector officials in Project Khaedu by 31 March 2012	A total of 541 officials were trained – a 180% achievement rate	Performance target was achieved

1 This number represents a consolidation of all management training and is further divided in the subsequent reporting.

2 This number represents a consolidation of all administration training and is further divided in the subsequent reporting.

## Part Two: Information on Pre-Determined Objectives

Training Delivery				
Performance Indicator	Baseline (2010/11)	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual (2011/12)	
Number of national and provincial public service officials trained in two approved targeted programmes, in order to inculcate Public Service values and ethos	In 2010/11, a total of 186 officials were trained in the Wamkelekile programme	Train 350 SMS officials in Wamkelekile (SMS Induction) by 31 March 2012	A total of 486 officials were trained – a 139% achievement rate	Performance target was achieved
	In 2010/11, a total of 18 660 new public servants were trained in the PSI	Train 20 000 JMMS officials in PSI programme by 31 March 2012	A total of 25 167 were trained – a 126% achievement rate	Performance target was achieved
	In 2010/11, a total of 1 192 unemployed youth graduates were trained	Train 2 000 unemployed graduates in Breaking Barriers to Entry Programme by 31 March 2012	A total of 2 522 graduates were trained – a 126% achievement rate	Performance target was achieved
Number of public sector officials trained in five targeted human resources management programmes, in accordance with approved training programmes, in order to improve the human resources management capacity of the state	In 2010/11, a total of 926 officials were trained in the HRM&D programmes	Train 1 500 officials in human resource management programmes by 31 March 2012	A total of 909 officials were trained – a 61% achievement rate	Performance was partially achieved  The development and approval of nine HRM & D courses were only finalised during the third quarter roll-out started during the last quarter
Number of trainers, assessors and moderators recruited, in accordance with PALAMA framework in order to ensure the effective roll-out of training of PALAMA programmes	In 2010/11, a total of 256 trainers, assessors and moderators were recruited	Recruit 200 trainers, assessors and moderators for PALAMA's programmes and courses by 31 March 2012	To date, no assessors and moderators were recruited	Performance target was not achieved  Concept document for the recruitment of on-board trainers was developed in the first quarter  The introduction of on-board trainers is planned for the 2012/13 financial year
Number of training delivery agreements entered into by PALAMA with departments at national and provincial levels, and municipalities, in line with PALAMA standard agreement, in order to ensure that officials are trained	In 2010/11, a total of five delivery agreements were in place	Sign off fifteen training delivery agreements with each identified department at national and provincial levels and municipalities by 31 March 2012	To date, only three delivery agreements were signed – a 20% achievement rate	Performance target was not achieved  The envisaged number of formal agreements could not be achieved in the way it was anticipated  Instead departments preferred to work with PALAMA on specific deliverables, rather than through formalised delivery agreements

## Part Two: Information on Pre-Determined Objectives

Training Delivery				
Performance Indicator	Baseline (2010/11)	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual (2011/12)	
Number of legislators from national and provincial institutions performing public sector oversight functions trained in accordance with PALAMA's approved customised training programme, in order to enhance public sector accountability	In 2010/11, a total of 1 221 legislators were trained	Train 300 MPs and MPLs in the Introductory Course and Postgraduate Programme by 31 March 2012	A total of 210 legislators were trained – a 70% achievement rate	Performance target was partly achieved  The Introductory Course reached a saturation point New graduate and postgraduate programmes needed to be developed before enrolling members of the Legislatures A partnership with WITS was started in the fourth quarter
Number of public sector officials trained in supply chain management practices, in accordance with approved SCM training programmes, in order to improve compliance with prescripts	In 2010/11, a total of 837 officials were trained in supply chain management	Train 1 500 officials in supply chain management practices by 31 March 2012	A total of 3 516 officials were trained – a 234% achievement rate	Performance target was achieved
Number of public sector officials trained in organisation design programmes, in accordance with approved training programmes, in order to improve the organisational design capacity of the state	There is no baseline performance information, as this is a new performance indicator for the 2011/12 financial year	Train 100 officials in organisational design by 31 March 2012	A total of 52 officials were trained through the pilot of the programme – a 52% achievement rate	Performance target was not achieved  The OD programme is new and had to undergo the programme development processes before training implementation  The low numbers of officials trained were caused by delays in the programme approval at the ETQA
Number of public sector officials trained in approved targeted programmes for good governance	In 2010/11, a total of 780 officials were trained in good governance programmes	Train 1 100 public sector officials in four approved targeted programmes for good governance (Gender Mainstreaming, HIV&AIDS, PAJA, M&E) by 31 March 2012	A total of 1 759 officials were trained – a 160% achievement rate	Performance target was achieved

## Part Two: Information on Pre-Determined Objectives

Training Delivery				
Performance Indicator	Baseline (2010/11)	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual (2011/12)	
Number of public service and municipal officials trained in approved ethics and anti-corruption programmes, in order to enhance the culture of ethics and integrity in the public sector	In 2010/11, a total of 954 officials were trained in ethics and anti-corruption programmes	Convene two workshops for 80 SMS by 31 March 2012	A total of 147 officials attended seminar series and workshops – a 184% achievement rate  Training focused on the following content issues: anti-corruption; diversity management; business processes, decision rights and accountability (delegation); financial regulations and processes; change management and leadership; financial planning and budgeting	Performance target was achieved
		Train 200 officials from 10 national and 10 provincial departments by 31 March 2012	A total of 943 officials were trained – a 471% achievement rate	Performance target was achieved
		Train 75 employees, targeting fifteen municipalities by 31 March 2012	A total of 75 municipal employees were trained – a 100% achievement rate	Performance target was achieved
Efficient Training Management System for roll-out of all PALAMA training programmes/courses to public officials	In 2010/11, the concept document for the TMS was developed	Implement a fully operational TMS by 31 March 2012 to support training activities such as learner registration, records and reconciliations of payments for training	The project was delayed, but the specification description of the TMS project is at an advanced stage  The project will continue in the 2012/13 financial year	Performance target was not achieved  Realising that the project costs were to be higher than initially scoped, the project start phase was delayed to split the project over two financial years
Training co-ordination and learner management for public service officials trained in approved induction, leadership, management and administration programmes	In 2010/11, a total of 1 063 training sessions were co-ordinated.	Co-ordinate 2 468 training sessions for officials in all spheres of Government by 31 March 2012	A total of 2 461 training sessions – a 99.7% achievement rate - were co-ordinated for the following revenue-generating (RG) and non-revenue generating (NRG) courses: 1 198 RG and 1 263 NRG  Furthermore, a total of 16 132 certificates issued during the year to date for officials already trained	Performance target was achieved
PALAMA marketing initiatives to relevant internal and external stakeholders to promote uptake of PALAMA courses and its visibility in the public service	In 2010/11, a total of thirteen exhibitions were undertaken, and advertorials placed in nine publications	Undertake 60 marketing initiatives by 31 March 2012	A total of 49 marketing initiatives undertaken – a 82% achievement rate	Performance target was partially achieved  There was a decline in invitations for presentations and exhibitions, mainly in the fourth quarter
Percentage of contact centre enquiries for quotations successfully translated into training sales	In 2010/11, the acceptance rate of quotations was 36%	Increase uptake of PALAMA courses in all spheres of Government through an acceptance rate of 50% of quotations issued by 31 March 2012	During the financial year; a total of 40% of quotations were converted to bookings through the PALAMA contact centre	Performance target was partially achieved  Many departments use PALAMA quotations for purposes of comparing prices and thereafter take up training elsewhere  A more vigorous follow-up was undertaken



## Part Two: Information on Pre-Determined Objectives

### Professional Support

The sub-programme focuses on the professional and transversal support competencies that are core to PALAMA delivering on its mandate and are as follows:

- Research and Development:** The core function of this Unit is to undertake research that informs the training needs of the client department, conduct training needs analyses and assist with best practice benchmarking. These entail conducting broad research studies into the nature of the South African State, its character and attributes towards informing capacity development for improved service delivery
- Curriculum Design:** The core function of this Unit is the management of the entire curriculum development cycle of programmes and courses covering the spectrum of leadership, management and administration competencies. Capacity gaps identified as part of the training needs analyses, will inform the curriculum design processes and course (and programme) development
- Quality Assurance:** The core function of this Unit is to enhance the credibility of PALAMA courses and resultant training to improve the capacity of the State to lead, mobilise, and implement. All PALAMA programmes and courses – whether credit-bearing or not - shall be subjected to rigorous quality assurance processes
- Accreditation:** The core function of this Unit is to increase available accredited programmes and courses (though not at the expense of non-credit-bearing professional development programmes) that are linked to targeted qualifications on the National Qualification Framework
- Monitoring and Evaluation:** The core function of this Unit is to increase monitoring and evaluation of PALAMA's capacity building interventions and their impact on service delivery
- e-Learning:** The core function of this Unit is to explore modes of training delivery that take advantage of new and existing technologies to inform training roll-out beyond the traditional face-to-face training.

Table 13: Sub-programme performance – Professional Support

Professional Support				
Performance Indicator	Baseline (2010/11)	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual (2011/12)	
Number of frontline public sector officials trained by 31 March 2012 in accordance with <i>approved training programmes in order to ensure excellent customer service in the public sector</i>	There is no baseline performance information, as this is a new performance indicator for the 2011/12 financial year	Develop one course on service delivery improvement plans by 31 March 2012	The programme strategy was approved, as well as the service providers  To date, the first draft of programme materials were completed	Performance target was partially achieved  Delays in the staffing of the Chief Directorate impacted on the timely achievement of the objective
Number of SMS members participating in the <i>Khaedu Programme</i> and deployed to service delivery points in South Africa by 31 March 2012, in order to contribute with solutions towards resolving service delivery challenges	There is no baseline performance information, as this is a new performance indicator for the 2011/12 financial year	Develop Project Khaedu training materials	Project Khaedu materials were piloted and the approved materials were handed to the Training Delivery Branch for training roll-out	Performance target was achieved

## Part Two: Information on Pre-Determined Objectives

Professional Support				
Performance Indicator	Baseline (2010/11)	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual (2011/12)	
Number of PALAMA research projects undertaken to inform public sector capacity building needs and interventions	In 2010/11, a draft research strategy was developed, and used to complete research on two projects	Develop a PALAMA research strategy by 31 March 2012	The research strategy was developed, internal consultations were undertaken, and the strategy was finalised  The research agenda was also developed.	Performance target was achieved
	In 2010/11, research was undertaken on two projects	Complete two research projects completed by 31 March 2012	The research on eLearning implementation in the public service was completed  The evaluation of the EDP programme was completed	Performance target was achieved
	In 2010/11, the TNA was implemented with eight stakeholders	Undertake training needs analyses with four stakeholders across three spheres of Government	The TNA strategy was developed and consultation was undertaken with KZN Provincial Academy, Public Service Network and Limpopo HRD Forum  TNA data was collected and analysed in four departments	Performance target was achieved
Number of national and provincial public service officials trained in <i>two approved targeted induction programmes</i> by 31 March 2012, in order to inculcate public service values and ethos	There is no baseline performance information, as this is a new performance indicator for the 2011/12 financial year	Internship programme developed by 31 December 2011 to train interns	Three pilot sessions on programme materials were conducted after programme development  The Public Service Graduate Internship Development Programme was developed	Performance target was achieved
	There is no baseline performance information, as this is a new performance indicator for the 2011/12 financial year.	Develop one course on re-orientation for the public service by 31 March 2012	Two workshops were held to develop the course strategy  The course strategy and service providers were approved  To date, the first draft of programme materials were completed	Performance target was partially achieved  Delays in the staffing of the Chief Directorate impacted on the timely achievement of the objective
Number of public sector officials trained in <i>five approved targeted Human Resource programmes</i> by 31 March 2012 in order to improve human resource management and development	In 2010/11, a total of four HR programmes were developed	Develop five Human Resource programmes by 31 March 2012	A total of fifteen Human Resource programmes were approved, of which nine courses are credit-bearing and six non-credit-bearing	Performance target was achieved

## Part Two: Information on Pre-Determined Objectives

Professional Support				
Performance Indicator	Baseline (2010/11)	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual (2011/12)	
Number of public sector officials trained in the approved <i>Executive Development Programme</i> by 31 March 2012 in order to improve leadership management capacity within the public sector	There is no baseline performance information, as this is a new performance indicator for the 2011/12 financial year	Update two EDP modules by 31 December 2011	Two modules of the (EDP) were identified for update: Formulation of Policy and Leading Change  The first drafts of materials were completed for five EDP modules	Performance target was partially achieved  The update expanded to cover five instead of the original target of two modules, which required more time than originally planned to complete
Number of eLearning training interventions developed and implemented in accordance with approved training programmes, in order to provide access to learning not limited to classroom training delivery	In 2010/11, fourteen multimodal courses, six complementary materials and three fully technology-mediated courses were designed and developed	Develop ten eLearning capacity building interventions by 31 March 2012	Seven fully technology-mediated courses were developed  Ten courses were enhanced through the development of complementary eLearning materials and online communities of practice	Performance target was achieved
Number of approved PALAMA courses customised by 31 March 2012 for implementation by partner countries, in accordance with approved agreements, in order to support capacity building interventions internationally	In 2010/11, no courses were customised for implementation	Customise two PALAMA courses by 31 March 2012 for implementation by partner countries	Consultations were undertaken with the PALAMA officials on Project Management and Financial Management courses for customisation  Two approved PALAMA courses customised and delivered	Performance target was achieved
Number of SCM officials in the public sector trained by 31 March 2012, in accordance with <i>approved SCM programmes</i> , in order to improve supply chain management practice within the public sector	In 2010/11, a total of twelve courses on SCM were developed	Develop and approve five supply chain management courses by 31 December 2011	A total of thirteen credit-bearing courses and one non-credit-bearing course were approved for roll-out	Performance target was achieved
Number of public sector officials trained in <i>four approved targeted programmes</i> for good governance (Gender Mainstreaming, HIV & AIDS, PAJA, M & E) by 31 March 2012 in order to improve accountability in the public sector	In 2010/11, one course was developed	Update and approve four M&E courses by 31 March 2012	Eight M&E courses were updated  The design and layout of seven courses for the Programme for M&E Practitioners were finalised	Performance target was achieved
	In 2010/11, one course on anti-corruption was developed	Update and approve one course on good governance by 30 September 2011	The implementation of the PAJA course was finalised and handed over to the Training Delivery branch for roll-out in quarter 1	Performance target was achieved
Number of public service officials in specified number of national and provincial departments trained in the approved <i>Organisation Design Programme</i> by 31 March 2012 in order to improve business processes in the public sector	There is no baseline performance information, as this is a new performance indicator for the 2011/12 financial year	Develop and approve one Organisational Design course by 30 September 2011	The credit-bearing Organisational Design course approved and handed over for roll-out	Performance target was achieved

## Part Two: Information on Pre-Determined Objectives

Professional Support				
Performance Indicator	Baseline (2010/11)	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual (2011/12)	
Number of public service officials in national and provincial departments trained in approved <i>Ethics and Anti-Corruption Programmes</i> by 31 March 2012 in order to enhance the culture of ethics and integrity in the public sector	There is no baseline performance information, as this is a new performance indicator for the 2011/12 financial year	Develop and approve one anti-corruption course by 31 December 2011	The anti-corruption course was accredited by PSETA, finalised and approved	Performance target was achieved
Monitoring and evaluation of PALAMA programmes in order to ensure quality, relevance, standards and participant expectations through an effective system	In 2010/11, the M&E system was implemented for expanded training operations	Implement an M&E system for capacity building interventions by 31 March 2012	The M&E instruments and the framework have been reworked and piloted  The system requirements were submitted to the ICT Unit, but could not be implemented	Performance target was partially achieved
	In 2010/11, a total of twelve on-site evaluations were undertaken	Conduct 30 M&E on-site evaluations of identified programmes by 31 March 2012	On-site evaluations were conducted  The facilitator and participants were observed during the training intervention  A total of 38 on-site evaluations were undertaken	Performance target was achieved
	In 2010/11, a total of 30 992 Reaction Evaluations Questionnaires (REQs) were captured and evaluated	Conduct Reaction Evaluations of all training interventions (including e-learning) by 31 March 2012	All training programmes offered by PALAMA have been consistently monitored through 19 728 Reaction Evaluation Questionnaires (REQs) and Facilitator Feedback forms  The Facilitator and Participant Evaluation reports generated for all batches of REQs and Facilitator Feedback forms received, distributed to programme managers	Performance target was achieved
	In 2010/11, there was 7% monitoring and evaluation of IICs and trainers	Monitor and evaluate a percentage of PALAMA IICs/trainers by 31 March 2012	100% monitoring conducted of all the PALAMA IICs/trainers (through REQs and Facilitator Feedback forms received and captured) and 25% of IICs evaluated through on-site evaluations, which is a total of 38 IICs of the 152 IICs contracted by PALAMA that were observed during 2011/12	Performance target was achieved
	In 2010/11, the PSTF conference and PSN meetings were monitored and evaluated	Evaluate PALAMA workshops and conferences by 31 March 2012	All Public Service Network workshops and the PSTF were evaluated and reports generated	Performance target was achieved

## Part Two: Information on Pre-Determined Objectives

Professional Support				
Performance Indicator	Baseline (2010/11)	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual (2011/12)	
PALAMA's status as an accredited training provider maintained in terms of PSETA legislation and guidelines	There is no baseline performance information, as this is a new performance indicator for the 2011/12 financial year	Maintain the accreditation status of PALAMA as a training provider	<p>A meeting was held with PSETA to develop a project plan for accreditation maintenance</p> <p>The monitoring tool of PSETA was analysed and monitoring visits were undertaken by PSETA</p> <p>The accreditation status of PALAMA was maintained for the financial year</p>	Performance target was achieved
PALAMA programmes quality assured by the relevant regulatory authority in order to ensure credibility and quality of programmes	In 2010/11, the quality management system was improved through inter branch engagements and input	Update and approve three PALAMA ETD QMS policies, procedures and three process flows by 31 March 2012	<p>Three ETD QMS policies (QMS Policy, Assessment Management Policy, Curriculum and Learning Programme Management Policy) were updated</p> <p>Three process flows finalised and handed over to Curriculum Design for incorporation into the Standard Operating Procedure (SOP)</p>	Performance target was achieved
	There is no baseline performance information, as this is a new performance indicator for the 2011/12 financial year	Develop and pilot one standard by 31 December 2011	One standard for e-Moderation Programme was identified for development and piloting, however, it was not developed	<p>Performance target was not achieved</p> <p>Due to incomplete work processes by the Quality Council for Trades and Occupations, it was not possible to achieve this output</p> <p>PSETA was requested to act as Development Quality Partner and Assessment Quality Partner for this process in partnership with PALAMA</p>
	In 2010/11, a competency matrix for the matrix of qualifications was developed and consultations on the first draft were undertaken	Draft Matrix of Qualifications for Career Pathing finalised by 31 March 2012	<p>A revised draft Matrix of Qualifications for Career Pathing was prepared, informed by internal input</p> <p>The draft Matrix has been finalised and presented to the organisation for further external consultations</p>	Performance target was achieved

## Part Two: Information on Pre-Determined Objectives

Professional Support				
Performance Indicator	Baseline (2010/11)	Actual Performance against Target		Reason for Variance
		Target (2011/12)	Actual (2011/12)	
PALAMA Resource Centre operationalised in order to support research and organisational performance	In 2010/11, the physical infrastructure for the resource centre was set up	Establish an operational PALAMA resource centre by 31 March 2011	<p>A basic operational resource centre is in place</p> <p>All existing resources have been recorded and categorised</p> <p>A basic manual lending system is in place and the first purchase of new resources was completed and the purchase of additional resources is on-going</p> <p>Access to online journals through SA e-Pubs was also finalised</p>	Performance target was achieved

### 2.3 Synopsis of Overall Performance in 2011/12

The change in the strategy and performance priorities in 2011/12 was necessary as a result of a general trend of declining performance in many areas of operation. It provided the organisation with an opportunity to review the organisational model and strategy since its inception as PALAMA in 2008. A strategic decision was taken to categorise training into leadership, management, administration and induction learning streams. Support units were established and focused on marketing, monitoring and evaluation, quality assurance, accreditation, research and development, and curriculum design. In addition, the organisational structure was reconfigured to support these developments.

Specific to delivery of training, most targets were met in the area of leadership training, administration and public service induction. In areas of partial achievement, training started later than planned, to mention a few, phase two of the Legislature Capacity Building Programme (Graduate and Post Graduate Programmes) where agreements for university programme certification took longer to be concluded. In the case of the Organisational Development Course, which is a new course specifically aimed at public service OD practitioners, the process of accreditation by the qualifications authority took longer.

With regard to front-office service and back-office systems, for which a significant number of public servants in the lower echelons are responsible, PALAMA placed emphasis on administration training. In this financial year, administration training was rolled out

to 4 773 officials at service delivery points, including deployment through the Project Khaedu programme.

Target on Excellent Customer Service for Frontline Staff Training and *Batho Pele* was also partially achieved (1 455 persons trained against a target of 1 700). Noting that achievement in Induction Training is far higher than in the previous year, the possibility is that there was a preference by departments to register learners for Induction Training with a shift from the Excellent Customer Service for Frontline Staff Training and *Batho Pele* courses.

What remains to be undertaken in the near future, is an impact assessment study of how the PSI is improving the values and ethos in the public service and how this is translating to positive service delivery.

Programme and curriculum design is focused on the generic

## Part Two: Information on Pre-Determined Objectives

training requirements; however, there is also a shift in attention to job-specific-oriented training, such as in HR, Supply Chain and Induction Programmes. It is important for PALAMA to go forward by increasing the number and trainer orientation to these job competency-specific programmes which will make PALAMA's training unique in comparison to that of private sector providers and HEI curricula.

PALAMA continued on the trajectory of using eLearning as an additional methodology for training delivery. For the 2011/12 financial year, PALAMA enrolled 66 learners in a formal, credit-bearing eLearning course (Bid Committees: PFMA). The membership registration for the online Communities of Practice grew from 2 532 users in 2010/11 to 3 034 users. These communities support informal collaborative learning and resource sharing.

The existing funding model continues to exert pressure on PALAMA to focus on a profit agenda, rather than the focused training on social imperatives of the developmental state, through the process of cost recovery and revenue generation from training sales. The revenue generation is necessary to supplement the parliamentary vote allocation, in order to ensure sustainability of the Academy. In terms of revenue generation, the trends show that departments are selecting shorter and low-cost training of PALAMA's offerings.

As from the third quarter in 2010/11, PALAMA embarked on a

process of reducing the training fee tariffs of some of its courses in an attempt to make them more affordable. During the same period approximately 25% of the programmes were converted to become credit bearing, which increased the course input costs without raising the tariffs.

The main challenge that PALAMA faces with regard to its revenue base is on-time collection of payments post training. There is currently an outstanding debt amount of R40,3 million and the average number of days taken to recover debt is 139 days. This situation still prevails in spite of more interventionist actions such as personal visits to departments and provinces, as well as issuing of letters to outstanding debtors.

# Part Three: Annual Financial Statements





# Part Three: Annual Financial Statements

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Ms M. Manyama-Matome



Ms S. Hari



Mr M.J. Maboja

## 3.1 Report of the Audit Committee

The Audit Committee is pleased to present its report for the financial year ended 31 March 2012 in terms of the Public Finance Management Act 1 of 1999, section 38 (1)a, 76 (4d) and 77, as well as National Treasury Regulations 3.1.11.

### 3.1.1 Audit Committee Members and Attendance

The Audit Committee consists of the members listed below of which four are independent members, in line with good corporate governance practice. The Committee meets at least three times per annum as per its approved terms of reference. During the year under review, the Committee held four ordinary meetings and one special additional meeting which was a meeting with the Auditor-General in preparation for PALAMA's year-end external audit. All members attended all meetings held in the 2011/12 financial year. The following is a schedule of members and attendance of meetings.

Table 14: Audit Committee membership

Name of Member	Number of Meetings Attended
Dr D P van der Nest - External (Member and Chairperson until 30 September 2011)	2
Ms S Hari - External	5
Mr J Maboja - External	5
Ms M Manyama-Matome - External (Chairperson from 17 October 2011)	5
Prof LS Mollo	5

### 3.1.2 Audit Committee Responsibility

The Audit Committee reports that it complied with its responsibilities guided by the Public Finance Management Act

1 of 1999, section 38 (1) a, 76 (4d) and 77, as well as National Treasury Regulations 3.1.11. The Committee furthermore adopted appropriate formal terms of reference outlined in its Charter and also conducted its affairs in compliance with this Charter.

### 3.1.3 Effectiveness of Internal Control

The system of internal control applied by PALAMA over financial and risk management is effective, efficient and transparent.

In line with the PFMA and the King III Report on Corporate Governance requirements, Internal Audit and management who are responsible for the development and maintenance of internal control and good governance systems, provide reports to the Audit Committee to give assurance on appropriateness and effectiveness of measures in place or development of new measures.

During the year, the Committee gave constant attention to the Risk Management, Performance Information Reporting, Financial Information Reporting, Compliance Environment, Internal Auditing, Fraud and Investigations Reporting, and also engaged with the Audit General's reports for PALAMA.

In all of the abovementioned areas, the role played by the Committee was instrumental in identifying corrective actions and providing guidance on necessary enhancements to the

controls and processes that have effect on the departmental compliance, risk and performance environment as well as responsibilities that PALAMA has to its external environment. The Committee is satisfied that PALAMA's assets are safeguarded and that liabilities and working capital are well managed. From the various reports from the internal auditors, the audit report on the annual financial statements and the management report of the Auditor-General of South Africa, it is noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations there from. Accordingly, it can be reported that the system of internal control over financial reporting for the period under review, was efficient and effective.

The Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the Department during the year under review.

### 3.1.4 Evaluation of Financial Statements

The Committee has -:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General of South Africa and the Accounting Officer
- reviewed the Auditor-General of South Africa's management report and management's response thereto;

- reviewed changes in accounting policies and practices;
- reviewed the department's compliance with legal and regulatory provisions; and
- reviewed significant adjustments resulting from the audit.

The Committee concurs with and accepts the Auditor-General of South Africa's report on the annual financial statements, and is of the opinion that the audited annual financial statements should be accepted, read together with the report of the Auditor-General of South Africa.

### 3.1.5 Internal Audit

The Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the department in its audits.

### 3.1.6 Meeting with the Auditor-General of South Africa

The Committee met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

### 3.1.7 Closure

The Audit Committee wishes to acknowledge the contributions by Dr D P van der Nest during his tenure as the Chair of the

Committee. The Committee also wishes to thank the Director-General of PALAMA, Professor Solly Mollo, for his support.

Our gratitude is also extended to all managers and staff members of PALAMA for their efforts in diligently implementing PALAMA's mandate. All our efforts are combined to constantly strive towards excellence and have resulted in the department again receiving an unqualified audit report for the 2011/12 financial year.



Ms M Manyama-Matome  
Chairperson of the Audit Committee

Date: 31 July 2012

## 3.2 Report of the Accounting Officer

### 3.2.1 General Review of the State of Financial Affairs

#### Important policy decisions and strategic issues facing the department

The year 2010 saw the introduction of the Government Outcomes Framework with twelve outcomes areas, supported by Service Delivery Agreements, signed between the President and all Ministers. The Government Outcomes Framework, read together with the Service Delivery Agreements of Ministers, outline Government's focus areas in the Medium-term Strategic Framework period to 2014. PALAMA began the process of developing its Strategic Plan document, which was tabled in Parliament in March 2011, covering the period 2011/12 to 2013/14. This document was based on these Government commitments.

The service delivery improvement focus areas, as outlined in the Delivery Agreement for Outcome 12, cover the following key strategic areas:

- Service delivery quality and access
- Human resource management and development
- Business process, systems, decision rights and accountability
- Tackle corruption effectively
- Nation building and national identity
- Citizen participation and
- Social cohesion.
- Improve business processes, decision rights and accountability
- Tackle corruption effectively
- Develop PALAMA into a high performance organisation.

PALAMA's strategic objectives are aligned to Outcome 12 outputs as a department under the Minister for Public Service and Administration, and therefore belonging to the Governance and Administration Cluster. Given PALAMA's mandate of providing training and development interventions across the public service, the work it does also supports the delivery of the other eleven Outcomes. The following are PALAMA's strategic objectives in the period covered by this report;

- Improve service delivery quality and access
- Improve human resource management and development

Giving effect and cutting across these strategic objectives, is research work and benchmark studies leading to innovative solutions and strengthening of the knowledge capacity to address current service delivery challenges. In 2011/12, PALAMA established its Research Unit, set up a Resource Centre, expanded scope for its Monitoring and Evaluation programme from the monitoring and evaluation of its own work, to include Monitoring and Evaluation training in the public service, while continuing with the review of existing programmes and its business model. This was all part of a quest to introduce the necessary changes to achieve better results.

The National Development Plan (NDP) and a country vision for 2030 which was unveiled by the National Planning

“To go beyond reciting or paying lip service to the eight attributes of a Public Service cadre of a special kind. These attributes include: breaking new ground; motivating; inspiring success; giving one's best regardless of the challenge; salvaging failing situations; making a difference to people; working collaboratively; being responsible for service processes; and advancing the public service agenda on the continent and in the world”. **Minister Richard Baloyi, PSTF Conference**

Commission (NPC) of South Africa in November 2011. This is another notable development with influence on PALAMA's on-going work of developing new training and development interventions or customising existing ones. The timing for the release of the NDP document connected with the final preparations for the 2012/13 financial year.

The Plan notes that in order for South Africa to eliminate poverty and reduce inequality, a different approach is required, that is, an approach that recognises faster economic growth and higher investment and employment; rising standards of education; a healthy population and effective social protection; and an effective and capable government. In building a capable state, the NDP proposes some fundamental steps to be undertaken, including:

- Stabilising the political-administrative interface
- Making the public service and local government careers of choice
- Developing technical and specialist professional skills and
- Improving relations among the three spheres of Government.

Starting from 2011/12, PALAMA's strategic thrust focuses on four main streams of training and development, these being Leadership, Management, Administration and Induction. Training provided extends beyond the skills and competency

requirement to include ethos, values and a service delivery culture that espouses attributes of a public service cadre. This is a response to the challenge that has been given to frontline staff, junior managers, senior managers and executive leaders in the public service.

PALAMA was also given an opportunity to include in its work special training for public service oversight office bearers, e.g. Members of Legislatures and Parliament. In addition, PALAMA continued with the induction of unemployed youth graduates aspiring to join the public service, a programme launched in 2010/11. This makes PALAMA the Government's national training department. Despite the role played by PALAMA, it has not been compulsory for government departments to use this department to secure their employee training and development interventions. With the exclusion of the Public Service Induction, departments can use other providers. While PALAMA continues to record a higher number of participants for Public Service Induction training, it is notable that not all departments fully implement this national directive. Lessons in this regard point to some improvements necessary in the co-ordination of training and development in the public service, coupled with setting a national framework for policy, as well as norms and standards for public service training and development.

The aligned policy, as well as national norms and standards for public service training and development, are essential to ensure

that public servants receive the same training for job-specific key competencies wherever they are in the public service and to optimise gains from the state investment on public service training and development. This will also consolidate baseline information on the skills growth and depth in the public service and scope relevant interventions that from time to time should be prioritised by departments in their work-place skills plans. This calls for a different approach to public service training and development and a shift from the current model where government departments and their related institutions use different training providers to secure required training. This often leads to incoherent choices of training, inefficient use of public resources and public service training not oriented to the public service job competency requirements. In this regard, PALAMA and the DPSA are developing the necessary policy frameworks to better co-ordinate Public Service training.

Another area of attention is PALAMA's current delivery model. Lessons point to a need for a model that will become less reliant on outsourcing of training activities, to a more structured way of working with Higher Education Training Institutions (HEIs) and selected private sector training organisations and Individual Independent Contractors (IICs) licensed as trainers for PALAMA. A framework document which forms the basis for a business case for the new strategy of PALAMA in its form as a School of Government is among other priorities completed in 2011/12. Further work will be done in 2012/13 and will also include broader stakeholder consultation.

PALAMA's current organisational model is based on a dual organisational structure whereby it has a departmental vote for its administration operations and a trading entity for its training operations. In this arrangement, all administration-related operations are funded through annual budget allocations from the fiscus. Training-related operations are self-funded, based on a cost-recovery training model, whereby the department has to generate funds from training fees to cover all expenditure relating to the implementation of training activities and to build reserves for future financial self-sustenance. The Public Service Induction is partly financed by PALAMA through ring-fenced funds and partly financed by the Departments through departmental training funds. The unemployed youth graduate programme (Breaking Barriers to Entry) is funded from revenue generated by other courses. Training under the Regional Capacity Building Programme (Regional and Continental work), is donor-funded.

As a result of its dual organisational form, PALAMA operates a Vote Account that funds all its support services (Programme 1) and also operates a Training Trading Account (TTA) that is partially funded by the Vote Account (Programme 2).

The 2011/12 financial year marks a significant milestone for PALAMA, in that the Academy not only performed well against its 2011/12 target for a number of persons trained, but also surpassed results on the number of officials trained, compared to the other three years since PALAMA's establishment year. This milestone follows an analysis of better partnerships to

pursue, and new programmes that were introduced which included the reconfiguration of PALAMA's structure and streamlining PALAMA's resources to the front-end of training delivery activities.

It should be noted that the high number of officials trained, also resulted in higher revenue than generated in 2010/11, but did not reach the target for 2011/12. Factors that played a role in this regard are addressed in the annual financial reporting section and detailed report against predetermined objectives. This achievement indicates that there are more officials trained in courses that generate less revenue. This also forms a basis to engage on the fee structure of PALAMA's training programmes and on strategic choices which are to be made as PALAMA, together with Government at large, plan ahead and evaluate proposals for the new strategy of PALAMA. All course fees are currently determined in consultation with the National Treasury which has to approve them.

The analysis of 2011/12 results also show a rising need for PALAMA to provide training programmes specific to departmental needs, in addition to the cross-cutting generic training programmes. Coupled with this, is a need for training facilitators who have practical experience in Government's operations and experience in activities relating to their areas of training, thereby, a need for PALAMA to have its own trainers and a pool of trainers from those with public service on-the-job experience.

## Significant events that took place during the year 2011/12

The 15th Public Sector Trainers' Forum (PSTF) Conference was held in Bloemfontein and was hosted in collaboration with the Free State Office of the Premier. The Conference was attended by 603 delegates that comprised of human resource development practitioners and other public service managers from all spheres of Government. Established in 1997, the goal of the PSTF is to bring together various role-players such as skills development facilitators, trainers, researchers, leading academics, senior managers and leaders in order to share best practices in the field of human resource development. The objectives of the PSTF are to:

- Encourage practitioners and stakeholders in Training and Development (T&D) from the public sector as well as the private sector and civil society, in promoting the implementation and improvement of training and development in the public sector
- Share ideas and best practices regarding training by convening workshops, an annual conference and other related activities
- Contribute to the awareness and adoption of quality standards for T&D within the public sector; and
- Foster the development and growth of T&D practitioners in the public sector.

The Public Service Week co-ordinated by the DPSA with an SMS deployment programme held on 19 to 23 September 2011, was

one of the key events in the annual calendar of PALAMA. In addition to PALAMA's deployment of its own SMS to service points, the programme further strengthens the learning notion driven by PALAMA through its Khaedu Programme. 541 officials participated in the Khaedu programme. In preparing for the Public Service Week, PALAMA co-ordinated arrangements for the Academia Gathering in August 2011, hosted by the Minister for Public Service and Administration. This gathering provided a platform to discuss the 2011 Public Service Week theme, "My Public Service, My Future", looking into the role that the academia can play contributing to the realisation of the service delivery campaign driven under this theme.

In 2011/12, PALAMA also piloted the Public Service Graduate Internship Development Programme (PSGID). The completion of this pilot programme was marked by the graduation of interns in a ceremony officiated by the Minister for Public Service and Administration, the late Mr Roy Padayachie.

### Major projects undertaken or completed during the year

PALAMA continued to work closely with the National Youth Development Agency and other departments in rolling out the Breaking Barriers to Entry Programme which is aimed at preparing unemployed youth graduates for public service employment opportunities. In the 2011/12 financial year, 2 522 participants graduated from this programme, an achievement exceeding the 2010/11 graduation of 1 192 participants.

PALAMA responded to the Government's commitment to fight corruption through the introduction of training programmes with a focus on anti-corruption and ethics management. In this regard, training has been rolled out to public service officials, particularly anti-corruption practitioners and 1 018 officials received training. This achievement exceeds the number of 954 public service officials that participated in these training sessions during 2010/11. With regard to delivery of the Ethics and Anti-corruption programme in the local government, it should be noted that PALAMA's scope is in line with specific requests and targets set out in Outcome 12: Delivery Agreement Action Plan.

In order to strengthen the implementation of the MPSA national directive for induction of new public servants during their probation service period, the PSI trainers located in provinces and national departments are organised through the Trainers Learning Network. A total of 404 trainers from eight provincial and national departments were trained in 2011/12. Training took place in the form of an Induction Consultative Workshop (ICW) which was also attended by 113 training co-ordinators. The purpose of the Trainer Learning Networks (TLN) is to deal with delivery issues. PSI learning materials were updated to ensure that the course advances values, culture and ethos towards public service cadre development, in particular, the principles of *Batho Pele*. This generated more interest in the programme. A number of 25 167 new public servants were inducted in 2011/12, in comparison with 18 660 new public servants inducted in 2010/11.

The 2011/12 achievements included the signing of agreements with other departments which triggered PALAMA to develop special training interventions for specific departments in addition to the general interventions from the standard training programmes on PALAMA's training offerings. Partnerships in the provision of frontline training were established with key frontline departments, such as SAPS; Women, Children and People with Disabilities; Social Development; Health; and Defence. A partnership for the training of staff from the Department of Defence will provide for 960 participants. A Service Level Agreement was also signed with the Office of the Auditor-General for the training of 200 officials in the customised SMS induction programme. An agreement was entered into with the Department of International Relations and Co-operation (DIRCO) for EDP training targeting sixty members of the department's senior management service over a two-year period.

The partnership with the Speaker's Forum has realised some achievements. The status of the Legislature Capacity Building Programme was enhanced upon receiving approval from UNISA for the accreditation of the Certificate in Governance and Leadership (formerly LCBP: Introductory Phase). This enabled the first group of trainers to complete all requirements, which led to a certificate ceremony where 173 Members of Parliament and Legislatures graduated in November 2011. The Curriculum Framework for the Postgraduate Certificate in Governance and Leadership was approved by the Legislature's Technical Team.



In contributing towards an improved Public Service and Administration in the international arena, PALAMA continues to forge strategic international partnerships. This includes engagements with donor communities and engagements in the global knowledge exchange network through mutually beneficial partnerships with institutions similar to PALAMA in the international arena, as guided by Government's international relations policy and the programmes of the Minister. The Academy continues to play a significant role in capacity-building internationally. Through the regional capacity-building programme, PALAMA's work supports post-conflict institutional building in Southern Sudan, Rwanda and Burundi. Interventions in 2011/12 included training of lead trainers from Management Development Institutions (MDIs) from these countries. Training primarily focused on Management; Monitoring and Evaluation; Supply Chain Management; and Gender Mainstreaming. A highlight in this area, was the roll-out of the Executive Development Programme with focus on Project Management, Human Resource Management, Financial Management and Budgeting, Policy Formulation and Implementation, as well as Strategic Planning and Management. 298 participants received training in EDP under the Regional Capacity Development Programme.

PALAMA developed a draft Matrix of Qualifications for Career Pathing for Public Service Leadership, Management and Administration as a strategic management tool to inform and

guide public service training and development. Among other uses, this Matrix structures a system for continuous learning and specific qualifications and training that will receive recognition for advancement in the public service. This also provides a basis that will enable PALAMA to set norms and standards for training and development provided for the public service by other providers. From August 2011, PALAMA commenced with stakeholder consultations on this framework. PALAMA applauds the role already played by the DPSA and contributions from PSETA in this process.

PALAMA's research strategy was also developed and two research projects (EDP Evaluation and eLearning) were completed in 2011/12. This is in addition to the on-going training needs analysis work across departments.

Through the International and Special Projects (I&SP) function in PALAMA, training was facilitated for fifteen delegates identified from both national and provincial government departments to attend a training programme on HRD in South Korea, supported by the Korea International Co-operation Agency (KOICA).

PALAMA is also leading the implementation of the Continental Capacity Development Programme which is championed by South Africa under the auspices of the African Union Commission (AUC), Conference of African Ministers of Public/Civil Service (CAMPS).

PALAMA also presented papers during the Commonwealth Association for Public Administration and Management (CAPAM) Senior Leaders Conference held in 2011 and was identified as a co-host partner for the 2012 Senior Leaders CAPAM Conference which is to be held in South Africa in March 2013.

### Spending trends –Vote Account

The full budget appropriation for the year 2011/12 was R118,3 million. This is a marginal decrease from the R118,4 million allocations received in 2010/11. A saving of R2,9 million was realised in 2010/11, whereas a saving of R6,8 million was realised in 2011/12. The total expenditure breakdown of R111,5 million spent in 2011/12 and spending patterns compared to the 2010/11 financial year, is summarised as follows:

Compensation of employees for the Vote-funded staff component of PALAMA increased by 36,9% from R21,1 million (in 2010/11) to R28,9 million in 2011/12, due to vacancies filled. This is part of the total sum of R80,3 million expenditure on compensation of employees in 2011/12. The balance of this amount is expenses for compensation of employees under the Training Trade Account reported on later in this report. The number of employees increased from 64 (2010/11) to 71 (2011/12). Important in this regard, was PALAMA's decision to do away with labour broker contracts and to directly appoint its fixed-term contract employees.



Goods and services increased by 3, 5% from R31,1 million (2010/11) to R 32,2 million in 2011/12. The increase is based on the planned projects, comparing 2010/11 and 2011/12 annual plans and is inflation-related.

Expenditure on capital assets decreased by 35, 4% from R2, 1 million (2010/11) to R1, 3 million in 2011/12. This saving resulted from deferred procuring of computer equipment for new employees, as filling of posts relating to the budget provision made, was also deferred to the 2012/13 financial year.

The balance of Donor Funds at the beginning of 2011/12 was a sum of R22,3 million carried forward from the previous year, comprising R12,3 million from the Reconstruction and Development Fund (RDP Fund) and R10 million from the African Renaissance Fund (ARF). The RDP roll-over funds of R12, 3 million were surrendered to National Treasury at the end of 2010/11 (compliance requirement) and re-allocated back to PALAMA from National Treasury for the active projects in 2011/12.

Funds surrendered to the donor (the Netherlands) at the end of the Local Government Capacity Building Project in 2011/12, amounted to R0.376 million.

Funds requested and received from the donors amounted to R8,1 million. Thus, the total cash available for the year

amounted to R20,4 million. The total expenditure incurred for all donor-funded approved projects, amounted to R11,7 million and an additional R5,1 million included in accruals.

The remaining donor funds of R18,3 million will be rolled over for utilisation in the 2012/13 financial year.

During the 2010/11 financial year, PALAMA spent R2,0 million on computer services and for the 2011/12 financial year, an amount of R3,3 million was spent. For audit costs, an amount of R3,4 million was spent in the 2010/11 financial year and R2,6 million in the 2011/12 financial year. With regard to property payments, PALAMA spent an amount of R0.37 million in the 2010/11 financial year and in 2011/12, an amount of R1.7 million was spent. These are centralised costs under the Vote.

#### *Virement*

No virement was requested during the financial year under review.

#### *Other material matters (Irregular, Fruitless and Wasteful Expenditure)*

##### *Irregular expenditure*

Irregular expenditure of R0.195 million was incurred during the financial year. An amount of R0.195 million was condoned.

These irregularities were due to non-compliance with the regulations and the supply chain procedures on training-related expenditure.

##### *Fruitless and wasteful expenditure*

Fruitless and wasteful expenditure of R0.003 million was incurred during the financial year due to unavoidable cancellation fees. Fruitless and wasteful expenditure written off was R0.003 million.

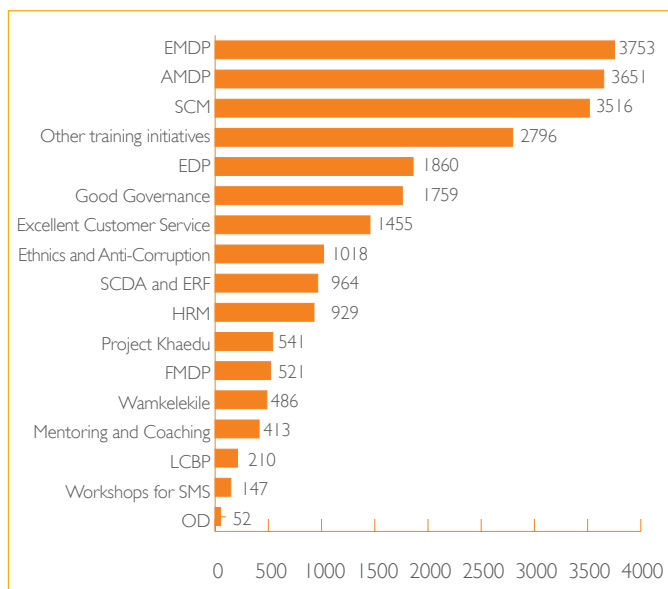
##### *Investigations*

No investigations were carried out during this financial year.

### 3.2.2 Service Rendered by PALAMA

In line with its mandate, PALAMA's services include the development of learner material, facilitation and direct provision of training, examinations or tests and, where necessary, certification of those that have completed training.

Graph 6: Summary of training provided by PALAMA and persons trained



A total of 24 071 persons were trained in the above courses, these being PALAMA's revenue-generating courses. In addition training was also offered under the Public Service Induction for non-SMS (25 167), unemployed graduates through the Breaking Barriers to Entry Programme (2 522), and the regional capacity building programmes (298). Performance comparing the intake on Administration, Management, Leadership learning streams and a comprehensive analysis of 2011/12 against results in prior years is provided in the section reporting on

Public Sector Organisational and Staff Development in pages 35-36 of this report.

### Tariff Policy

Course fees are determined on a cost-recovery basis in accordance with Treasury Regulation 19.5.2. The tariffs are revised annually as part of the on-going financial status reviews and in accordance with Treasury Regulation 19.5.3. Course fees were last revised at the end of the 2010/11 financial year which resulted in a reduction of course fees. This was implemented to improve affordability of PALAMA courses. In the meantime PALAMA has embarked on a process for a review of the overall course fee tariffs structure.

### Free Services

Free services are identified as all training activities that are provided with no course development charges or training fees levied to the client department or the learner: all expenses for such training are directly borne by PALAMA or funded through Donor funds.

The unemployed youth graduate programme - Breaking Barriers to Entry is the only programme where costs are fully funded by PALAMA without learner contributions. This intervention better equips participants for entering the public sector employment stream with a better understanding of requirements in relation to competencies required for various

positions as well as service ethos, culture and service standards expected from public servants. The model and approach used in delivering this programme utilise existing public servants to facilitate training. The cost of delivering this programme combined with the development of learner material and venue costs is quantified to a sum of R1,58 million per annum.

The PSI programme is partially funded by PALAMA without recovering costs from the departments. An amount of R2,3 million was spent in 2011/12 toward training of trainers and development of trainer materials. The model used for the roll-out of this programme is a network of trainers linked to the departments across all provinces. The programme is rolled out in partnership with the Provincial Premiers' offices.

### Inventories

The inventories on hand, based on the weighted average-costing method, was R0.169 million as at 31 March 2011 and an amount of R0.226 million has been recorded as at 31 March 2012. Inventory consists mainly of stationery, printing supplies and maintenance material.

### 3.2.3 Capacity Constraints

Late payments from user departments are a source of cash-flow constraints for PALAMA's Training Trading Account. The average debtor's days remain at 136 days reduced from the 186 days recorded in 2010/11 financial year.

By March 2012, the number of employees in the establishment was 179, including 36 people appointed on fixed-term contracts against funded posts. PALAMA's structure had 223 funded posts in this reporting period. These figures do not include the eight interns who were employed from 1 April 2011 to March 2012.

PALAMA experienced a staff turnover rate of 11.8% in 2011/12 (16 officials) compared to 8% in 2010/11 (14 officials). Note that in 2010/11 the staff establishment included unfunded posts which have, since 2011/12, been taken off the structure in line with the PERSAL clean-up government initiative.

The total vacancy rate against all funded posts was 19,7% in 2011/12 compared to 15,3% in 2010/11. Most exits are officials that leave PALAMA for higher posts in other departments or agencies. Personnel in fixed-term contracts provided adequate capacity in critical performance areas reducing the effects of this vacancy rate.

All vacant posts against which fixed-term contract employees were appointed additional to the establishment will be filled within the first term in 2012/13 as arrangements to fill these positions already commenced in the fourth quarter of 2011/12. A number of 23 jobs were also evaluated in 2011/12. Of note is that this is the year in which PALAMA reconfigured its structure with effect from 1 April 2011, resulting in the creation of new positions and the redefinition of some of the existing positions.

## 3.2.4 Utilisation of Donor Funds

Table 15: Donor fund utilisation

Country/Donor	Programme and Objectives	Progress/Status of the Project 2011/12
Canadian International Development Agency (CIDA)	<p><b>Project title:</b> Gender Mainstreaming Programme</p> <p><b>Period:</b> November 2006 to June 2012</p> <p><b>Budget:</b> CAD 3,8 million</p> <p><b>Project objective:</b> To improve gender equality in the public service in line with section 9.1 to 9.4 of the Bill of Rights in the South African Constitution and to have Government service more responsive to the needs of women and men</p>	<ul style="list-style-type: none"> <li>The programme was revised.</li> <li>Online follow-up and support for participants on the virtual discussion forum, is ongoing</li> <li>Guidelines for rolling out inclusive training programmes were developed.</li> <li>122 Gender Mainstreaming sessions were conducted by the end of March 2012</li> <li>An integrated gender strategy and action plan was developed for PALAMA.</li> <li>Selected PALAMA courses and policies were engendered for gender responsiveness and inclusivity</li> <li>To date, 744 portfolios have been received, 634 have gone through the assessment, moderation and a verification process and 372 (64%) have been declared 'Competent'.</li> </ul>
The Royal Netherlands Embassy (RNE)	<p><b>Project title:</b> Local Government Capacity Building</p> <p><b>Project period:</b> April 2007 to June 2011</p> <p><b>Budget:</b> R2,3million</p> <p><b>Project objective:</b> To equip municipal managers with core management skills for improved service delivery and better utilisation of resources</p>	<ul style="list-style-type: none"> <li>The project ended July 2011. Learning materials were customised and training was provided to district municipalities on the Foundation Management Development Programme for Local Government (FMDPLG) and on the Emerging and Advanced Management Development Programme for Local Government (EMDPLG and AMDPLG). 152 persons enrolled for the courses and 117 persons completed all the modules (77% of participants).</li> </ul>

Country/Donor	Programme and Objectives	Progress/Status of the Project 2011/12
Canadian International Development Agency (CIDA)	<p><b>Project title:</b> Public Sector Training and Development in Post-Conflict Countries</p> <p><b>Project period:</b> April 2008 to March 2013</p> <p><b>Budget:</b> CAD 10,5 million</p> <p><b>Project objective:</b> To improve the management and leadership capability of the public service</p>	<ul style="list-style-type: none"> <li>Established and maintained the project planning, management, co-ordination and governance structures including the Kigali Regional Office</li> <li>Conducted and concluded the Lead Trainer Development Programme (Gender Mainstreaming and Mentoring) which resulted in 65 persons trained and 880 person training days</li> <li>EDP for senior managers was successfully rolled out with 70 senior managers trained in three post conflict countries on six modules. The EDP assisted MDIs with the development of a training management system and the first step towards an integrated management training programme to be developed for MDIs</li> <li>The training materials were customised for a Training of Trainers on Gender Mainstreaming for 67 facilitators from Rwanda, Burundi and Southern Sudan</li> <li>Institutional assessment to identify systems development needs as well as workshops on M&amp;E and eLearning was presented to three MDIs in post –conflict countries.</li> </ul>

Country/Donor	Programme and Objectives	Progress/Status of the Project 2011/12
Department of Foreign Affairs	<p><b>Project title:</b> African Renaissance Fund (ARF) for Capacity-building in the DRC</p> <p><b>Project period:</b> February 2007 to December 2009</p> <p><b>Budget:</b> R23 million</p> <p><b>Project objective:</b> To support the DRC in the establishment of the DRC National School for Public Administration (ENA)</p>	<ul style="list-style-type: none"> <li>The project was implemented successfully between 2006 and 2009, with all objectives achieved</li> <li>Training was provided to 1118 DRC public servants as well as 80 public servants who underwent the Training of Trainers course</li> <li>The withdrawal of decision on the refurbishment of the ENA premises resulted in the return of the R10 million earmarked for the activity. A new proposal was submitted to the ARF Commission re-directing the funds to support DRC Capacity building.</li> </ul>
Flemish Government	<p><b>Title:</b> Development Programme for Women Managers</p> <p><b>Project Period:</b> February 2006 to February 2012 to use remaining funding</p> <p><b>Budget:</b> R1,2 million</p> <p><b>Project Objective:</b> To build management and delivery capacity amongst women managers for improved effective and efficient delivery of government services to citizens</p>	<ul style="list-style-type: none"> <li>The project achieved its targets by training 60 females in Emerging Management Development Programme (EMDP)</li> <li>The top 45 females furthered in AMDP and provided with an opportunity to attend the Executive Development Programme (EDP)</li> <li>Utilising the remaining funds, further training was provided to 15 women managers in Limpopo province on the EDP Programme. Project ended February 2012.</li> </ul>
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)	<p><b>Project title:</b> Public Sector Reform Programme (PSRP) Monitoring and Evaluation (M&amp;E)</p> <p><b>Project period:</b> April 2005 to December 2011</p> <p><b>Budget:</b> Grant €291,667</p> <p><b>Project objective:</b> To strengthen the capacities of the public service of South Africa to monitor and evaluate its performance against set targets</p>	<ul style="list-style-type: none"> <li>Training of Trainers undertaken</li> <li>Introductory course text in relation to M&amp;E policy development</li> <li>Layout and design of training materials finalised.</li> </ul>

Country/Donor	Programme and Objectives	Progress/Status of the Project 2011/12
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)	<b>Project title:</b> Supply Chain Management <b>Project period:</b> April 2011 to March 2012 <b>In-kind commitment:</b> R190 025 <b>Project objective:</b> Supply Chain Management Course	<ul style="list-style-type: none"> <li>Course materials development completed and training currently being rolled out.</li> </ul>
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)	<b>Project title:</b> The Detection and Combating of Bid Rigging <b>Project period:</b> April 2011 to March 2012 <b>Budget:</b> R1 19 500 <b>Project objective:</b> Develop a training course on Detection and Combating of Bid Rigging in the Public Service	<ul style="list-style-type: none"> <li>Course materials development completed and training roll-out begins from June 2012.</li> </ul>
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)	<b>Project title:</b> Strategic Sourcing <b>Project period:</b> April 2011 to March 2012 <b>In-kind commitment:</b> R183 000 <b>Project objective:</b> Develop a training course on Strategic Sourcing	<ul style="list-style-type: none"> <li>Course materials development completed and training roll-out begins from July 2012.</li> </ul>
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)	<b>Project title:</b> Budget formulation in Public Service <b>Project period:</b> April 2011 to March 2012 <b>In-kind commitment:</b> R180 420 <b>Project objective:</b> Develop a training course on Budget Formulation in the Public Service	<ul style="list-style-type: none"> <li>Course materials development completed, awaiting PSETA approval.</li> </ul>
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)	<b>Project title:</b> eLearning and Lead Trainer Programme <b>Project period:</b> April 2011 to March 2012 <b>In-kind commitment:</b> R480 000 <b>Project objective:</b> Development of an E-Learning Framework	<ul style="list-style-type: none"> <li>eLearning and Lead Trainer framework and draft strategies developed through Reference teams</li> <li>eLearning programme for Induction training has been completed.</li> </ul>
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)	<b>Project title:</b> Development of Training of Trainers <b>Project period:</b> April 2011 to March 2012 <b>In-kind commitment:</b> R63 200 <b>Project objective:</b> Development of a Training of Trainers course for the Public Service	<ul style="list-style-type: none"> <li>Training of Trainers course developed and piloted. Awaiting accreditation approval by PSETA.</li> </ul>

## 3.2.5 Trading Entities and Public Entities

The department operates a Trading Account for its training operations.

General review of state of affairs for the PALAMA Training Trading Account

The Department submits separate financial statements for the PALAMA Training Trading Account (TTA), a trading entity established in terms of the Public Finance Management Act (PFMA), Act No. 1 of 1999, as amended. The statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice (SA GAAP).

To achieve full compliance with accrual accounting requirements, the prescribed financial accounting system of the trading entity is supplemented by additional manual procedures.

Total revenue (including the transfer of funds from the Vote appropriation) increased by R0,364 million from R147,3 million (2010/11) to R147,7 (2011/12), an increase of 0,2%. Income from course fees increased by 14,5%, from R86,1 million (2010/11) to R98,6 million. Transfer funds from Vote to Trade decreased by R12,1 million; it was R61,1 million in 2010/11 and R49,0 million in 2011/12.

In the financial year 2007/2008, R28 million was ring-fenced as part of the transfer funds from the Vote to use for the Massive Induction Programme (the programme is currently referred to as PSI). The programme is being rolled out successfully and the costs incurred for the current financial year is R2,3 million, whereas R2,8 million was spent in the 2010/11 financial year.

Total expenditure in the TTA decreased by R17,8 million from R154,9 million (2010/11) to R137,1 million in 2011/12, representing a decrease of 11,5%. The decrease/increase is mainly attributable to the following:

- Operating expenses decreased from R82, 8 million in 2010/11 to R70,8 million in 2011/12. This is mainly due to costs relating to training.
- Compensation of employees decreased by 1,3% from R54, 5 million in 2010/11 to R53, 8 million in 2011/12. The average number of employees decreased from 123 in 2010/11 to 110 in 2011/12.

The TTA closed the year with a deficit of R2, 3 million in 2010/11 and the closing status in 2011/12 is a surplus of R16, 6 million.

### 3.2.6 Organisations to Whom Transfer Payments have been made

Vote 12(a) makes transfer payments to the Training Trading Account (TTA) as an augmentation of this account. The transfer of funds from Vote to the TTA in 2011/12 amounts to R49 million and represents a decrease compared to R61, 1 million transferred in 2010/11.

### 3.2.7 Public-Private Partnerships (PPP)

PALAMA did not enter into any PPP contracts during the 2011/12 financial year.

### 3.2.8 Corporate Governance Arrangements

This reporting section covers the different elements of the governance framework for PALAMA:

#### Risk management

Overall, the risk management approach entails a combined effort by PALAMA management, Risk Management Committee, Internal Audit, Audit Committee and PALAMA staff at large, in identifying strategic and operational risks that could impede organisational performance. These are risks that could impact negatively on PALAMA's image and reputation and also increase vulnerability to fraud and corruption activities.

During the period under review, PALAMA re-assessed and updated its Strategic Risk Register, aligning it to the 2011/12 strategic plan and annual performance plan of the academy. This process was facilitated by Internal Audit and guided by management. The outcome has been the revised risk register for PALAMA with control actions for implementation over 2011/12. Audit reports from the Audit Plan of 2010/11 also pointed to some potential risk areas to be managed within the different operational areas. Action plans to address identified risk factors were implemented and follow-up audits carried out to test effectiveness of measures introduced in high risk areas.

Annually, the Risk Management Committee reviews the Enterprise Risk Management framework, set priorities for Risk Management Implementation (Risk Management Plan) and review the Risk Committee Charter. The current composition of the Risk Management Committee is the same as the Executive Management Committee of PALAMA with additional ad-hoc standing invitees, based on the Risk Management focus areas for the year.

The Risk Management Committee reports to the Audit Committee on risk findings and activities relating to the implementation of the Risk Management Plan. The Director-General of PALAMA serves as the Chairperson of the Risk Management Committee. The Risk Management Committee held two formal meetings and two workshop sessions during this financial year.

#### Internal audit

PALAMA outsourced its internal audit function to KPMG; however, its aim is to gradually build internal audit capacity. In this regard, an internal audit position has already been created in PALAMA's staff establishment.

The Audit Committee approved the Internal Audit Operational Plan for the 2011/12 financial year. The 2011/12 Internal Audit Plan was fully implemented with eight Internal Audit assignments for the year. These include follow-up audits

on the management improvement plan, based on the 2010/11 Auditor-General's management letter.

In the previous financial year, both the Vote and the Training Trading Account received unqualified audit reports. All findings raised in the management letters received from the Auditor-General and internal audit findings made in the previous financial year, were addressed.

#### Fraud prevention

PALAMA has a zero-tolerance policy and practice against fraud. A Fraud Policy and Prevention Plan document is available to all PALAMA staff. This covers an action response framework for combating fraud within the organisation, promoting employee vigilance in fraud identification and reporting, and provides guidelines on the handling of fraud-related reports and investigations.

The Fraud Policy and Prevention Plan is reviewed and updated as and when necessary, informed by the National Treasury and minimum anti-corruption capacity requirement guidelines developed for all Government departments as well as the changing content of PALAMA's business environment.

In 2011/12 PALAMA conducted an ethical culture survey through which the department received staff views on how they rated the ethical culture of the department assessed on ethical behaviour; that is, accountability; transparency; candour;

commitment and courage to face the ethical challenge. This analysis represents staff perceptions of the organisation's ethical culture.

The findings show that according to staff perceptions, PALAMA may face some ethical challenges and thus follow-up actions will be implemented to improve the ethical culture perceptions within the department.

#### Audit Committee function

PALAMA's Audit Committee is appointed in terms of Sections 76 and 77 of the Public Finance Management Act. Its activities are guided by a Charter that sets out its purpose, authority and responsibilities.

The Committee consists of four non-executive members (including the Chairperson). The Director-General of PALAMA is the only executive member of the Audit Committee. The Audit Committee carried out its duties and responsibilities in accordance with both the PFMA and the National Treasury regulations. Non-executive members of the Audit Committee are compensated in line with annual tariffs determined by the South African Institute of Chartered Accountants (SAICA) in consultation with the Auditor-General.

Five Audit Committee meetings were held in the course of the financial year under review. The separate report of the Audit Committee provides additional information on the status of

PALAMA's Audit Committee programme and its considerations. The Report of the Audit Committee is contained from pages 50 - 51 in this report.

#### Safety, health and environment issues facing the organisation

The Safety, Health, Environment and Risk Programme was implemented during the financial year. The Director-General is formally appointed as the Chief Safety, Health, Environment and Risk Programme Officer in terms of Section 16.1 of the Occupational Health and Safety Act, No. 85 of 1993. The relevant delegations required in terms of the Act, were also issued. The programme includes a safety plan, policy, administrative and operational requirements relating to the establishment of the Occupational Health and Safety Committee, and emergency procedures relating to evacuation, bomb threats, and any emergencies. The programme is being implemented. Safety, health and risk audits were conducted during the period under review.

#### Executive management function

The Executive Management Committee (EMC) consists of all Branch Heads of PALAMA and is chaired by the Director-General. The Director: Legal and Contracts Management and the Director: ICT are members of the Committee in addition to the Branch Heads. The Committee meets on a bi-weekly basis to monitor progress on projects and to discuss other strategic proposals on various issues affecting the Academy. When necessary, the meetings of the Executive Management



are replaced by workshops to allocate more in engaging on key specific issues.

To promote governance transparency and integrated oversight within PALAMA, engagements take place between PALAMA's Executive Authority, Auditor-General and the Audit Committee and all have access to the full complement of PALAMA's Executive Management

#### Disclosure processes

The Financial Disclosures Framework, as determined for the Public Service through the DPSA and the National Treasury Guidelines, forms the basis for management of conflicts of interests in PALAMA. Activities in this regard include the completion of financial disclosure forms by all SMS members, applications by all employees who intend to carry out remunerated work inside or outside the public service (RWOPS and RWIPS), completion of gift registers and declaration of interest by all responsible for procurement bid evaluations and adjudications. Appointment processes for all staff members included security vetting and clearance as well as verification of qualifications.

Further to the above, all employees are expected to abide by the Employee Code of Good Conduct.

Both King III and requirements listed in section 38 and 40 of the Public Finance Management Act (PFMA) are key

guidelines for PALAMA's management of its compliance and good practice environment.

#### 3.2.9 Discontinued Activities

PALAMA closed its satellite office in Polokwane, Limpopo with effect from November 2011. This was part of PALAMA's efforts to streamline its operations and to cut down on its infrastructure-related expenditure. Given the linkages already established with the Provincial Government of Limpopo, the closure of satellite office does not impact negatively on training as co-ordination continues to take place from the head office. This office had an annual budget of R0.472 million of which R0.276 million was spent this year. Average savings resulting from the closure of this office are R0.196 in this year. Staff from this was relocated to the head office.

#### 3.2.10 New/Proposed Activities

No new activities were started or proposed during the year under review.

#### 3.2.11 Asset Management

All official assets were captured in the asset register and the register complies with the minimum requirements as set by National Treasury. In order to strengthen asset management and minimise the risk of loss of assets, quarterly asset

verifications are conducted and reports presented to the Executive Management Committee.

#### 3.2.12 Inventories

All inventory opening and closing balances, together with movements for the year, are reflected in the Annexure on Inventory proving a full disclosure of all stores and inventories. The inventory on hand, based on the weighted average-costing method, was R0.100 million in comparison with R0.200 million as at 31 March 2012. Inventory consists mainly of stationery, printing supplies and maintenance material.

#### 3.2.13 Events After the Reporting Date

PALAMA is not aware of any events subsequent to the year-end which might require adjustment of the stated figures.

#### 3.2.14 Information on Predetermined Objectives

PALAMA adopted a policy on planning, monitoring and reporting which clearly articulates the processes for the strategic cycle. The Policy is aligned to the requirements as defined in Chapter 5 of the National Treasury instructions (PFMA) guiding preparations of strategic plans, submissions and contents of strategic plans and evaluation of performance as well as subsequent annual guidelines and circulars. These are all aligned and include:



- Strategic planning
- Budgeting linked to strategic planning processes;
- Annual business planning
- A budget in-year monitoring process linked to business plan activity implementation
- Quarterly reporting
- Operational planning
- Performance management, development and monitoring, linked to the strategic plan
- A mid-term performance review and updating of the strategic plan; and
- Annual reporting.

The reporting process is managed by the Office of the Director-General, supported by the Governance and Strategic Support Branch, with all Branch Heads having to report in the prescribed formats. Analysis of performance is conducted quarterly and gathering of the evidence portfolio for reported performance takes place in semester intervals.

### 3.2.15 SCOPA Resolutions

There were no SCOPA resolutions for the 2011/12 financial year.

### 3.2.16 Prior Modifications to Audit Reports

There were no modifications that gave rise to a qualification, disclaimer, adverse opinion and matters of non-compliance only.

### 3.2.17 Exemptions and Deviations Received from the National Treasury

No exemptions from the PFMA or Treasury Regulations, or deviations from the financial reporting requirements were requested for the current and/or prior financial year.

### 3.2.18 Interim Financial Statements

The interim financial statements were submitted to National Treasury quarterly as per requirements.

### 3.2.19 Other

The report addresses no other material fact or circumstances that may have an effect on the understanding of the financial state of affairs.

### 3.2.20 Approval

The Annual Financial Statements of Vote 12(a) and the Annual Financial Statements of the Training Trading Account, were approved by the Accounting Officer. These statements are set out on pages 69 - 111 and 115 - 151 of this report respectively.



Prof. LS Mollo  
Accounting Officer

Date: 31 July 2012

## REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON VOTE NO. 12a: PUBLIC ADMINISTRATION LEADERSHIP AND MANAGEMENT ACADEMY (PALAMA Vote)

### REPORT ON THE FINANCIAL STATEMENTS

#### Introduction

1. I have audited the financial statements of the PALAMA Vote set out on pages 69 - 111, which comprise the appropriation statement, the statement of financial position as at 31 March 2012, the statement of financial performance and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

#### Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation of these financial statements in accordance with the Departmental financial reporting framework prescribed by the National Treasury and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2001) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the PALAMA Vote as at 31 March 2012, and its financial performance and cash flows for the year then ended in accordance with the Departmental financial reporting framework prescribed by the National Treasury and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

#### Additional matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

#### Unaudited supplementary information

8. The supplementary information set out on pages 105 - 111 does not form part of the financial statements and is presented as additional information. I have not audited this schedule and, accordingly, I do not express an opinion thereon.

#### Financial reporting framework

9. The financial reporting framework prescribed by the National Treasury and applied by the department is a compliance framework. The wording of my opinion on a compliance framework should reflect that the

financial statements have been prepared in accordance with this framework and not that they “present fairly”. Section 20(2) (a) of the PAA, however, requires me to express an opinion on the fair presentation of the financial statements. The wording of my opinion therefore reflects this requirement.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

10. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

### Predetermined objectives

I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 24 - 34 of the annual report.

11. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned objectives.

The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.

The reliability of the information in respect of the selected programme is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

12. There were no material findings on the annual performance report concerning the usefulness and reliability of the information.

In addition, I draw attention to the following matter:

### Material adjustments to the annual performance report

13. Material audit adjustments amounting to 24% of the performance indicators in the annual performance report were identified during the audit and corrected by management.

### Compliance with laws and regulations

I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters.

My findings on material non-compliance with specific matters

in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

### Annual financial statements

14. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 40(1) of the PFMA. Material misstatements relating to payables identified by the auditors were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

### Procurement and contract management

15. Goods and services were procured from suppliers who did not use the correct bidding documentation as required by Treasury regulations.

### Expenditure management

16. Money owing by the PALAMA Vote was not always paid within 30 days of receiving an invoice or statement, as required by section 38(1)(f) of the PFMA and TR 8.2.3.

### Financial misconduct

17. The outcomes of disciplinary hearings were not reported as soon as the hearings were completed to the Executive Authority or the Department of Public Service and Administration as required by Treasury Regulation 4.3.1.

## Internal control

18. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations.
19. I did not identify any deficiencies in internal control which we considered sufficiently significant for inclusion in this report.

*Auditor General*

Pretoria

31 July 2012



**AUDITOR - GENERAL  
SOUTH AFRICA**

*Auditing to build public confidence*

## 3.4 VOTE 12(a) FINANCIAL STATEMENTS

### APPROPRIATION STATEMENT for the year ended 31 March 2012

Appropriation per programme									
2011/12								2010/11	
APPROPRIATION STATEMENT	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>1. Administration</b>									
Current payment	67,238	(17)	-	67,221	61,172	6,049	91,0%	55,139	52,202
Transfers and subsidies								12	12
Payment for capital assets	2,034	-	-	2,034	1,328	706	65,3%	2,086	2,086
Payment for financial assets	-	17	-	17	17	-	100,0%	28	39
<b>2. Public Sector Organisational and Staff Development</b>									
Transfers and subsidies	49,049	-	-	49,049	49,049	-	100,0%	61,149	61,149
<b>TOTAL</b>	<b>118,321</b>	<b>-</b>	<b>-</b>	<b>118,321</b>	<b>111,566</b>	<b>6,755</b>	<b>94,3%</b>	<b>118,414</b>	<b>115,488</b>
<b>Reconciliation with statement of financial performance</b>									
<b>ADD</b>									
Departmental receipts				427				580	
Aid assistance				20,430				25,402	
<b>Actual amounts per statement of financial performance (total revenue)</b>				<b>139,178</b>				<b>144,396</b>	
<b>ADD: Aid assistance</b>					11,737				14,356
<b>Actual amounts per statement of financial performance (total expenditure)</b>					<b>123,303</b>				<b>129,844</b>

## APPROPRIATION STATEMENT for the year ended 31 March 2012

Appropriation per economic classification									
2011/12								2010/11	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>									
Compensation of employees	31,984	-	-	31,984	28,925	3,059	90,4%	24,048	21,123
Goods and services	35,254	(40)	-	35,214	32,225	2,989	91,5%	31,059	31,047
Interest and rent on land	-	23	-	23	23	-	100,0%	32	32
<b>Transfers and subsidies</b>									
Departmental agencies and accounts	49,049	-	-	49,049	49,049	-	100,0%	61,149	61,149
Households	-	-	-	-	-	-	-	12	12
<b>Payments for capital assets</b>									
Machinery and equipment	1,968	-	-	1,968	1,327	641	67,4%	1,869	1,869
Software and other intangible assets	66	-	-	66	-	66		217	217
<b>Payments for financial assets</b>									
	-	17	-	17	17	-	100,0%	28	39
<b>Total</b>	<b>118,321</b>	<b>-</b>	<b>-</b>	<b>118,321</b>	<b>111,566</b>	<b>6,755</b>	<b>94,3%</b>	<b>118,414</b>	<b>115,488</b>

## APPROPRIATION STATEMENT for the year ended 31 March 2012

Detail Per Programme I – Administration									
2011/12								2010/11	
Programme per sub-programme	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>1.1 Management</b>									
Current payment	16,872	(3,570)	-	13,302	9,253	4,049	69,6%	4,539	3,897
Payment for capital assets								-	-
<b>1.2 Corporate Services</b>									
Current payment	49,853	(610)	-	49,243	47,243	2000	95,9%	45,776	43,481
Transfers and subsidies	-	-	-	-	-	-	-	12	12
Payment for capital assets	2,034	-	-	2,034	1,328	706	65,3%	2,086	2,086
Payment for financial assets	-	17	-	17	17	-	100,0%	28	39
<b>1.3 Property Management</b>									
Current payment	513	4,163	-	4,676	4,676	-	100,0%	4,824	4,824
<b>Total</b>	<b>69,272</b>	<b>-</b>	<b>-</b>	<b>69,272</b>	<b>62,517</b>	<b>6,755</b>	<b>90,2%</b>	<b>57,265</b>	<b>54,339</b>

## APPROPRIATION STATEMENT for the year ended 31 March 2012

Detail Per Programme 1 – Administration									
2011/12								2010/11	
Economic classification	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>									
Compensation of employees	31,984	-	-	31,984	28,925	3,059	90,4%	24,048	21,123
Goods and services	35,254	(40)	-	35,214	32,225	2,989	91,5%	31,059	31,047
Interest and rent on land	-	23	-	23	23	-	100,0%	32	32
<b>Transfers and subsidies to:</b>									
Households	-	-	-	-	-	-	-	12	12
<b>Payment for capital assets</b>									
Machinery and equipment	1,968	-	-	1,968	1,327	641	67,4%	1,869	1,869
Software and other intangible assets	66	-	-	66	-	66		217	217
<b>Payments for financial assets</b>									
	-	17	-	17	17	-	100,0%	28	39
<b>Total</b>	<b>69,272</b>	<b>-</b>	<b>-</b>	<b>69,272</b>	<b>62,517</b>	<b>6,755</b>	<b>90,2%</b>	<b>57,265</b>	<b>54,339</b>



## APPROPRIATION STATEMENT for the year ended 31 March 2012

Detail Per Programme 2 – Public Sector Organisational and Staff Development									
2011/12								2010/11	
Programme per sub programme	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>2.1 Augmentation to the Training Trading Account</b>									
Transfers and subsidies	49,049	-	-	49,049	49,049	-	100,0%	61,149	61,149
<b>Total</b>	<b>49,049</b>	<b>-</b>	<b>-</b>	<b>49,049</b>	<b>49,049</b>	<b>-</b>	<b>100,0%</b>	<b>61,149</b>	<b>61,149</b>

Detail Per Programme 2 – Public Sector Organisational and Staff Development									
2011/12								2010/11	
Economic Classification	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Transfers and subsidies to:									
Departmental agencies & accounts	49,049	-	-	49,049	49,049	-	100,0%	61,149	61,149
<b>Total</b>	<b>49,049</b>	<b>-</b>	<b>-</b>	<b>49,049</b>	<b>49,049</b>	<b>-</b>	<b>100,0%</b>	<b>61,149</b>	<b>61,149</b>

## NOTES TO THE APPROPRIATION STATEMENT for the year ended 31 March 2012

### 1. Detail of transfers and subsidies as per Appropriation Act (after Virement):

Detail of these transactions can be viewed in note 8 (Transfers and subsidies), Annexure IA and Annexure IB to the Annual Financial Statements.

### 2. Detail of specifically and exclusively appropriated amounts voted (after Virement):

Detail of these transactions can be viewed in note 1 (Annual Appropriation) to the Annual Financial Statements.

### 3. Detail on payments for financial assets

Detail of these transactions per programme can be viewed in note 7 (Payments for financial assets) to the Annual Financial Statements.

### 4. Explanations of material variances from Amounts Voted (after Virement):

## NOTES TO THE APPROPRIATION STATEMENT for the year ended 31 March 2012

### 4.1 Per Programme

	Final Appropriation	Actual Expenditure	Variance R'000	Variance as a % of Final Appropriation
Administration	69,272	62,517	6,755	9,8%
Public Sector Organisational and Staff Development	49,049	49,049	-	0,0%
<b>Total</b>	<b>118,321</b>	<b>111,566</b>	<b>6,755</b>	<b>5,7%</b>

The under-expenditure is mainly related to the vacant positions in the organisation, savings on international trips and further transformation project of PALAMA to the school of government.

### 4.2 Per Economic classification

	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Variance as a % of Final Appropriation R'000
<b>Current payments</b>				
Compensation of employees	31,984	28,925	3,059	9,6%
Goods and services	35,214	32,225	2,989	8,5%
Interest and rent on land	23	23	-	0,0%
<b>Transfers and subsidies</b>				
Departmental agencies and accounts	49,049	49,049	-	0,0%
Households				
<b>Payments for capital assets</b>				
Machinery and equipment	1,968	1,327	641	32,6%
Software and other intangible assets	66	-	66	100,0%
<b>Payments for financial assets</b>				
	17	17	-	0,0%
<b>Total</b>	<b>118,321</b>	<b>111,566</b>	<b>6,755</b>	<b>5,7%</b>

## STATEMENT OF FINANCIAL PERFORMANCE for the year ended 31 March 2012

	Note	2011/12 R'000	2010/11 R'000
<b>REVENUE</b>			
Annual appropriation	1	118,321	118,414
Departmental revenue	2	427	580
Aid assistance	3	20,430	25,402
<b>TOTAL REVENUE</b>		<b>139,178</b>	<b>144,396</b>
<b>EXPENDITURE</b>			
<b>Current expenditure</b>			
Compensation of employees	4	28,925	21,123
Goods and services	5	32,225	31,047
Interest and rent on land	6	23	32
Aid assistance	3	11,737	14,356
<b>Total current expenditure</b>		<b>72,910</b>	<b>66,558</b>
<b>Transfers and subsidies</b>			
Transfers and subsidies	8	49,049	61,161
<b>Expenditure for capital assets</b>			
Tangible capital assets		1,327	1,869
Software and other intangible assets		-	217
<b>Total expenditure for capital assets</b>	9	<b>1,327</b>	<b>2,086</b>
Payments for financial assets	7	17	39
<b>TOTAL EXPENDITURE</b>		<b>123,303</b>	<b>129,844</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>15,875</b>	<b>14,552</b>
<b>Reconciliation of Net Surplus/(Deficit) for the year</b>			
Voted funds		6,755	2,926
Departmental revenue and NRF Receipts	14	427	580
Aid assistance	3	8,693	11,046
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>15,875</b>	<b>14,552</b>

## STATEMENT OF FINANCIAL POSITION as at 31 March 2012

	Note	2011/12 R'000	2010/11 R'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	27,344	8,318
Prepayments and advances	11	83	169
Receivables	12	1,139	17,307
Aid assistance receivable	3	-	-
<b>TOTAL ASSETS</b>		<b><u>28,566</u></b>	<b><u>25,794</u></b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Voted funds to be surrendered to the Revenue Fund	13	6,755	2,926
Departmental revenue to be surrendered to the Revenue Fund	14	2	408
Payables	15	3,492	126
Aid assistance repayable	3	8,317	12,334
Aid assistance unutilised	3	10,000	10,000
<b>TOTAL LIABILITIES</b>		<b><u>28,566</u></b>	<b><u>25,794</u></b>

## CASH FLOW STATEMENT for the year ended 31 March 2012

	Note	2011/12 R'000	2010/11 R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts		139,178	144,396
Annual appropriated funds received	1	118,321	118,414
Departmental revenue received	2	427	580
Aid assistance received	3	20,430	25,402
Net (increase)/decrease in working capital		19,620	(13,839)
Surrendered to Revenue Fund		(3,759)	(189)
Surrendered to RDF Fund		(12,710)	-
Current payments		(72,910)	(66,558)
Payments for financial assets		(17)	(39)
Transfers and subsidies paid		(49,049)	(61,161)
<b>Net cash flow available from operating activities</b>	16	<b>20,353</b>	<b>2,610</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for capital assets	9	(1,327)	(2,086)
<b>Net cash flows from investing activities</b>		<b>(1,327)</b>	<b>(2,086)</b>
Net increase/(decrease) in cash and cash equivalents		19,026	524
Cash and cash equivalents at beginning of period		8,318	7,794
<b>Cash and cash equivalents at end of period</b>	17	<b>27,344</b>	<b>8,318</b>

## ACCOUNTING POLICIES AND RELATED MATTERS for the ended 31 March 2012

The Financial Statements have been prepared in accordance with the following policies, which have been applied consistently in all material aspects, unless otherwise indicated. However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the Financial Statements and to comply with the statutory requirements of the Public Finance Management Act, 1999 (Act No. 1 of 1999), as amended by Act 29 of 1999, and the Treasury Regulations issued in terms of the Act and the Division of Revenue Act, 2010 (Act No. 1 of 2010).

### 1. Presentation of the Financial Statements

#### 1.1 Basis of preparation

The Financial Statements have been prepared on a modified cash basis of accounting, except where stated otherwise. The modified cash basis constitutes the cash basis of accounting supplemented with additional disclosure items. Under the cash basis of accounting transactions and other events are recognised when cash is received or paid.

#### 1.2 Presentation currency

All amounts have been presented in the currency of the South African Rand (R) which is also the functional currency of the department.

#### 1.3 Rounding

Unless otherwise stated all financial figures have been rounded to the nearest one thousand Rand (R'000).

#### 1.4 Comparative figures

Prior period comparative information has been presented in the current year's financial statements. Where necessary figures included in the prior period financial statements have been reclassified to ensure that the format in which the information is presented is consistent with the format of the current year's financial statements.

#### 1.5 Comparative figures - Appropriation Statement

A comparison between actual amounts and final appropriation per major classification of expenditure is included in the Appropriation Statement.

### 2. Revenue

#### 2.1 Appropriated funds

Appropriated funds comprises of departmental allocations as well as direct charges against revenue fund (i.e. statutory appropriation).

Appropriated funds are recognised in the financial records on the date the appropriation becomes effective. Adjustments made in terms of the adjustments budget process are recognised in the financial records on the date the adjustments become effective.

Unexpended appropriated funds are surrendered to the National/Provincial Revenue Fund. Any amounts owing to the National/Provincial Revenue Fund at the end of the financial year are recognised as payable in the statement of financial position.

Any amount due from the National/Provincial Revenue Fund at the end of the financial year is recognised as a receivable in the statement of financial position.

#### 2.2 Departmental revenue

All departmental revenue is recognised in the statement of financial performance when received and is subsequently paid into the National/Provincial Revenue Fund, unless stated otherwise.

Any amount owing to the National/Provincial Revenue Fund is recognised as a payable in the statement of financial position.

No accrual is made for amounts receivable from the last receipt date to the end of the reporting period. These

## ACCOUNTING POLICIES AND RELATED MATTERS for the ended 31 March 2012

amounts are however disclosed in the disclosure note to the annual financial statements.

### 2.3 Direct Exchequer receipts

All direct exchequer receipts are recognised in the statement of financial performance when the cash is received and is subsequently paid into the National/Provincial Revenue Fund, unless stated otherwise.

Any amount owing to the National/Provincial Revenue Funds at the end of the financial year is recognised as a payable in the statement of financial position.

### 2.4 Direct Exchequer payments

All direct exchequer payments are recognised in the statement of financial performance when final authorisation for payment is effected on the system (by no later than 31 March of each year).

### 2.5 Aid assistance

Aid assistance is recognised as revenue when received

All in-kind aid assistance is disclosed at fair value on the date of receipt in the annexures to the Annual Financial Statements

The cash payments made during the year relating to aid assistance projects are recognised as expenditure in the statement of financial performance when final authorisation for payments is effected on the system (by no later than 31 March of each year).

The value of the assistance expensed prior to the receipt of funds is recognised as a receivable in the statement of financial position.

Inappropriately expensed amounts using aid assistance and any unutilised amounts are recognised as payables in the statement of financial position.

All CARA funds received must be recorded as revenue when funds are received. The cash payments made during the year relating to CARA earmarked projects are recognised as expenditure in the statement of financial performance when final authorisation for payments effected on the system (by no later than 31 March of each year).

Inappropriately expensed amounts using CARA funds are recognised as payables in the statement of financial position. Any unutilised amounts are transferred to retained funds as they are not surrendered to the revenue fund.

## 3. Expenditure

### 3.1 Compensation of employees

#### 3.1.1 Salaries and wages

Salaries and wages are expensed in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

Other employee benefits that give rise to a present legal or constructive obligation are disclosed in the disclosure notes to the financial statements at its face value and are not recognised in the statement of financial performance or position.

Employee costs are capitalised to the cost of a capital project when an employee spends more than 50% of his/her time on the project. These payments form part of expenditure for capital assets in the statement of financial performance.

#### 3.1.2 Social contributions

Employer contributions to post employment benefit plans in respect of current employees are expensed in the statement of financial performance when the final authorisation for



## ACCOUNTING POLICIES AND RELATED MATTERS for the ended 31 March 2012

payment is effected on the system (by no later than 31 March of each year).

No provision is made for retirement benefits in the financial statements of the department. Any potential liabilities are disclosed in the financial statements of the National Revenue Fund and not in the financial statements of the employer department.

Employer contributions made by the department for certain of its ex-employees (such as medical benefits) are classified as transfers to households in the statement of financial performance.

### 3.2 Goods and services

Payments made during the year for goods and/or services are recognised as an expense in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

The expense is classified as capital if the goods and/or services were acquired for a capital project or if the total purchase price exceeds the capitalisation threshold (currently R5,000). All other expenditures are classified as current.

Rental paid for the use of buildings or other fixed structures is classified as goods and services and not as rent on land.

### 3.3 Interest and rent on land

Interest and rental payments are recognised as an expense in the statement of financial performance when the final authorisation for payment is effected on the system (by no later than 31 March of each year). This item excludes rental for the use of buildings or other fixed structures. If it is not possible to distinguish between payment for the use of land and the fixed structures on it, the whole amount should be recorded under goods and services.

### 3.4 Payments for financial assets

Debts are written off when identified as irrecoverable. Debts written-off are limited to the amount of savings and/or under spending of appropriated funds. The write off occurs at year-end or when funds are available. No provision is made for irrecoverable amounts but an estimate is included in the disclosure notes to the financial statements amounts.

All other losses are recognised when authorisation has been granted for the recognition thereof.

### 3.5 Transfers and subsidies

Transfers and subsidies are recognised as an expense when the final authorisation for payment is effected on the system (by no later than 31 March of each year).

### 3.6 Unauthorised expenditure

When confirmed unauthorised expenditure is recognised as an asset in the statement of financial position until such time as the expenditure is either approved by the relevant authority, recovered from the responsible person or written off as irrecoverable in the statement of financial performance.

Unauthorised expenditure approved with funding is derecognised from the statement of financial position when the unauthorised expenditure is approved and the related funds are received.

Where the amount is approved without funding it is recognised as expenditure in the statement of financial performance on the date of approval.

### 3.7 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is recognised as expenditure in the statement of financial performance according to the nature of the payment and not as a separate line item on the

## ACCOUNTING POLICIES AND RELATED MATTERS for the ended 31 March 2012

face of the statement. If the expenditure is recoverable it is treated as an asset until it is recovered from the responsible person or written off as irrecoverable in the statement of financial performance.

### 3.8 Irregular expenditure

Irregular expenditure is recognised as expenditure in the statement of financial performance. If the expenditure is not condoned by the relevant authority it is treated as an asset until it is recovered or written off as irrecoverable.

## 4. Assets

### 4.1 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost.

Bank overdrafts are shown separately on the face of the statement of financial position.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held, other short-term highly liquid investments and bank overdrafts.

### 4.2 Other financial assets

Other financial assets are carried in the statement of financial position at cost.

### 4.3 Prepayments and advances

Amounts prepaid or advanced are recognised in the statement of financial position when the payments are made and are derecognised as and when the goods/services are received or the funds are utilised.

Prepayments and advances outstanding at the end of the year are carried in the statement of financial position at cost.

### 4.4 Receivables

Receivables included in the statement of financial position arise from cash payments made that are recoverable from another party (including departmental employees) and are derecognised upon recovery or write-off.

Receivables outstanding at year-end are carried in the statement of financial position at cost plus any accrued interest. Amounts that are potentials irrecoverable are included in the disclosure notes.

### 4.5 Investments

Capitalised investments are shown at cost in the statement of financial position.

Investments are tested for an impairment loss whenever events or changes in circumstances indicate that the investment may be impaired. Any impairment loss is included in the disclosure notes.

### 4.6 Loans

Loans are recognised in the statement of financial position when the cash is paid to the beneficiary. Loans that are outstanding at year-end are carried in the statement of financial position at cost plus accrued interest.

Amounts that are potentially irrecoverable are included in the disclosure notes.

### 4.7 Inventory

Inventories that qualify for recognition must be initially reflected at cost. Where inventories are acquired at no cost, or for nominal consideration, their cost shall be their fair value at the date of acquisition.

## ACCOUNTING POLICIES AND RELATED MATTERS for the ended 31 March 2012

All inventory items at year-end are reflected using the weighted average cost or FIFO cost formula.

### 4.8 Capital assets

#### 4.8.1 Movable assets

##### *Initial recognition*

A capital asset is recorded in the asset register on receipt of the item at cost. Cost of an asset is defined as the total cost of acquisition. Where the cost cannot be determined accurately, the movable capital asset is stated at fair value. Where fair value cannot be determined, the capital asset is included in the asset register at RI.

All assets acquired prior to 1 April 2002 are included in the register.

##### *Subsequent recognition*

Subsequent expenditure of a capital nature is recorded in the statement of financial performance as “expenditure for capital assets” and is capitalised in the asset register of the department on completion of the project.

Repairs and maintenance is expensed as current “goods and services” in the statement of financial performance.

#### 4.8.2 Immovable assets

##### *Initial recognition*

A capital asset is recorded on receipt of the item at cost. Cost of an asset is defined as the total cost of acquisition. Where the cost cannot be determined accurately, the immovable capital asset is stated at RI unless the fair value for the asset has been reliably estimated.

##### *Subsequent recognition*

Work-in-progress of a capital nature is recorded in the statement of financial performance as “expenditure for capital assets”. On completion, the total cost of the project is included in the asset register of the department that is accountable for the asset.

Repairs and maintenance is expensed as current “goods and services” in the statement of financial performance.

#### 4.8.3 Intangible Assets

##### *Initial recognition*

An intangible asset is recorded in the asset register on receipt of the item at cost. Cost of an intangible asset is defined as the total cost of acquisition. Where the cost cannot be determined accurately, the intangible asset is stated at fair value. Where fair value cannot be determined, the intangible asset is included in the asset register at RI.

All intangible assets acquired prior to 1 April 2002 can be included in the asset register at RI.\*

##### *Subsequent expenditure*

Subsequent expenditure of a capital nature is recorded in the statement of financial performance as “expenditure for capital asset” and is capitalised in the asset register of the department. Maintenance is expensed as current “goods and services” in the statement of financial performance.

## 5. Liabilities

### 5.1 Payables

Recognised payables mainly comprise of amounts owing to other governmental entities. These payables are carried at cost in the statement of financial position.

### 5.2 Contingent liabilities

Contingent liabilities are included in the disclosure notes to the financial statements when it is possible that economic benefits will flow from the department, or when an outflow of economic benefits or service potential is probable but cannot be measured reliably.

## ACCOUNTING POLICIES AND RELATED MATTERS for the ended 31 March 2012

### 5.3 Contingent assets

Contingent assets are included in the disclosure notes to the financial statements when it is probable that an inflow of economic benefits will flow to the entity.

### 5.4 Commitments

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes.

### 5.5 Accruals

Accruals are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes.

### 5.6 Employee benefits

Short-term employee benefits that give rise to a present legal or constructive obligation are disclosed in the disclosure notes to the financial statements. These amounts are not recognised in the statement of financial performance or the statement of financial position.

### 5.7 Lease commitments

#### Finance lease

Finance leases are not recognised as assets and liabilities in the statement of financial position. Finance lease payments are recognised as an expense in the statement of financial performance and are apportioned between the capital and interest portions. The finance lease liability is disclosed in the disclosure notes to the financial statements.

#### Operating lease

Operating lease payments are recognised as an expense in the statement of financial performance. The operating lease commitments are disclosed in the disclosure notes to the financial statement.

### 5.8 Impairment

The department tests for impairment where there is an indication that a receivable, loan or investment may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. An estimate is made for doubtful loans and receivables based on a review of all outstanding amounts at year-end. Impairments on investments are calculated as being the difference between the carrying amount and the present value of the expected

future cash flows / service potential flowing from the instrument.

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

### 5.9 Provisions

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

## 6. Receivables for departmental revenue

Receivables for departmental revenue are disclosed in the disclosure notes to the annual financial statements.

## ACCOUNTING POLICIES AND RELATED MATTERS for the ended 31 March 2012

### 7. Net Assets

#### 7.1 Capitalisation reserve

The capitalisation reserve comprises of financial assets and/or liabilities originating in a prior reporting period but which are recognised in the statement of financial position for the first time in the current reporting period. Amounts are recognised in the capitalisation reserves when identified in the current period and are transferred to the National/Provincial Revenue Fund when the underlining asset is disposed and the related funds are received.

#### 7.2 Recoverable revenue

Amounts are recognised as recoverable revenue when a payment made in a previous financial year becomes recoverable from a debtor in the current financial year. Amounts are either transferred to the National/Provincial Revenue Fund when recovered or are transferred to the statement of financial performance when written-off.

### 8. Related party transactions

Specific information with regards to related party transactions is included in the disclosure notes.

### 9. Key management personnel

Compensation paid to key management personnel including their family members where relevant, is included in the disclosure notes.

### 10. Public-private partnerships

A description of the PPP arrangement, the contract fees and current and capital expenditure relating to the PPP arrangement is included in the disclosure notes.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

### 1. Annual Appropriation

#### 1.1 Annual Appropriation

Included are funds appropriated in terms of the Appropriation Act (and the Adjustments Appropriation Act) for National Departments (Voted funds) and Provincial Departments:

	Final Appropriation	2011/12 Actual Funds Received	Funds not requested/ not received	2010/11 Appropriation received
	R'000	R'000	R'000	R'000
Administration	69,272	69,272	-	62,245
Public Sector Organisational and Staff Development	49,049	49,049	-	56,169
<b>Total</b>	<b>118,321</b>	<b>118,321</b>	<b>-</b>	<b>118,414</b>

### 2. Departmental revenue

	Note	2011/12 R'000	2010/11 R'000
Sales of goods and services other than capital assets	2.1	38	66
Interest, dividends and rent on land	2.2	2	17
Transactions in financial assets and liabilities	2.3	387	497
Total revenue collected		<b>427</b>	<b>580</b>
Less: Own revenue included in appropriation		-	-
<b>Departmental revenue collected</b>		<b>427</b>	<b>580</b>

#### 2.1 Sales of goods and services other than capital assets

Sales of goods and services produced by the department			
Sales by market establishment - parking		18	48
Other sales - commission		20	18
<b>Total</b>		<b>38</b>	<b>66</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

	2011/12 R'000	2010/11 R'000
2.2 Interest, dividends and rent on land		
Interest on debt	2	17
<b>Total</b>	<u><u>2</u></u>	<u><u>17</u></u>

### 2.3 Transactions in financial assets and liabilities

Receipts-Recoverable Revenue of previous year expenditure	387	497
<b>Total</b>	<u><u>387</u></u>	<u><u>497</u></u>

## 3. Aid assistance

### 3.1 Aid assistance received in cash from RDP

<b>Foreign</b>		
Opening Balance	12,334	989
Revenue	20,430	25,402
Current expenditure	(11,737)	(14,057)
Surrendered to the RDP fund	(12,710)	-
<b>Closing Balance</b>	<u><u>8,317</u></u>	<u><u>12,334</u></u>

### 3.2 Aid assistance received in cash from other sources

Opening Balance	10,000	10,299
Current Expenditure	-	(299)
<b>Closing Balance</b>	<u><u>10,000</u></u>	<u><u>10,000</u></u>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

	2011/12 R'000	2010/11 R'000
<b>3.3 Total assistance</b>		
Opening Balance	22,334	11,288
Revenue	20,430	25,402
Current expenditure	(11,737)	(14,356)
Surrendered to retained funds	(12,710)	-
<b>Closing Balance</b>	<b><u>18,317</u></b>	<b><u>22,334</u></b>

### 3.4 Analysis of balance

Aid assistance receivable - RDP	-	-
Aid assistance unutilised - RDP	-	-
Aid assistance repayable - RDP	8,317	12,334
Aid assistance unutilised -Other sources	10,000	10,000
<b>Closing balance</b>	<b><u>18,317</u></b>	<b><u>22,334</u></b>



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

	2011/12 R'000	2010/11 R'000
<b>4. Compensation of employees</b>		
<b>4.1 Salaries and Wages</b>		
Basic salary	18,575	13,537
Performance award	525	518
Service Based	224	43
Periodic Payments	55	-
Compensative/circumstantial	444	448
Other non-pensionable allowances	6,070	4,235
<b>Total</b>	<b><u>25,893</u></b>	<b><u>18,781</u></b>
<b>4.2 Social contributions</b>		
<b>Employer contributions</b>		
Pension	2,080	1,575
Medical	948	764
Bargaining council	4	3
<b>Total</b>	<b><u>3,032</u></b>	<b><u>2,342</u></b>
<b>Total compensation of employees</b>	<b><u>28,925</u></b>	<b><u>21,123</u></b>
Average number of employees	<u>70</u>	<u>57</u>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

	Note	2011/12 R'000	2010/11 R'000
<b>5. Goods and services</b>			
Administrative fees **		79	4,856
Advertising		619	948
Assets less than R5,000	5.1		
		23	130
Bursaries (employees)		320	3
Catering		414	383
Communication		855	1,069
Computer services	5.2	3,331	1,722
Consultants, contractors and outsourced services	5.3	13,439	15,152
Entertainment		-	9
Audit cost – external	5.4	2,623	1,216
Inventory	5.5	1,545	1,408
Operating leases **		3,144	333
Property Payments	5.6	1,782	549
Travel and subsistence	5.7	2,756	2,388
Venues and facilities		421	466
Training and staff development		611	307
Other operating expenditure	5.8	263	108
<b>Total</b>		<b>32,225</b>	<b>31,047</b>

\*\*Reclassification of property payment from Administrative fees to Operating lease, in 2010/11 amount for building lease was included under Administrative fees(R4,824) and in 2011/12 it is included under Operating lease (R2,958).

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

	Note	2011/12 R'000	2010/11 R'000
<b>5.1 Assets less than R5,000</b>			
Tangible assets -Machinery and equipment		23	78
Intangible assets		-	52
<b>Total</b>		<b>23</b>	<b>130</b>
<b>5.2 Computer services</b>			
SITA computer services		1,945	1,659
External computer service providers **		1,386	63
<b>Total</b>		<b>3,331</b>	<b>1,722</b>
<i>** IT support costs centralised in the Vote</i>			
<b>5.3 Consultants, contractors and agency/outsourced services</b>			
Business and advisory services		260	1,175
Legal costs		79	-
Contractors		127	255
Agency and support/outsourced services		12,973	13,722
<b>Total</b>		<b>13,439</b>	<b>15,152</b>
<b>5.4 Audit cost – External</b>			
Regularity audits **		2,623	1,216
<i>** Audit costs centralised in the Vote</i>			

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

	Note	2011/12 R'000	2010/11 R'000
<b>5.5 Inventory</b>			
Learning and teaching support material		-	1
Food and food supplies		18	28
Other consumable materials		29	284
Materials and Supply		1	22
Stationery and printing		1495	1,072
Medical supplies		2	1
<b>Total</b>		<b>1,545</b>	<b>1,408</b>
<b>5.6 Property payments</b>			
Municipal services **		1,637	326
Property management fees **		145	51
Property maintenance and repairs		-	109
Other		-	63
<b>Total</b>		<b>1,782</b>	<b>549</b>
<i>** These costs are now centralised in the Vote</i>			
<b>5.7 Travel and subsistence</b>			
Local		1,776	2,257
Foreign		980	131
<b>Total</b>		<b>2,756</b>	<b>2,388</b>
<b>5.8 Other operating expenditure</b>			
Professional bodies, membership and subscription fees		4	28
Resettlement costs		44	3
Other		215	77
<b>Total</b>		<b>263</b>	<b>108</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

	Note	2011/12 R'000	2010/11 R'000
<b>6. Interest and rent on land</b>			
Interest on finance leases of machinery and equipment		<u>23</u>	<u>32</u>
<b>7. Payments for financial assets</b>			
Debt written off- private enterprises & staff in programme I		-	28
Material losses – Theft (Fraud identified and disciplinary measures instituted)		17	11
		<u>17</u>	<u>39</u>
<b>8. Transfers and subsidies</b>			
Departmental agencies and accounts	Annex 1A	49,049	61,149
Households	Annex 1B	-	12
<b>Total</b>		<u>49,049</u>	<u>61,161</u>
<b>9. Expenditure for capital assets</b>			
Tangible assets - Machinery and equipment	26.2	1,327	1,869
Software and other intangible assets - Computer software	27	-	217
<b>Total</b>		<u>1,327</u>	<u>2,086</u>
<b>9.1 Analysis of funds utilised to acquire capital assets – 2011/12</b>			
<b>Voted funds</b>			
Tangible assets - Machinery and equipment	26.2	1,327	1,869
Software and other intangible assets - Computer software	27	-	217
<b>Total</b>		<u>1,327</u>	<u>2,086</u>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

	Note	2011/12 R'000	2010/11 R'000
<b>10. Cash and cash equivalents</b>			
Consolidated Paymaster General Account**		27,312	8,286
Cash on hand		32	32
<b>Total</b>		<b>27,344</b>	<b>8,318</b>

## 11. Prepayments and advances

Staff advances		-	9
Travel and subsistence		-	14
Advances paid to other entities		83	146
<b>Total</b>		<b>83</b>	<b>169</b>

## 12. Receivables

	Note	Less than one year R'000	One to three years R'000	Older than three years R'000	Total 2011/12 R'000	Total 2010/11 R'000
Claims recoverable	12.1	264	651	-	915	17,158
Staff debt	12.2	8	216	-	224	149
<b>Total</b>		<b>272</b>	<b>867</b>	<b>-</b>	<b>1,139</b>	<b>17,307</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

### 12.1 Claims recoverable

	Note	2011/12 R'000	2010/11 R'000
National departments	Annex 3	724	492
Provincial departments		185	177
Public entities		6	16,489
<b>Total</b>		<b>915</b>	<b>17,158</b>

### 12.2 Staff debt

Loans and expenses recovered		218	140
Salary Tax debt		6	6
Medshield medical aid		-	3
<b>Total</b>		<b>224</b>	<b>149</b>

### 13. Voted funds to be surrendered to the Revenue Fund

Opening balance		2,926	2
Transfer from statement of financial performance		6,755	2,926
Paid during the year		(2,926)	(2)
<b>Closing balance</b>		<b>6,755</b>	<b>2,926</b>

### 14. Departmental revenue to be surrendered to the Revenue Fund

Opening balance		408	15
Transfer from Statement of Financial Performance		427	580
Paid during the year		(833)	(187)
<b>Closing balance</b>		<b>2</b>	<b>408</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

	Note	2011/12 R'000	2010/11 R'000
<b>15. Payables – current</b>			
Amounts owing to other entities	Annex 4	3,351	126
Clearing Accounts	15.1	141	-
		-	
		<b>3,492</b>	<b>126</b>

### 15.1 Clearing Accounts

Debt receivable income		139	-
Debt receivable interest		2	-
		<b>141</b>	<b>-</b>

## 16. Net cash flow available from operating activities

Net surplus/(deficit) as per Statement of Financial Performance		15,875	14,552
Add back non cash/cash movements not deemed operating activities		4,478	(11,942)
(Increase)/decrease in receivables – current		16,168	(13,838)
(Increase)/decrease in prepayments and advances		86	28
Increase/(decrease) in payables – current		3,366	(29)
Expenditure on capital assets		1,327	2,086
Surrenders to RDP Fund/Donor		(12,710)	-
Surrenders to Revenue Fund		(3,759)	(189)
<b>Net cash flow generated by operating activities</b>		<b>20,353</b>	<b>2,610</b>



## DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

	Note	2011/12 R'000	2010/11 R'000
17. Reconciliation of cash and cash equivalents for cash flow purposes			
Consolidated Paymaster General account		27,312	8,286
Cash on hand		32	32
<b>Total</b>		<b>27,344</b>	<b>8,318</b>

These amounts are not recognised in the Annual Financial Statements and are disclosed to enhance the usefulness of the Annual Financial Statements.

### 18. Commitments

Current expenditure - approved and contracted	5,287	1,247
Capital expenditure - approved and contracted	-	23
<b>Total Commitments</b>	<b>5,287</b>	<b>1,270</b>

### 19. Accruals

Listed by economic classification

	>30 days	30 Days	Total	Total
Goods and services	694	5,651	6,345	1,110
<b>Total</b>	<b>694</b>	<b>5,651</b>	<b>6,345</b>	<b>1,110</b>

## DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

	2011/12 R'000	2010/11 R'000
Programme 1 - Administration	<u>1,291</u>	<u>1,110</u>
Confirmed balances with other government entities	<u>3,351</u>	<u>126</u>

### 20. Employee benefits

Leave entitlement	1,104	398
Service bonus (Thirteenth cheque)	657	556
Capped leave commitments	819	653
<b>Total</b>	<u>2,580</u>	<u>1,607</u>

### 21. Lease commitments

#### 21.1 Operating leases expenditure

	2011/12			2010/11		
	Buildings and other fixed structures R'000	Machinery and equipment R'000	Total R'000	Buildings and other fixed structures R'000	Machinery and equipment R'000	Total R'000
Not later than 1 year	9,206	153	9,359	11,779	76	11,855
Later than 1 year and not later than 5 years	-	-	-	7,852	30	7,882
<b>Total lease commitments</b>	<u>9,206</u>	<u>153</u>	<u>9,359</u>	<u>19,631</u>	<u>106</u>	<u>19,737</u>

## DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

### 21.2 Finance leases expenditure

	Note	2011/12 R'000	2010/11 R'000
<b>Machinery and equipment</b>			
Not later than 1 year		436	740
Later than 1 year and not later than 5 years		436	-
<b>Total lease commitments</b>		<u>872</u>	<u>740</u>
LESS: finance costs		(74)	(17)
<b>Total present value of lease liabilities</b>		<u><u>798</u></u>	<u><u>723</u></u>

## 22. Irregular Expenditure

### 22.1 Reconciliation of irregular expenditure

Opening balance	-	-
Add: Irregular expenditure – relating to prior year	-	-
Add: Irregular expenditure – relating to current year	67	25
Less: Amounts condoned	(67)	(25)
<b>Irregular expenditure awaiting condonation</b>	<u><u>-</u></u>	<u><u>-</u></u>

#### Details

	Disciplinary steps taken	2011/12 R'000
Award made to a supplier who quoted on a lower quantity than requested	None – error was once off isolated incident	67

## DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

	2011/12 R'000	2010/11 R'000
<b>23. Fruitless and wasteful expenditure</b>		
<b>23.1 Reconciliation of fruitless and wasteful expenditure</b>		
Fruitless and wasteful expenditure – Current year	-	21
Less: Amounts condoned	-	(21)
Fruitless and wasteful expenditure awaiting condonation	<u>-</u>	<u>-</u>

## 24. Related party transactions

PALAMA VOTE 12a has a related party relationship with all the public sector entities falling within the portfolio of the Minister for Public Service and Administration. During the period under review related party transactions were entered into with the following entities.

Entity	Nature of transactions
State Information Technology Agency	Provision of IT communication services
Government Employees Medical Scheme	Provision of medical aid benefits
Department of Public Service & Administration	Transfer payment of voted funds
PALAMA Training Trading Account	Provision of training
PALAMA Training Trading Account	Administration and maintenance of records

## DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

	2011/12 R'000	2010/11 R'000
24.1 Analysis of transactions with related parties		
Amount due to related parties at the beginning of the year	176	140
Adjustment	7	-
Value of services rendered by PALAMA	4,274	2,939
Payments for services rendered to PALAMA	(4,156)	(2,903)
<b>Total</b>	<b>301</b>	<b>176</b>

## 25. Key management personnel

	No. of Individuals	2011/12 R'000	2010/11 R'000
Level 15 to 16	2	2,528	2,785
Level 14	4	2,943	3,231*
<b>Total</b>		<b>5,471</b>	<b>6,016</b>

\*Included is the amount of R1,037,000 (2010/11) paid to Consultant acting in the CFO Position, contract ended 31 October 2010

## DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

### 26. Movable Tangible Capital Assets

#### 26.1 Movement In Movable Tangible Capital Assets Per Asset Register For The Year Ended 31 March 2012

	Opening balance R'000	Curr Year Adjust-ments to prior year balances R'000	Additions R'000	Disposals R'000	Closing Balance R'000
<b>MACHINERY AND EQUIPMENT</b>	<b>23,738</b>		<b>1,260</b>		<b>24,998</b>
Transport assets	417		-		417
Computer equipment	16,045		1,220		17,265
Furniture and office equipment	6,145		34		6,179
Other machinery and equipment	1,131		6		1,137
<b>TOTAL MOVABLE TANGIBLE CAPITAL ASSETS</b>	<b>23,738</b>		<b>1,260</b>		<b>24,998</b>

#### 26.2 Additions To Movable Tangible Capital Assets Per Asset Register For The Year Ended 31 March 2012

	Cash R'000	Finance lease payments R'000	Total R'000
<b>MACHINERY AND EQUIPMENT</b>	<b>1,327</b>	<b>(67)</b>	<b>1,260</b>
Computer equipment	1,220		1,220
Furniture and office equipment	34		34
Other machinery and equipment	73	(67)	6
<b>TOTAL</b>	<b>1,327</b>	<b>(67)</b>	<b>1,260</b>

## DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

### 26.3 Movement In Movable Tangible Capital Assets Per Asset Register For The Year Ended 31 March 2011

	Opening balance R'000	Additions R'000	Disposals R'000	Closing balance R'000
<b>MACHINERY AND EQUIPMENT</b>	<b>22,180</b>	<b>1,558</b>	<b>-</b>	<b>23,738</b>
Transport assets	417	-	-	417
Computer equipment	15,374	671	-	16,045
Furniture and office equipment	5,377	768	-	6,145
Other machinery and equipment	1,012	119	-	1,131
<b>TOTAL MOVABLE TANGIBLE ASSETS</b>	<b>22,180</b>	<b>1,558</b>	<b>-</b>	<b>23,738</b>

### 26.4 Minor Assets Of The Department As At 31 March 2012

	Intangible assets R'000	Machinery and equipment R'000	Total R'000
Opening balance	1,268	7,902	9,170
Current year adjustments to prior year balances		10	10
Additions	-	22	22
Disposals	-	-	-
<b>TOTAL MINOR ASSETS</b>	<b>1,268</b>	<b>7,934</b>	<b>9,202</b>

## DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

### 26.5 Minor Assets Of The Department As At 31 March 2011

	Intangible assets R'000	Machinery and equipment R'000	Total R'000
Opening balance	1,216	7,779	8,995
Current year adjustments to prior year balances	-	34	34
Additions	52	91	143
Disposals	-	(2)	(2)
<b>TOTAL MINOR ASSETS</b>	<b>1,268</b>	<b>7,902</b>	<b>9,170</b>
Number of minor assets at cost	3,673	3,601	7,274

## 27. Intangible Capital Assets

### 27.1 Movement In Intangible Capital Assets Per Asset Register For The Year Ended 31 March 2012

	Opening balance R'000	Additions R'000	Disposals R'000	Closing balance R'000
Computer software	1,816	-	-	1,816
<b>TOTAL MOVABLE TANGIBLE ASSETS</b>	<b>1,816</b>	<b>-</b>	<b>-</b>	<b>1,816</b>

### 27.2 Movement In Intangible Capital Assets Per Asset Register For The Year Ended 31 March 2011

	Opening balance R'000	Additions R'000	Disposals R'000	Closing balance R'000
Computer software	1,599	217	-	1,816
<b>TOTAL INTANGIBLE CAPITAL ASSETS</b>	<b>1,599</b>	<b>217</b>	<b>-</b>	<b>1,816</b>



## ANNEXURE 1A

### STATEMENT OF TRANSFERS TO DEPARTMENTAL AGENCIES AND ACCOUNTS

DEPARTMENT/ AGENCY/ ACCOUNT	TRANSFER ALLOCATION			Total Available R'000	TRANSFER		2010/11 Appropriation Act R'000
	Adjusted Appropriation R'000	Roll Overs R'000	Adjustments R'000		Actual Transfer R'000	% of Available funds Transferred %	
PALAMA Training Trading Account	49,049	-	-	49,049	49,049	100,0%	61,149
<b>Total</b>	<b>49,049</b>	<b>-</b>	<b>-</b>	<b>49,049</b>	<b>49,049</b>	<b>100,0%</b>	<b>61,149</b>

## ANNEXURE 1B STATEMENT OF TRANSFERS TO HOUSEHOLDS

### HOUSEHOLDS

	TRANSFER ALLOCATION			Total Available R'000	EXPENDITURE		2010/11 Appropriation Act R'000
	Adjusted Appropriation Act R'000	Roll Overs R'000	Adjustments R'000		Actual Transfer R'000	% of Available funds Transferred %	
	Transfers						
Social benefits – leave gratuity	-	-	-	-	-	-	12
<b>Total</b>	-	-	-	-	-	-	<b>12</b>

## ANNEXURE 1C STATEMENT OF LOCAL AND FOREIGN AID ASSISTANCE RECEIVED

NAME OF DONOR	PURPOSE	OPENING BALANCE R'000	SURRENDERED R'000	REVENUE R'000	EXPENDITURE R'000	CLOSING BALANCE R'000
<b>Received in cash</b>						
<b>Local Aid Assistance:</b>						
African Renaissance Fund	Training and Refurbishment of a Training Facility	10,000		-	-	10,000
Canadian International Development Agency (CIDA)	Training and Development in Countries Emerging from Conflict	8,830	(8,830)	11,708	(6,041)	5,667
Canadian International Development Agency (CIDA)	Gender Mainstreaming Training	934	(934)	5,174	(3,735)	1,439
Flemish	Development of Women Managers in Public Service	511	(511)	511	(384)	127
Netherlands	Local Government Capacity Building	1,811	(2,187)	1,811	(1,305)	130
Common Wealth		28	(28)	-	-	-
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)	Government Wide Monitoring and Evaluation System	27	(27)	433	(272)	161
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)	Public Sector Trainer's Forum 2009	-	-	-	-	
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)	Research: Executive Development Programme	-	-	600	-	600
The Presidency (Swedish)		193	(193)	193	-	193
<b>Total Aid Assistance</b>		<b>22,334</b>	<b>(12,710)</b>	<b>20,430</b>	<b>(11,737)</b>	<b>18,317</b>

## ANNEXURE 2

### STATEMENT OF INVESTMENTS IN AND AMOUNTS OWING BY/TO ENTITIES (CONTINUED)

Name of Public Entity	Nature of business	Cost of investment R'000		Net Asset value of Investment R'000		Amounts owing to Entities R'000		Amounts owing by Entities R'000	
		2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
<b>Controlled entities</b>									
PALAMA Training Trading Account	Training	-	-	104,080	85,277	3,197	-	-	16,407
<b>TOTAL</b>		<b>-</b>	<b>-</b>	<b>104,080</b>	<b>85,277</b>	<b>3,197</b>	<b>-</b>	<b>-</b>	<b>16,407</b>

## ANNEXURE 3 CLAIMS RECOVERABLE

Government Entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31/03/2012 R'000	31/03/2011 R'000	31/03/2012 R'000	31/03/2011 R'000	31/03/2012 R'000	31/03/2011 R'000
<b>Department</b>						
National Departments						
Public Service and Administration	-	-	679	485	679	485
Communications	-	-	7	7	7	7
Water Affairs	-	-	18	-	18	-
Higher Education and Training	-	-	4	-	4	-
Trade and Industry	-	-	16	-	16	-
Provincial Departments						
Education (Eastern Cape)	-	-	168	168	168	168
Transport (Western Cape)	-	9	9	-	9	9
Justice (Western Cape)	-	-	8	-	8	-
	-	9	909	660	909	669
<b>Other Government Entities</b>						
PALAMA Training Trading Account	-	16,407	-	-	-	16,407
SARS:VAT Input	-	-	6	82	6	82
	-	16,407	6	82	6	16,489
<b>Total</b>	<b>-</b>	<b>16,416</b>	<b>915</b>	<b>742</b>	<b>915</b>	<b>17,158</b>

## ANNEXURE 4 INTER-GOVERNMENT PAYABLES

### GOVERNMENT ENTITY

	Confirmed balance outstanding		Unconfirmed balance outstanding		TOTAL	
	31/03/2012 R'000	31/03/2011 R'000	31/03/2012 R'000	31/03/2011 R'000	31/03/2012 R'000	31/03/2011 R'000
SA Revenue Services	154	126	-	-	154	126
PALAMA Training Trading Account	3,197	-	-	-	3,197	-
<b>Subtotal</b>	<b>3,351</b>	<b>126</b>	<b>-</b>	<b>-</b>	<b>3,351</b>	<b>126</b>

## ANNEXURE 5 INVENTORY

Inventory	Quantity	2011/12 R'000	Quantity	2010/11 R'000
Opening balance	4,479	169	9,463	227
Add/(Less): Adjustments to prior year balance	-	-	32	-
Add: Additions/Purchases - Cash	40,287	10,734	13,668	405
Add: Additions - Non-cash	-	-	9,681	-
(Less): Disposals	-	-	-	-
(Less): Issues	(39,122)	(8,132)	(28,365)	(637)
Add/(Less): Adjustments	(2)	(2,545)	-	174
<b>Closing balance</b>	<b>5,642</b>	<b>226</b>	<b>4,479</b>	<b>169</b>

## PALAMA Training Trading Account

(a trading entity established in terms of the PFMA, Act 1 of 1999 as amended)

### 3.5 STATEMENT OF RESPONSIBILITY for the year ended 31 March 2012

The Accounting Officer is responsible for the preparation and integrity of the financial statements and related information included in the annual report. In order for the Accounting Officer to discharge these responsibilities, as well as those bestowed on him in terms of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) and other applicable legislation, he has developed, and maintains, a system of internal controls.

The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions executed and recorded in accordance with generally accepted business practices, as well as the entity's policies and procedures. Monitoring of these controls includes a regular review of their operations by the accounting officer and independent oversight by an audit committee.

The Auditor-General, as external auditor, is responsible for reporting on the financial statements.

The financial statements are prepared in accordance with SA GAAP (the South African Statements of Generally Accepted Accounting Practice) and incorporate disclosure in line with the accounting philosophy of the entity and the requirements of the PFMA. The financial statements are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer believes that the entity will be a going concern in the year ahead due to the government grant and its own generation of revenue. For this reason the accounting officer has adopted the going concern basis in preparing the annual financial statements. Refer to the Accounting Officer's Report of PALAMA Vote 12a for the operations of the PALAMA Training Trading Account.

The Accounting Officer hereby approves the annual financial statements of the PALAMA TTA for the year ended 31 March 2012, as set out on pages 117 - 153.



Prof. LS Mollo  
Accounting Officer

Date: 31 July 2012



## 3.6 REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON PUBLIC ADMINISTRATION LEADERSHIP AND MANAGEMENT ACADEMY (PALAMA TTA)

### REPORT ON THE FINANCIAL STATEMENTS

#### Introduction

1. I have audited the financial statements of the PALAMA TTA set out on pages 115 - 151, which comprise the statement of financial position as at 31 March 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

#### Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice (SA Statements of GAAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2001) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the PALAMA TTA as at 31 March 2012, and its financial performance and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice (SA Statements of GAAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

#### Emphasis of matter

7. I draw attention to the matter below. My opinion is not modified in respect of this matter:

#### Restatement of corresponding figures

8. As disclosed in note 29 to the financial statements, the corresponding figures for 31 March 2011 have been restated as a result of an error discovered during 31 March 2012 in the financial statements of the PALAMA TTA at, and for the year ended, 31 March 2011.

#### Additional matter

9. Based on our audit there is no additional matters to report.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

10. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

### Predetermined objectives

11. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 38 - 46 of the annual report.
12. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.

The reliability of the information in respect of the selected programme is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

13. There were no material findings on the annual performance report concerning the usefulness and reliability of the information.

In addition, I draw attention to the following matter:

### Material adjustments to the annual performance report

14. Material audit adjustments amounting to 24% of the performance indicators in the annual performance report were identified during the audit and corrected by management.

### Compliance with laws and regulations

15. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters.
16. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

### Expenditure management

17. Money owing by the PALAMATTA was not always paid within 30 days of receiving an invoice or statement, as required by section 38(1)(f) of the PFMA and TR 8.2.3.

### Internal control

18. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations.
19. I did not identify any deficiencies in internal control which we considered sufficiently significant for inclusion in this report.

*Aud. Gen.!*

Pretoria

31 July 2012



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## 3.7 PALAMA TRAINING TRADING ACCOUNT ANNUAL FINANCIAL STATEMENTS

### STATEMENT OF FINANCIAL PERFORMANCE for the year ended 31 March 2012

	Note	2011/12 R'000	2010/11 Restated R'000
<b>REVENUE</b>		<b>147,654</b>	<b>147,289</b>
Rendering of services - course fees		98,605	86,140
Operating grant received from PALAMA Vote 12a		49,049	61,149
<b>EXPENDITURE</b>		<b>137,139</b>	<b>154,988</b>
Administrative expenses	6	12,044	13,888
Compensation of employees	7	53,775	54,498
Marketing costs	8	420	331
Audit fees	9	-	2,193
Amortisation and impairment	10	12	1,226
Operating expenses	11	70,888	82,852
<b>(DEFICIT) / SURPLUS FROM OPERATIONS</b>	<b>24</b>	<b>10,515</b>	<b>(7,699)</b>
Interest received	4	5,198	5,444
Other gains and (losses)	5	937	-
<b>(DEFICIT) / SURPLUS FOR THE YEAR</b>		<b>16,650</b>	<b>(2,255)</b>

The (deficit) / surplus is attributable to the net asset holders of the controlling department – PALAMA Vote 12a.

## STATEMENT OF FINANCIAL POSITION at 31 March 2012

	Note	2011/12 R'000	2010/11 Restated R'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	12	10,589	6,108
<b>Current assets</b>			
Cash and bank balances	13	79,208	83,882
Trade and other receivables	14	34,777	34,824
<b>TOTAL ASSETS</b>		<b>124,574</b>	<b>124,814</b>
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net assets</b>			
Accumulated surplus		101,927	85,277
<b>Current liabilities</b>			
Trade and other payables	15	12,174	30,104
Income received in advance	16	3,472	5,972
Employee benefit provisions	17	5,123	3,461
Deferred Revenue	18	1,878	-
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<b>124,574</b>	<b>124,814</b>

## STATEMENT OF CHANGES IN NET ASSETS for the year ended 31 March 2012

ACCUMULATED SURPLUS		R'000
<b>Balance as at 31 March 2010</b>		<b>87,236</b>
Correction of prior period errors	29	296
		<b>87,532</b>
Restated deficit for the year		(2,255)
Surplus for the year as previously stated		1,921
Correction of prior period errors	29	(4,176)
		<b>85,277</b>
<b>Restated balance as at 31 March 2011</b>		<b>85,277</b>
Surplus for the year		16,650
<b>Balance as at 31 December 2011</b>		<b>101,927</b>

The accumulated surplus is attributable to the net asset holders of the controlling department – PALAMA Vote 12a.

The entity's formal adoption of IFRS (International Financial Reporting Standards) on 1 April 2008 does not affect the accumulated surplus reported on that date as the entity conformed to IFRS in prior periods.

## STATEMENT OF CASH FLOWS for the year ended 31 March 2012

	Note	2011/12 R'000	2010/11 Restated R'000
<b>Cash flows from operating activities</b>			
Cash receipts from customers		158,704	206,340
Cash paid to suppliers and employees		(163,704)	(191,542)
Cash generated from/(utilised in) operations		(5,000)	14,798
Interest received	4	2,993	2,989
<b>Net cash generated from/(utilised in) operating activities</b>	19	<b>(2,007)</b>	<b>17,787</b>
<b>Cash flows from investing activities</b>			
Payments for intangible assets	12	(2,667)	(3,147)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(4,674)</b>	<b>14,640</b>
Cash and cash equivalents at the beginning of the year		83,882	69,242
<b>Cash and cash equivalents at the end of the year</b>	13	<b><u>79,208</u></b>	<b><u>83,882</u></b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

### 1. Accounting policies

#### 1.1 Statement of compliance

The entity prepared its annual financial statements as an individual entity in accordance with South-African Standards of Generally Accepted Accounting Practice (SA GAAP) as required by Section 89 of Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999), read with Treasury Regulation 19.8.4 and 18.2.

However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the annual financial statements and to comply with the statutory requirements of the Public Finance Management Act and the Treasury Regulations issued in terms of the Act.

The following are the principle accounting policies of the entity which are, in all material respects, consistent with those applied in the previous year, except as otherwise indicated. The principle policies have been applied for the first time for the year ended 31 March 2003 due to establishment of the entity with effect from 1 April 2002.

#### 1.2 Basis of preparation, presentation currency and rounding

The annual financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

All amounts have been presented in the currency of the South African Rand (R), which is also the functional currency of the entity. Unless otherwise stated all financial figures have been rounded to the nearest one thousand Rand (R'000).

The preparation of financial statements in conformity with SA GAAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 25.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern entity. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of

liabilities, contingent obligations and commitments will occur in the ordinary course of business.

#### 1.3 Comparative information

Prior year comparative information has been presented in the current year's financial statements. Where necessary figures included in the prior year financial statements have been reclassified to ensure that the format in which the information is presented is consistent with the format of the current year's financial statements. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

### 1.4 Revenue recognition

#### 1.4.1 Revenue accruing to the entity

Revenue is measured at the fair value of the consideration received or receivable. Charges for services are determined in accordance with Treasury Regulation 19.5.

#### 1.4.2 Rendering of services

Revenue from the rendering of training services is recognised on the accrual basis over the period of instruction on a straight-line basis.

#### 1.4.3 Transfers and subsidies received

Transfers and subsidies received represent the operating grant received from the controlling department - PALAMA Vote 12a.

#### 1.4.4 Interest revenue

Interest revenue is accrued on a time basis, by reference to the principle outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount on initial recognition.

### 1.4.5 Government grants

Government grants are assistance by government in the form of transfer of resources. Government grants are not recognised until there is reasonable assurance that the entity will comply with the conditions attaching to them and that the grants will be received.

Government grants whose primary condition is that the entity should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to the statement of comprehensive income on a systematic and rational basis over the useful life of the respective assets.

Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in surplus or deficit in the period in which they become receivable.

### 1.5 Expenditure

#### 1.5.1 Compensation of employees

Salaries and wages comprise payments to employees. Salaries and wages are recognised as an expense in the period in which the employee renders the related service.

Social contributions include the entity's contribution to social insurance schemes paid on behalf of the employee. Social contributions are recognised as an expense in the period in which the employee renders the related service.

#### 1.5.2 Short term employee benefits

Short-term employee benefits comprise of leave entitlements, thirteenth cheques and performance bonuses. The cost of short-term employee benefits is recognised in the period in which the employee renders the related service.

Short-term employee benefits that give rise to a present legal or constructive obligation are recognised and provided for at reporting date, based on current salary rates.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

### 1.5.3 Long-term employee benefits

#### 1.5.3.1 Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The entity recognises termination benefits when it is demonstrably committed to either terminate the employment of the current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. If the benefit falls due more than 12 months after reporting date, they are discounted to present value.

#### 1.5.3.2 Post employment retirement benefits

The entity, through its controlling department - PALAMA Vote 12a, provides retirement benefits (pension benefits) for certain of its employees through a defined benefit plan for government employees. These benefits are funded by both employer and employee contributions. Employer contributions to the fund are charged to the statement of comprehensive income in the year to which they relate.

No provision is made for retirement benefits in the annual financial statements of the entity. Any potential liabilities are disclosed in the annual financial statements of the National Revenue Fund.

The entity does not contribute to the medical aid of retired employees.

### 1.6 Financial assets

All financial assets are recognised and derecognised on trade date when the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (FVTPL), which are initially measured at fair value.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value.

#### 1.6.1 Classification of financial assets

For the purposes of classifying financial assets an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer (under IAS 32 Financial Instruments: Presentation) except for certain non-derivative

puttable instruments presented as equity by the issuer. All other non-derivative financial assets are 'debt instruments'.

#### 1.6.2 Financial assets at amortised cost and the effective interest method

The entity's principle financial assets are 'trade and other receivables' and 'cash and cash equivalents'. These financial assets are classified as 'loans and receivables' and designated at amortised cost.

Loans and receivables are measured initially at fair value plus transaction costs. Where the effect on the fair value at initial recognition of any extended payment terms is material an adjustment to the fair value is made to recognise the time-value of money.

Loans and receivables are subsequently measured at amortised cost using the effective interest method less any impairment (see 1.8.3 below), with interest revenue recognised on an effective yield basis in investment revenue (note 4).

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

### 1.6.3 Financial assets at fair value through profit or loss

No financial assets are designated at fair value through profit or loss (surplus or deficit).

### 1.6.4 Financial assets at fair value through other comprehensive income

No financial assets are designated at fair value through other comprehensive income.

### 1.6.5 Impairment of financial assets at amortised cost

Financial assets that are measured at amortised cost, including finance lease receivables, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis.

Objective evidence of impairment for a portfolio of receivables could include the entity's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 2 years, as well as observable budget constraints that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, reflecting the impact of collateral and guarantees, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written

off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in surplus or deficit.

### 1.6.6 De-recognition of financial assets

The entity derecognises a financial asset only when the contractual rights to the cash flows from the asset expires or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On de-recognition, the difference between the carrying amount of the financial asset and the sum of the proceeds receivable and any prior adjustment to reflect the fair value of the asset that had been reported in net assets is included in net surplus or deficit for the period.

## 1.7 Financial liabilities and equity instruments

### 1.7.1 Classification of financial liabilities and equity

The entity operates as a trading entity under the administration of PALAMA Vote 12a. Upon closure of the entity, all the assets and liabilities shall be transferred to the controlling department and taken on record. Consequently, debt instruments are classified as financial liabilities.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

All of the entity's financial liabilities are classified as 'other financial liabilities'.

### 1.7.2 Financial guarantee contract liabilities

Financial guarantee contracts represent contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when they are contractually due. The entity provides guarantees to commercial banks on behalf of employees' housing loans.

Financial guarantee contract liabilities are initially measured at their fair values and are subsequently measured at the higher of the amount of the obligation under the contract (as determined in accordance with IAS37: 'Provisions, Contingent Liabilities and Contingent Assets') or the amount initially recognised.

### 1.7.3 Other financial liabilities

The entity's principal financial liability is 'trade and other payables'.

Other financial liabilities are initially measured at fair value, net of transaction costs. Where the effect on the fair value at initial recognition of any extended payment terms is material

an adjustment to the fair value is made to recognise the time-value of money.

Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

### 1.7.4 De-recognition of financial liabilities

The entity derecognises a financial liability or a part thereof when, and only when, the entity's obligations are discharged, cancelled, or they expire.

On de-recognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and the amount paid for it is included in surplus or deficit for the period.

## 1.8 Assets

### 1.8.1 Property, plant and equipment

The entity does not recognise assets relating to items of property, plant and equipment as the controlling department, PALAMA Vote 12a, holds all items of property, plant and equipment. The entity utilises property, plant and equipment belonging to the controlling department free of charge as part of the controlling department's administration function.

### 1.8.2 Intangible assets

#### 1.8.2.1 Intangible assets acquired separately

Intangible assets acquired externally are initially recognised at historical cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

Training Courses and Training Management System with effect from 1 April 2011, were determined to have indefinite useful lives and are not amortised into results of operations, but instead are reviewed for impairment annually or more often if impairment indicators arise.

### 1.8.2.2 Internally generated intangible assets

Expenditure on research and development activities is recognised as an expense in the period in which it is incurred.

### 1.8.3 Impairment of assets

At the end of each reporting period, the entity reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets may have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time-value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. An impairment loss is recognised immediately in surplus or deficit in those expense categories consistent with the function of the impaired asset.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in surplus or deficit.

### 1.8.4 Inventory

The controlling department - PALAMA Vote 12a, holds inventory.

## 1.9 Liabilities

### 1.9.1 Borrowings

In terms of section 19.2.3 of the Treasury Regulations the entity may not borrow for bridging purposes and may not run an overdraft on its banking account.

### 1.9.2 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The entity may generally not enter into finance leases as it is prohibited by Treasury Regulation 13.2.4. However, National Treasury permits entities to enter into finance leases under certain conditions as outlined in the Office of the Accountant-General practice note 5 of 2006/07 'Finance Lease Transactions' despite the provisions of Treasury Regulation 13.2.4.

#### 1.9.2.1 The entity as lessee

Assets held under finance leases are initially recognised as assets of the entity at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Assets held under finance leases are depreciated over the estimated useful life of the asset on the same basis as owned assets or, where shorter, lease term of the relevant lease.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately against surplus or deficit. Contingent rentals arising under finance leases are recognised as an expense in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the periods in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In terms of Treasury Regulation 13.2.5 the Accounting Officer of the entity may not enter into finance lease transactions, except for agreements concluded under Public-Private-Partnerships as contemplated in Treasury Regulation 16 and

Practice Note 5 of 2007/08: "Finance Lease Transactions" issued by the Office of the Accountant-General.

The controlling department – PALAMA Vote 12a – enters into both finance and operating lease agreements on behalf of the entity as part of its administration function. The proportionate monthly lease payments relating to the entity are recovered by the controlling department in terms of the expenditure allocation policy. These lease payments are recognised as an expense in the periods in which they are incurred.

### 1.9.3 Accruals

Accruals represent goods or services that have been received, but where no invoice has been received from the supplier at the reporting date, or where an invoice has been received but payment has not been made.

Accruals are recognised in the statement of financial position as a liability under "Trade and other payables" and as expenditure in the statement of financial performance in the period to which they relate.

### 1.9.4 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain

future events not wholly within the control of the entity. Contingent liabilities are not recognised, but only disclosed in the notes to the annual financial statements.

### 1.9.5 Commitments

Commitments represent goods/services that have been approved and/or contracted, but where no delivery has taken place at the reporting date. Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance, but are disclosed in the notes to the annual financial statements.

Lease commitments represent amounts owing from the reporting date to the end of the lease contract. These commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance, but are disclosed in the notes to the annual financial statements where the entity enters into lease agreements.

### 1.9.6 Provisions

Provisions are recognised when the entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the entity will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle an obligation are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

The movement related to any provision during the reporting period is recognised in surplus or deficit.

### 1.10 Related party transactions

The entity has a related party relationship with its controlling national department, PALAMA Vote 12a, and all public sector entities reporting to the Minister of Public Service and Administration.

Staff costs and certain items of goods and services of the entity are recorded in the accounting records of PALAMA Vote 12a and then transferred to the accounting records of the entity via journal entries.

The entity renders training services to the officials of the related parties. These training intervention transactions are on the terms approved by National Treasury. Refer note 23.

### 1.11 Taxation

The entity is exempt from paying income tax in terms of section 10(1)(a) of the Income Tax Act, 1962 (Act No. 58 of 1962) as amended.

The entity is exempt from paying VAT (Value Added Tax) in terms of the Value-Added Tax Act, 1991 (Act No. 89 of 1991) as amended.

### 1.12 Government assistance

Government assistance is action by government designed to provide an economic benefit specific to the entity qualifying under certain criteria. Government assistance is not recognised in the annual financial statements, but the nature, extent and duration of the assistance provided is disclosed in note 3.1.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

### 1.13 Adoption of new and revised International Financial Reporting Standards (IFRSs)

#### 1.13.1 Standards and Interpretations in issue not yet adopted

The following revised Standards and Interpretations have been adopted in the current financial period and have affected the presentation and disclosure reported in these financial statements.

Standard	Details of amendment	Issue date	Effective date
<b>IAS 24</b> Related Party Disclosures	Amendments provide for a partial exemption from the disclosure requirements for government-related entities.	November 2009	January 2011

#### 1.13.2 Standards and Interpretations in issue not yet adopted

The entity has not applied the following new or revised accounting Standards or Interpretations that have been issued but is not yet effective.

The entity plans to implement the Standards and/or Interpretations in the future financial reporting period in accordance with its effective date. The impact of implementing these standards and/or interpretations is expected to be immaterial in the context of the entity's operations.

Standard	Details of amendment	Issue Date	Effective date
<b>IFRS 9</b> Financial Instruments	Classification, measurement and de-recognition of financial assets and liabilities	October 2010	January 2015
<b>IFRS 13</b> Fair Value Measurement	The IFRS defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements.	May 2011	January 2013

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

### 2. Entity information

The PALAMA Training Trading Account (the entity) operates as a trading entity within the Republic of South Africa under the administration of PALAMA Vote 12a (2009/10: referred to as PALAMA Vote 8) with the objective to recover the cost of providing organisational and staff development interventions (training services) to the public sector.

The entity operated from its main office at the ZK Matthews Building, 70 Meintjes Street, Sunnyside, Pretoria, for the year under review.

### 3. Public sector practices and policies

#### 3.1 Government assistance

PALAMA Vote 12a, as controlling department, administers the entity and facilitates the overall management of PALAMA (Vote 12a and the entity).

Programme 1: Administration provides the policy formulation and management responsibilities of the Director-General and certain members of PALAMA's management. Other functions provided by Programme 1 include the rendering of centralised administrative, legal, financial, supply chain management, human resource management, information communication technology services and infrastructure and the exercise of internal control.

Programme 2: Public Sector Organisational and Staff Development provides for the augmentation of the operating activities of the entity.

In line with prevailing government practices the entity is not required to pay for the employee cost, goods and services, and cost associated with capital assets for the services rendered by PALAMA Vote 12a. The cost of these services rendered by PALAMA Vote 12a to the entity in 2011/12 amounted to R 49,049,000 (2010/11: R 61,161,000) on the cash basis of accounting and is expected to be provided annually until closure of the entity.

In terms of the PALAMA expenditure allocation policy all expenditure incurred in connection with the rendering of organisational and staff development services on a cost recovery basis, is expensed in the entity. All shared expenditure is allocated on a 75% / 25% basis between PALAMA Vote 12a and the entity respectively.

#### 3.2 Declaration of surplus funds

In terms of paragraph 19.7.1 of the Treasury Regulations, the Accounting Officer of the entity must, at the end of the financial year and after the books have been closed, declare any surplus to National Treasury. The latter may apply such surplus to reduce any proposed allocation to the trading entity or require that all or part of the surplus for the year, be deposited into the National Revenue Fund. In the event of the entity incurring a deficit, the Accounting Officer of PALAMA Vote 12a must disclose the financial impact of such a deficit on the department in its annual report.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

	2011/12 R'000	2010/11 R'000
Cash and bank balances	79,208	83,882
Less: Trade and other payables	(12,174)	(30,104)
Less: Income received in advance	(3,472)	(5,972)
Less: PSI Ring-fenced surplus	(8,805)	(11,071)
Surplus funds on the cash basis of accounting	<u>54,758</u>	<u>36,735</u>

### 4 Interest received

Interest received on financial assets measured at amortised cost:

Trade receivables	2,205	2,455
Bank deposits	2,993	2,989
<b>Total</b>	<u>5,198</u>	<u>5,444</u>

### 5 Other gains and losses

Gains on fair value of intangible assets - acquired at nil cost from donor	<u>937</u>	<u>-</u>
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### 6 Administrative expenses

Lease payments	9,872	10,164
Communication cost	1,805	1,909
Property payments	-	(179)
Computer costs **	-	1,563
Consumables, materials and supplies	189	322
General administrative expenses	178	105
Entertainment	-	4
<b>Total</b>	<u>12,044</u>	<u>13,888</u>

\*\*IT support services carried by the Vote as part of its administrative function

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

		2011/12 R'000	2010/11 R'000
<b>7 Compensation of employees</b>			
<b>7.1 Salaries and wages</b>			
Basic salary		27,110	27,111
Other non-pensionable allowances		8,455	8,575
Performance award		788	703
Leave payments		89	140
Overtime pay		41	-
Key management emoluments	21.3	11,874	13,079
<b>Total</b>		<b>48,357</b>	<b>49,608</b>
<b>7.2 Social contributions</b>			
Pension		3,157	3,169
Medical		1,302	1,351
Official unions and associations		6	7
Leave pay provision expense		953	363
<b>Total</b>		<b>5,418</b>	<b>4,890</b>
<b>Total compensation</b>		<b>53,775</b>	<b>54,498</b>
<b>7.3 Analysis of compensation paid</b>			
Total for branch heads		11,874	13,079
Total for other employees		41,901	41,419
<b>Total compensation</b>		<b>53,775</b>	<b>54,498</b>
Average number of employees		113	121

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

	2011/12 R'000	2010/11 R'000
<b>8 Marketing cost</b>		
Advertising: Recruitment	-	191
Advertising: Tenders	2	-
Gifts and promotional items	187	67
Marketing	231	73
<b>Total</b>	<b>420</b>	<b>331</b>

## 9 Audit fees

Statutory audit*	-	<b>2,193</b>
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\*Current year expenditure carried by the Vote as part of its administrative function

## 10. Amortisation and impairment

Capitalised course development cost	-	706
Capitalised training management system development cost	-	520
Impairment of course development cost	12	-
	<b>12</b>	<b>1,226</b>

Training courses and training management system with effect from 1 April 2011 were determined to have indefinite useful lives and therefore not amortised.

The training courses are based on legislation and are expected to be offered for an indefinite period with minor modification to the curriculum. The training management system is a custom made system used to manage records related to training. PALAMA has the intention of utilising the system for an indefinite period.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

	2011/12 R'000	2010/11 R'000
<b>11. Operating expenses</b>		
Training and consultancy services	45,512	52,818
Venues and facilities	8,158	8,581
Travel and subsistence	11,027	13,165
Movement in the allowance for doubtful debt	996	4,272
Stationery and printing	3,442	1,786
Staff training and development	698	1,067
Catering – departmental activities	1,055	1,049
Thefts and losses – Fraud	-	114
<b>Total</b>	<b><u>70,888</u></b>	<b><u>82,852</u></b>

## 12. Intangible assets

Cost	12,553	8,088
Accumulated amortisation and impairment	(1,964)	(1,980)
Carrying amount	<b><u>10,589</u></b>	<b><u>6,108</u></b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

Cost	Training Courses R'000	TMS R'000	Total R'000
Balance at 31 March 2010	7,113	1,543	8,656
Additions	2,536	612	3,148
Disposal	(3,716)	-	(3,716)
Balance at 31 March 2011	<u>5,933</u>	<u>2,155</u>	<u>8,088</u>
Additions*	4,493	-	4,493
Disposal	(28)	-	(28)
Balance at 31 March 2012	<u><b>10,398</b></u>	<u><b>2,155</b></u>	<u><b>12,553</b></u>

\*Included in the additions is R1.8 million non-cash acquisition

Accumulated amortisation and impairment	Training Courses R'000	TMS R'000	Total R'000
Balance at 31 March 2010	4,049	370	4,419
Amortisation expense	706	520	1,226
Disposal	(3,665)	-	(3,665)
Balance at 31 March 2011	<u>1,090</u>	<u>890</u>	<u>1,980</u>
Amortisation expense	-	-	-
Impairment loss recognised	12	-	12
Disposal	(28)	-	(28)
Balance at 31 December 2011	<u><b>1,074</b></u>	<u><b>890</b></u>	<u><b>1,964</b></u>

Training courses: capitalised course development.

TMS: capitalised Training Management System development.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

### 12. Intangible assets (continued)

The amortisation expense and impairment loss recognised are included in the line item 'amortisation and impairment' in the statement of comprehensive income.

	2011/12	2010/11
The following useful lives are used in the calculation of amortisation:		
Capitalised course development	Indefinite	3 years
Capitalised training management system	Indefinite	3 years

2011/12	2010/11
R'000	R'000

### 13. Cash and cash equivalents

Bank balances	<u>79,208</u>	<u>83,882</u>
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For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows agree with the related items in the statement of financial position.

### 14. Trade and other receivables

	Less than one year R'000	One to two years R'000	More than two years R'000	Total 2011/12 R'000	Total 2010/11 R'000
Trade receivables	24,423	3,309	11,475	39,207	45,177
Allowance for doubtful debts	-	-	(11,475)	(11,475)	(10,479)
Net trade receivables	24,423	3,309	-	27,732	34,698
Other receivables	7,045	-	-	7,045	126
<b>Total</b>	<b>31,469</b>	<b>3,309</b>	<b>-</b>	<b>34,777</b>	<b>34,824</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

### 14.1 Trade Receivables

Trade receivables disclosed above are classified as financial assets measured at amortised cost. All the amounts are classified as current assets. The fair value of trade and other receivables are disclosed in note 13.3.

Trade receivables are amounts due from customers for services performed in the ordinary course of business. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

All invoices issued to customers must be settled within 30 days from date of receipt of the invoice as per Treasury Regulation 8.2.3. However, due to delayed payment from customers the entity is assumed to provide extended credit terms of 103 days (2010/11: 113 days) to customers affecting the fair value of debt raised. Implicit interest is charged in accordance with Section 80 of the PFMA at the rates specified. As at reporting date the rates specified were 9.5% (2010/11: 9.5%) per annum on the outstanding balance.

The entity has recognised an allowance for doubtful debts of 100% against all receivables over 2 years because historical experience has been that receivables that are past due beyond 2 years are not recoverable.

The entity's legislative mandate in terms of the Public Service Act, 1994 (Act No. 103 of 1994), as amended is to provide or oversee the provision of training on a meaningful scale in the Public Service.

Consequently, the entity does not assess the credit quality of customers and does not set any credit limits per customer.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period, but against which the entity has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable.

A review of the payment history of PALAMA's customers, based on transaction data captured in the debtor administration system, revealed an average collection period of 103 days (2010/11: 113 days) from course date. Customers are expected to settle invoices within 60 days from date of issue of the invoice.

The entity does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the entity to the counterparty.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

### 14.2 Trade receivables past due, not impaired – 2011/12

	61 to 365 days R'000	366 to 730 days R'000	TOTAL 2011/12 R'000
Nominal Value	10,961	3,309	14,270
Fair Value Adjustment	(170)	-	(170)
<b>Total</b>	<b>10,791</b>	<b>3,309</b>	<b>14,100</b>

### Trade receivables past due, not impaired – 2010/11

	61 to 365 days R'000	366 to 730 days R'000	TOTAL 2011/12 R'000
Nominal Value	17,985	4,020	22,005
Fair Value Adjustment	(167)	-	(167)
<b>Total</b>	<b>17,818</b>	<b>4,020</b>	<b>21,838</b>

### 14.3 Fair value of trade receivables

	2011/12 R'000	2010/11 Restated R'000
Balance at cost price	39,613	45,534
Less: fair value adjustment	(406)	(357)
<b>Balance at fair value</b>	<b>39,207</b>	<b>45,177</b>

The fair value of trade receivables is based on cash flows discounted using the rate prescribed by the Minister of Finance in terms of section 80 of the PFMA of 9.5% (2010/11: 9.5%).



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

### 14.4 Movement in the allowance for doubtful debt

	2011/12	2010/11
	R'000	Restated R'000
Balance at 1 April	10,479	6,207
Impairment losses recognised on receivables	996	4,272
Amounts written off during the year as uncollectible	-	-
Balance at 31 March	<b>11,475</b>	<b>10,479</b>

In determining the recoverability of a trade receivable, the entity considers the movement in debt outstanding for more than 2 years from the date that the service is rendered to the end of the reporting period. The concentration of credit risk is limited due to the large and unrelated customer base and the funding provided by the National Revenue Fund to customers.

The additional allowance for doubtful debt is included in 'operating expenses' in the statement of financial position.

### 15. Trade and other payables

	30 Days	30+ days	Total 2011/12	Total 2010/11
	R'000	R'000	R'000	Restated R'000
Trade creditors	2	686	688	1,006
Accruals	11,485	-	11,485	12,691
Amount owed to PALAMA Vote 12a	-	-	-	16,407
<b>Total</b>	<b>11,487</b>	<b>686</b>	<b>12,174</b>	<b>30,104</b>

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

The entity must settle all purchases within 30 days from date of receipt of the invoice as required by Treasury Regulation 8.2.3. No interest is charged on payables. The entity has financial risk management policies in place to ensure that all payables are paid within the agreed terms.

The carrying amount of trade payables approximates their amortised cost due to their short-term maturity.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

### 16. Income received in advance

	2011/12	2010/11
	R'000	Restated R'000
Prepayments - Debtors	1,192	508
Prepayments - Others	2,280	5,464
<b>Total</b>	<b>3,472</b>	<b>5,972</b>

### 17. Employee benefit provisions

	Leave entitlement R'000	13th cheque R'000	Total 2011/12 R'000	Total 2010/11 Restated R'000
Opening balance	2,272	1,189	3,461	3,067
Additional provision	1,740	1,898	3,638	4,263
Provision utilized	(786)	(1,190)	(1,976)	(3,869)
<b>Closing balance</b>	<b>3,226</b>	<b>1,897</b>	<b>5,123</b>	<b>3,461</b>

The provision for employee benefits represents annual leave and capped leave entitlements and accrued 13th cheque.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

### 18. Deferred revenue

	2011/12	2010/11
	R'000	R'000
Government Grants	1,403	-
Government grants non-monetary at fair value	475	-
	<u>1,878</u>	<u>-</u>

The deferred revenue arises as a result of fair value of Intangible assets (training courses) received at no cost and monetary grant received for the development of training courses, both from National Treasury. The revenue will be recognised in the profit or loss when the intangible asset is derecognised.

### 19. Net cash flow available from operating activities

	2011/12	2010/11
	R'000	Restated R'000
(Deficit) / Surplus for the year	16,650	(2,255)
Non-cash movements and working capital changes	(19,646)	20,042
Allowance for doubtful debt	996	4,272
Other gains	937	-
Increase in provisions	1,662	394
Increase in deferred revenue	(1,878)	-
Amortisation and impairment charges	12	1,226
Decrease / (increase) in receivables	88	(5,649)
Increase / (Decrease) in payables	(20,474)	19,799
Net cash inflows / (outflows) from operating activities	(2,007)	17,787
Interest income	(2,993)	(2,989)
<b>Cash generated from / (utilised in) operations</b>	<b><u>(5,000)</u></b>	<b><u>14,798</u></b>
Cash received on behalf of PALAMA Vote 12a and transferred to PALAMA Vote 12a	<u>8,760</u>	<u>62,245</u>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

	2011/12	2010/11
	R'000	Restated R'000
<b>20. Contingent liabilities</b>		
Liable to		
Basetsana Consulting	<u>1,765</u>	<u>1,765</u>
Nature		
Contractual dispute		

The liability relating to the contractual dispute will only be confirmed through litigation. No hearing date has been set. The entity will not have recourse to reimbursement if the claim is upheld.

## 21. Commitments for expenditure

Current expenditure – approved and contracted	<u>10,663</u>	<u>3,241</u>
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The commitments relate mostly to goods and services required for training activities.

## 22. Lease commitments

All lease agreements are entered into by the controlling department – PALAMA Vote 12a. Therefore, all lease commitments are presented and disclosed in the financial statements of PALAMA Vote 12a. The lease payments are recovered from the PALAMATTA in accordance with the expenditure allocation policy.

The controlling department, PALAMA Vote 12a, leases office equipment used by the entity for a period of three years to 31 March 2014. The average lease payment is R 77,912 per month (2010/11: R 68,688) with no contingent lease payments. The lease agreements do not transfer substantially the risks and rewards associated with ownership of the assets to PALAMA. The lease agreements are not renewable at the end of the lease term and the entity does not have the option to acquire the equipment. No lease agreement imposes any restrictions.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

The controlling department also leases office accommodation used by the entity for a period of five years to 31 October 2012. The renewal period is four years and eleven months. The average lease payment is R1, 315,124 per month (2010/11: R 1,212,096) escalating at 8.5% per year on 31 October. The agreement contains no contingent lease payments. The agreement does not transfer substantially the risks and rewards associated with ownership of the assets to PALAMA. The lease agreement imposes no restrictions.

### 23. Related party transactions

The entity has a related party relationship with all the public sector entities falling within the portfolio of the Minister for Public Service and Administration. In addition, PALAMA Vote 12a administered the entity including the maintenance of accounting records.

During the period under review related party transactions for the provision of training, computer services and social contributions were entered into with:

Entity	Nature of transactions
PALAMA Vote 12a	Training
Department of Public Service and Administration	Training
Public Service Commission	Training
State Information Technology Agency (SITA)	Computer Services
Government Employees Medical Scheme	Social Contributions

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

### 23.1 Trading transactions

	2011/12	2010/11
	R'000	Restated R'000
Amount due (to)/by related parties on 1 April	937	(649)
Training services rendered	4,329	9,220
Payments made	<u>(4,185)</u>	<u>(7,634)</u>
Amount due (to)/by related parties at 31 March	<u><b>1,081</b></u>	<u><b>937</b></u>

### 23.2 Analysis of amounts owed by/to related parties

Amount due to related parties	-	-
Amount due by related parties	<u>1,081</u>	<u>920</u>
Net amount due (to)/by related parties	<u><b>1,081</b></u>	<u><b>920</b></u>

The entity rendered training services to related parties at the rates approved by the National Treasury in terms of Treasury Regulation 19.5.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the current or prior period for bad or doubtful debts in respect of the amounts owed by related parties.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

### 23.3 Compensation of key management personnel

	2011/12 R'000	2010/11 R'000
Paid by the controlling department		
Short-term benefits	5,471	6,016
Paid by the entity		
Short-term benefits	11,874	13,079
<b>Total</b>	<b><u>17,345</u></b>	<b><u>19,095</u></b>

Key management personnel are appointed in terms of the Public Service Act, 1994 (Act No. 103 of 1994) as amended. The remuneration of the key management personnel is determined in accordance with the Senior Management Service remuneration scales issued by the Department of Public Service and Administration on an annual basis. Performance awards are approved by the Accounting Officer having regard to the performance of the individuals.

The key management personnel of the entity include the following personnel appointed in the controlling department – PALAMA Vote 12a: Accounting Officer; Chief Financial Officer; Chief Director: Corporate Services and the Deputy Director-General: Governance and Strategic Support.

The entity does not provide post-employment benefits or other long-term benefits to key management personnel. Any potential liabilities are disclosed in the annual financial statements of the National Revenue Fund.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

24. Deficit from operations	2011/12	2010/11
	R'000	Restated R'000
(Deficit)/Surplus from operations	10,514	(7,699)
Add: Revenue recognised as finance income	2,205	2,455
Add: PSI project expenses incurred	2,266	2,785
Surplus from operating activities	<u><u>14,985</u></u>	<u><u>(2,459)</u></u>

The balance of the PSI (Public Service Induction) project funds of R8,805,091 (2010/11: R11,071,135) is included in the accumulated surplus balance.

## 25. Financial instruments

### 25.1 Capital risk management

The entity does not have share capital that is publicly tradable on the capital markets. Upon closure of the entity all assets and liabilities will be transferred to the controlling department as required by Treasury Regulation 19.9.

The objectives when managing capital (retained earnings) are to safeguard the entity's ability to continue as a going concern on the cost-recovery basis and to execute government priorities through service delivery. The annual financial statements of the entity have been prepared on the going concern basis.

### 25.2 Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset and financial liability are disclosed in note 1.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

### 25.3 Categories of financial instruments

	2011/12	2010/11
	R'000	Restated R'000
<b>Financial assets</b>		
Amortised cost		
Cash and bank balances (Note 13)	79,208	83,882
Trade and other receivables (Note 14)	34,776	34,824
	<u>113,984</u>	<u>118,706</u>
<b>Financial liabilities</b>		
Amortised cost		
Trade and other payables (Note 15)	<u>12,174</u>	<u>30,104</u>

### 25.4 Financial risk management objectives

The entity has limited exposure to financial risks due to its limited ownership (ownership is limited to the net asset holders of the controlling department – PALAMA Vote 12a) and the funding of any cash deficit by the controlling department. The entity has no exposure to foreign currency risk, cash flow interest rate risk and equity price risk.

### 25.5 Market risk

Market risk comprises the risk that changes in market prices such as foreign exchange rates, interest rates and equity or other prices will affect the entity's revenue or value of its holdings of financial instruments.

#### Foreign exchange rate risk

The trade receivables balance comprise South African government debtors only, and thus no exposure to foreign exchange risk, affecting the entity's holding of financial instruments, exists at the reporting date.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

### Interest rate risk

The entity does not finance its operating activities through borrowings. Only interest revenue is included in the financial statements, comprising interest on bank balances and implicit interest adjustments made in accordance with the fair value adjustment of revenue (IAS 18) and receivables (IAS 39).

Due to the nature of the organisation, as well as the nature of the interest reflected in the statement of comprehensive income, the entity is not exposed to interest rate risk as at the reporting date.

### Equity price risk

The entity does not invest in equity and is not exposed to market risk by way of market prices affecting its investment's equity prices.

As the entity is not exposed to any of the components comprising Market Risk, the current management objectives, policies and processes for managing and monitoring of this risk is adequate, and no sensitivity analysis is disclosed. No changes in the market risk profile, or management's considerations and monitoring with regard thereto occurred from the previous accounting period.

### 25.6 Credit risk management

Credit risk comprises the risk of financial loss to the entity if counterparty to a financial instrument fails to meet its contractual obligations.

The entity only transacts with entities in the national, provincial and local spheres of government and function within the pool of funds managed by National Treasury. The credit quality of government entities is therefore not assessed as these entities are considered creditworthy.

The entity makes use of only National Treasury approved banks representing high credit quality financial institutions.

The entity does not hold any collateral or other credit enhancements to cover credit risk. However, any cash deficit caused by government an entity defaulting on their contractual obligations is funded by the controlling department through augmentation as mentioned in Treasury Regulation 19.7.3.

The carrying amount of trade and other receivables recorded in the financial statements, which is net of impairment losses, represents the entity's maximum exposure to credit risk without taking into account any funding by the controlling department in accordance with TR 19.7.

There has been no significant change during the financial year, or since the end of the financial year, to the entity's exposure to credit risk, the approach of measurement or the objectives, policies and processes for managing this risk.

### 25.7 Liquidity risk management

Liquidity risk comprises the risk that the entity will not be able to meet its financial obligations as they fall due.

Ultimate responsibility for liquidity risk management rests with the Accounting Officer, who has established an appropriate liquidity risk management framework for the management of the entity's short-, medium- and long-term funding and liquidity management requirements. The entity manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

### Maturity analysis

The entity's remaining contractual maturity for all its financial liabilities are between one and three months.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

### 25.8 Fair value of financial instruments

The carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

Financial assets at amortised cost

Trade and other receivables – refer note 14.

Financial liabilities at amortised cost

Trade and other payables – refer note 15.

The fair value of financial assets and liabilities measured at amortised cost is determined by discounting the future cash flows at the current interest rate prescribed by the Minister of Finance in terms of section 80 of the PFMA.

## 26 Areas of significant judgement

### 26.1 Fair value adjustment of receivables and payables

The calculation of the fair value adjustment of receivables is based on an assessment of the average age of receivables. All receivables are assumed to settle their accounts on the average settlement period. The receivables balance is discounted to its current fair value over this term at the government gazetted rate. As at reporting date the rates specified were 9.5%

(2010/11: 9.5%) per annum on the outstanding balance.

The gross payables have been assumed to approximate their fair value as the company policy is to settle all payables one month of invoice date.

### 26.2 Determination of allowance for doubtful debts

The calculation in respect of the impairment of debtors is based on a historical assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to subsequently make payments. The entity has recognised an allowance for doubtful debts of 100% against all receivables over 2 years because historical experience has been that receivables that are past due beyond 2 years are not recoverable. Refer to note 14.

## 27 Events after reporting period

The entity is not aware of any events subsequent to year end which might require adjustment of the stated figures.

## 28 Change in accounting estimates

### Intangible assets

The useful life of training courses and training management system was estimated in prior years to be 3 years. In the

current period management have revised the estimate to be indefinite useful life. The effect of this revision has decreased the amortisation charge for the current and future periods by R1, 229,043.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

### 29 Prior period error

29.1 Some accruals pertaining to the year ended 31 March 2011 were incorrectly omitted from the accruals listing as at that date. The result of the correction of prior period is detailed below:

	2011/12 R' 000	2010/11 R' 000
Increase in administrative expenses	-	5
Increase in operating expenses	-	4,264
Decrease in trade and other receivables	-	(2,915)
Increase in trade and other payables	-	(1,354)

29.2 Capital expenditure on Intangible assets pertaining to the year ended 31 March 2010 and 31 March 2011 were incorrectly expensed. The result of the correction of prior period is detailed below:

Increase in capital assets: intangible assets	-	157
Decrease in operating expenses	-	(72)
Increase in opening balance of accumulated surplus	-	(85)

29.3 Website costs incorrectly capitalised as intangible assets in 2007/8 financial year. The result of the correction of prior period is detailed below:

	2011/12 R' 000	2010/11 Restated R' 000
Decrease in capital assets: Intangible assets	-	(117)
Decrease in accumulated amortisation	-	88
Decrease in operating expenses	-	(21)
Decrease in opening balance for accumulated surplus	-	50

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

	2011/12	2010/11
	R' 000	Restated R' 000

29.4 Gain on value of intangible assets received from a donor at no cost was not transferred to the income and loss. The result of the correction of prior period is detailed below:

Decrease in income received in advance	-	261
Increase in opening balance of accumulated surplus	-	(261)

29.5 The financial statements as at 31 March 2012 have been restated to correct these errors.

The impact of the restatement on the financial statements is summarised below:

The comparative amounts have been restated as follows:

Effect on statement of financial performance

Increase in administrative expenses	-	5
Increase in operating expenses	-	4,171
Increase in deficit for the year	<u>-</u>	<u>4,176</u>

Effect on statement of financial position

Increase in trade and other payables	-	(1,354)
Decrease in trade and other receivables	-	(2,915)
Increase in capital assets: intangible assets	-	40
Decrease in income received in advance	-	261
Decrease in accumulated amortization	-	88
Increase in accumulated surplus – opening balance	-	(296)
Decrease in accumulated surplus	-	4,176
Net effect on statement of financial position	<u>-</u>	<u>-</u>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

### 30 Unauthorised, irregular, fruitless and wasteful expenditure

#### 30.1 Irregular expenditure

The following are items of irregular expenditure incurred by the entity:

	Opening balance	Irregular expenditure	Condoned	Closing balance
Prior approval was not obtained for development of training material	-	69	(69)	-
Utilisation of a service provider whose contract had expired	-	27	(27)	-
Incorrect HDI points allocated resulting in an incorrect award	-	31	(31)	-
	-	<b>127</b>	<b>(127)</b>	-

Details of irregular expenditure - Current year

Incident	Disciplinary steps taken	2011/12 R'000
Development of training material without prior approval	None-responsible official resigned	69
Utilisation of service provider whose contract had expired	None- procedures clarified & staff retrained	27
Incorrect HDI points allocated resulting in an incorrect award.	None - error was once-off isolated incident	31
<b>Total</b>		<b>127</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2012

### 30.2 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. The following are items of fruitless and wasteful expenditure incurred by the entity:

	Opening balance	Fruitless and wasteful expenditure	Written off	Closing balance
Cancellation costs of air ticket	-	3	(3)	-
	-	3	(3)	-

#### Details of fruitless and wasteful expenditure - Current year

Incident	Disciplinary steps taken	R'000
Service provider cancellation cost of air tickets due to change of venue to reduce costs for PALAMA	None	3
		3

### 31 Approval of Financial Statements

The financial statements were approved by the Accounting Officer and authorised for issue.

## Part Four: Human Resource Management Report





# Part Four: Human Resource Management Report

## 4.1 Expenditure

The PALAMA budget provides for clearly defined programmes. 40% of PALAMA's total expenditure accounts for personnel costs (including both Vote and Trade Accounts). The tables below (16 and 17) summarise final audited expenditure on personnel by programme and by salary band for the 2011/12 financial year:

Table 16: Personnel costs by programme

Programme	Total expenditure R'000	Personnel expenditure R'000	Training expenditure R'000	Professional and special services R'000	Personnel cost as a percentage of total expenditure	Average personnel cost per employee R'000
Vote Programme 1	62 453	28 925	611	13 439	46%	578
Vote Programme 2	49 049	-	-	-	-	-
PALAMA TTA	129 509	51 459	288	43 265	40%	468
Total	241 011	80 384	899	56 704	40%	502

Table 17: Personnel costs by salary band

Salary band	Personnel expenditure R'000	% of total personnel cost	Average personnel cost per employee R'000
Senior management (Levels 13 – 16)	36 687	46%	894
Highly skilled supervision (Levels 9 – 12)	26 317	33%	431
Highly skilled production (Levels 6 – 8)	15 099	19%	218
Skilled (Levels 3 – 5)	2 281	3%	326
Lower skilled (Levels 1 – 2)	-	0%	-
Total	80 384	100%	449

The expenditure on personnel incurred as a result of salaries, overtime, home owners allowance and medical assistance is reflected in the tables below (18 and 19), providing for expenditure

on personnel by programme and expenditure by salary band. In each case, the table provides an indication of the percentage of the personnel budget that was used for these items.

Table 18: Salaries, overtime, home owners allowance and medical assistance by programme, 2011/12

Programme	Salaries		Overtime		Home owners allowance (HOA)		Medical assistance	
	Amount R'000	as a % of personnel cost	Amount R'000	as a % of personnel cost	Amount R'000	as a % of personnel cost	Amount R'000	as a % of personnel cost
Vote Programme 1	18 575	23%	8	0%	416	1%	948	1%
PALAMA TTA	33 854	42%	41	0%	646	1%	1 434	2%
Total	52 429	65%	49	0%	1 062	1%	2 382	3%

Table 19: Salaries, overtime, home owners allowance and medical assistance by salary band, 2011/12

Salary band	Salaries		Overtime		Home owners allowance (HOA)		Medical assistance	
	Amount R'000	as a % of personnel cost	Amount R'000	as a % of personnel cost	Amount R'000	as a % of personnel cost	Amount R'000	as a % of personnel cost
Senior management (Levels 13-16)	21 898	27%	0	0%	409	1%	540	1%
Highly skilled supervision (Levels 9-12)	18 831	23%	6	0%	230	0%	890	1%
Highly skilled production (Levels 6-8)	10 406	13%	29	0%	339	0%	779	1%
Skilled (Levels 3-5)	1 293	2%	14	0%	85	0%	172	0%
Lower skilled (Levels 1-2)	0	0%	0	0%	0	0%	0	0%
Total	52 429	65%	49	0%	1 092	1%	2 382	3%

# Part Four: Human Resource Management Report

## 4.2 Employment and Vacancies

The number of posts in the approved staff establishment, the number of filled posts, the vacancy rate, and the number of filled posts that is additional to the approved staff establishment, is summarised in the tables below (20 and 21). This information is presented according to two key variables: by programme and by salary band. The vacancy rate reflects the percentage of posts that are not filled as at end of 31 March 2012. PALAMA's vacancy rate in this period was 19.7%, with the highest vacancies in the junior, middle and senior management levels

Table 20: Employment and vacancies by programme by 31 March 2012

Programme	Number of posts	Number of posts filled	% vacancy rate	Number of posts filled additional to the establishment
Vote Programme I	86	69	19.8%	0
PALAMA TTA	137	110	19.7%	0
Total	223	179	19.7%	0

Table 21: Employment and vacancies by salary band by 31 March 2012

Salary band	Number of posts	Number of posts filled	% vacancy rate	Number of posts filled additional to the establishment
Senior management (Levels 13-16)	51	41	19.6%	0
Highly skilled supervision (Levels 9-12)	78	61	21.8%	0
Highly skilled production (Levels 6-8)	85	69	18.8%	0
Skilled (Levels 3-5)	9	8	11.1%	0
Lower skilled (Levels 1-2)	0	0	0%	0
Total	223	179	19.7%	0%

The information in tables 20 and 21 reflects the situation as at 31 March 2012. For further indication of changes in staffing patterns over the year under review, please refer to Section 4.4 of this report.

### Vacancy rate calculated on funded vacant posts

The highest vacancy rate of 21.8% is at salary levels 9 to 12, which is reflected in table 21 above. This is as a result of a delay of newly defined posts created after the reconfiguration of PALAMA on 1 April 2012. With effect from 1 April 2011, a total of 36 employees who were appointed on contract, additional to the fixed establishment, were held against vacant funded posts. These figures do not include the eight interns who were employed during the financial year.

## 4.3 Job Evaluation

The Public Service Regulations Part IV (1999) introduced job evaluation as a way of ensuring that work of equal value is equally remunerated. Within a nationally determined framework, an executing authority may evaluate or re-evaluate any job in his or her organisation. In terms of the Regulations, all vacancies on salary levels 9 and higher must be evaluated before they are filled. The number of jobs that were evaluated during the year under review, is reflected in table 22 below. The table also provides statistics on the number of posts that were upgraded.

# Part Four: Human Resource Management Report

Table 22: Job evaluation, 1 April 2011 to 31 March 2012

Salary band	Number of posts	Number of Jobs Evaluated	% of posts evaluated by salary bands	Posts upgraded		Posts downgraded	
				Number	% of posts evaluated	Number	% of posts evaluated
Senior management (Levels 13-16)	51	2	3.9%	-	-	-	-
Highly skilled supervision (Levels 9-12)	78	2	2.6%	-	-	-	-
Highly skilled production (Levels 6-8)	85	16	18.8%	1	1.2%	-	-
Skilled (Levels 3-5)	9	3	33.3%	2	22.2%	-	-
Lower skilled (Levels 1-2)	0	0	0%	-	-	-	-
<b>Total</b>	<b>223</b>	<b>23</b>	<b>10.3%</b>	<b>3</b>	<b>1.3%</b>	<b>0</b>	<b>0%</b>

Table 23: Profile of Employees whose salaries were upgraded due to their posts being upgraded, 1 April 2011 to 31 March 2012

Beneficiaries	African	Asian	Coloured	White	Total
Female	2	-	-	-	2
Male	1	-	-	-	1
<b>Total</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3</b>
Employees with a disability					NONE

## 4.4 Employment Changes

- This section provides information on changes in employment during the financial year. Turnover rates provide an indication of trends in the employment profile of PALAMA, and the table below (table 24) provides a summary of turnover rates by salary band. During the course of the financial year, 22 employees left PALAMA. The reasons why staff left PALAMA, are reflected in table 25 below.

Table 24: Annual turnover rates by salary band, 1 April 2011 to 31 March 2012

Salary band	Number of employees per band as on 31 March 2011	Appointments and transfers into the Department	Terminations and transfers out of the Department	% Turnover rate
Senior management (Levels 13-16)	44	4	7	15.9%
Highly skilled supervision (Levels 9-12)	61	7	7	11.4%
Highly skilled production (Levels 6-8)	72	3	8	11.1%
Skilled (Levels 3-5)	10	-	-	-
Lower skilled (Levels 1-2)	0	-	-	-
<b>Total</b>	<b>187</b>	<b>16</b>	<b>22</b>	<b>11.8%</b>

In comparison with the previous financial year, the turnover rate increased by 3.8%.

Table 25: Reasons why staff left PALAMA, 1 April 2011 to 31 March 2012

Termination type	Number	% of total terminations
Death	0	0%
Resignation	11	50%
Expiry of contract	2	9.1%
Voluntary severance packages	0	0%
Transfers to other public service departments	2	9.1%
Promotions to a higher post	4	18.2%
Dismissal – operational changes	0	0%
Dismissal – misconduct	2	9.1%
Dismissal – inefficiency	0	0%
Discharged due to ill-health	0	0%
Retirement	1	4.5%
<b>Total</b>	<b>22</b>	<b>100%</b>

# Part Four: Human Resource Management Report

Table 26: Promotions of staff by salary band, by 31 March 2012

Salary band	Employees 1 April 2011	Promotions to another salary level	Salary band promotions as a % of employees by salary level	Progressions to another notch within a salary level	Notch progressions as a % of employees by salary band
Senior management (Levels 13–16)	44			34	77.3%
Highly skilled supervision (Levels 9-12)	61	1	1.6%	47	77%
Highly skilled production (Levels 6-8)	72	1	1.4%	48	66.6%
Skilled (Levels 3-5)	10			10	100%
Lower skilled (Levels 1-2)	0			0	0%
<b>Total</b>	<b>187</b>	<b>2</b>	<b>1%</b>	<b>139</b>	<b>74.3%</b>

## 4.5 Employment Equity

The female-male gender ratio as at the end of the financial year was 65% (116 females) to 35% (63 males).

The tables in this section are based on the formats prescribed by the Employment Equity Act, 1998 (Act No. 55 of 1998).

Table 27: Total number of employees (including employees with disabilities) in each of the following occupational categories, by 31 March 2012

Occupational categories	Male				Female				Total
	A	C	I	W	A	C	I	W	
Legislators, senior officials and managers (Levels 13–16)	14	0	1	4	9	3	4	6	41
Professionals (Levels 9 – 12)	19	2	3	6	19	5	1	6	61
Clerks (Levels 3 – 8)	13	0	0	1	48	7	1	7	77
Elementary occupations (Levels 1 – 2)									
<b>Total</b>	<b>46</b>	<b>2</b>	<b>4</b>	<b>11</b>	<b>76</b>	<b>15</b>	<b>6</b>	<b>19</b>	<b>179</b>
Employees with disabilities					1		1		2

Table 28: Total Number of employees (including employees with disabilities) in each of the following Occupational Band, by 31 March 2012

Occupational categories	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top management (Levels 15–16)	2	0	0	0	1	0	0	0	3
Senior management (Levels 13 – 14)	12	0	1	4	8	3	4	6	38
Professionally qualified and experienced specialists and mid-management (Levels 9 – 12)	19	2	3	6	19	5	1	6	61
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents (Levels 6 – 8)	9	0	0	1	44	7	1	7	69
Semi-skilled and discretionary decision making (Levels 3 – 5)	4	0	0	0	4	0	0	0	8
Unskilled and defined decision-making (Levels 1 – 2)	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>46</b>	<b>2</b>	<b>4</b>	<b>11</b>	<b>76</b>	<b>15</b>	<b>6</b>	<b>19</b>	<b>179</b>
Employees with disabilities	-	-	-	-	1	-	1	-	2

Table 29: Recruitment of staff, 1 April 2011 to 31 March 2012

Occupational categories	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top management (Levels 15–16)									-
Senior management (Levels 13 – 14)				1	3				4
Professionally qualified and experienced specialists and mid-management (Levels 9 – 12)	3			3	3				9
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents (Levels 6 – 8)	1				2				3
Semi-skilled and discretionary decision-making (Levels 3 – 5)									-
Unskilled and defined decision-making (Levels 1 – 2)									-
<b>Total</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>8</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16</b>
Employees with disabilities									0

# Part Four: Human Resource Management Report

Table 30: Terminations of staff, 1 April 2011 to 31 March 2012

Occupational categories	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top management (Levels 15–16)		1							1
Senior management (Levels 13 – 14)	1	1	1		2			1	6
Professionally qualified and experienced specialists and mid-management (Levels 9 – 12)	3		1					4	8
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents (Levels 6 – 8)	2				2			3	7
Semi-skilled and discretionary decision-making (Levels 3 – 5)									-
Unskilled and defined decision-making (Levels 1 – 2)									-
Total	6	2	2	0	4	-	-	8	22
Employees with disabilities									0

## 4.6 Human Resource Management

### 4.6.1 Signing of Performance Agreements by SMS members

Table 31: Performance agreements signed by SMS Members

SMS Level	Total number of funded SMS posts per level	Total number of SMS members per level on 1 April 2011	Total number of signed performance agreements per level	Signed performance agreements as % of total number of SMS members per level
Director-General (Level 16)	1	1	1	100%
Deputy Director-General (Level 15)	3	3	3	100%
Chief Director (Level 14)	16	15	14	93.3%
Director (Level 13)	31	24	23	95.8%
Total	51	44	42	95.5%

Note: Two SMS members did not conclude a Performance Agreement.

### 4.6.2 Filling of SMS Posts

Table 32: Information on SMS posts, by 31 March 2011

SMS Level	Total number of funded SMS posts per level	Total number of SMS posts filled per level	% of SMS posts filled per level	Total number of SMS posts vacant per level	% of SMS posts vacant per level
Director-General (Level 16)	1	1	100%	0	0%
Deputy Director-General (Level 15)	6	3	50%	3	50%
Chief Director (Level 14)	16	14	88%	2	12%
Director (Level 13)	32	26	81%	6	19%
Total	55	44	80%	11	20%

Table 33: Information on SMS posts, by 30 September 2011

SMS Level	Total number of funded SMS posts per level	Total number of SMS posts filled per level	% of SMS posts filled per level	Total number of SMS posts vacant per level	% of SMS posts vacant per level
Director-General (Level 16)	1	1	100%	0	0%
Deputy Director-General (Level 15)	3	3	100%	0	0%
Chief Director (Level 14)	16	15	93.8%	1	6.2%
Director (Level 13)	31	24	77.4%	7	22.6%
Total	51	43	84.3%	8	15.7%

Table 34: Information on SMS posts, by 31 March 2012

SMS Level	Total number of funded SMS posts per level	Total number of SMS posts filled per level	% of SMS posts filled per level	Total number of SMS posts vacant per level	% of SMS posts vacant per level
Director-General (Level 16)	1	1	100%	0	0%
Deputy Director-General (Level 15)	3	2	66.7%	1	33.3%
Chief Director (Level 14)	16	15	93.8%	1	6.2%
Director (Level 13)	31	23	74.2%	8	25.8%
Total	51	41	80.4%	10	19.6%

# Part Four: Human Resource Management Report

The table above illustrates that there is no significant movement since the previous financial year in the filling of vacancies on SMS level.

Table 35: Advertising and filling of SMS posts, 1 April 2011 to 31 March 2012

SMS Level	Total number of funded SMS posts per level		Filling of posts	
	Number of vacancies per level advertised in 6 months after becoming vacant	Number of vacancies per level filled in 6 months after becoming vacant	Number of vacancies per level not filled in 6 months, but filled in 12 months	
Director-General (Level 16)				
Deputy Director-General (Level 15)	1			
Chief Director (Level 14)	1	1		1
Director (Level 13)	5			2
Total	7	1		3

## 4.7 Performance Rewards

The tables below illustrate performance awards paid out to employees in terms of race, gender and disability and salary band. Performance rewards seek to encourage good performance and service delivery.

Table 36: Performance rewards by race, gender and disability, 1 April 2011 to 31 March 2012

	Beneficiary profile			Cost	
	Number of beneficiaries	Total number of employees in group as on 1 April 2011	% of total within group	Cost R'000	Average cost per employee R'000
African	59	121	48.8%	941	16
Male	19	48	39.6%	309	16
Female	40	73	54.8%	632	16
Coloured	5	19	26.3%	89	18
Male	0	4	0%	0	0
Female	5	15	33.3%	89	18
Indian	2	12	16.7%	29	15
Male	1	6	16.7%	17	17
Female	1	6	16.7%	12	12
White	16	35	45.7%	301	19

Male	4	8	50%	70	18
Female	12	27	44.4%	231	19
Total	82	187	43.8%	1,360	17
Employees with a disability	1	3	33.3%	9	9

Table 37: Performance rewards by salary band for personnel below SMS, 1 April 2011 to 31 March 2012

Salary band	Beneficiary profile			Cost		
	Number of beneficiaries	Number of employees	% of total within salary band	Total cost R'000	Average cost per employee R'000	Total cost as a % of the total personnel expenditure
Highly skilled supervision (Levels 9-12)	27	61	44.2%	506	18	1.9%*
Highly skilled production (Levels 6-8)	45	72	62.5%	751	17	4.9%*
Skilled (Levels 3-5)	10	10	100%	103	10	4.5%*
Lower skilled (Levels 1-2)	0	0	0%	0	0	0%*
Total	82	143	57.3%	1,360	17	1.7%*

\*Total costs as a percentage of the total personnel expenditure calculated as total costs divided by the personnel expenditure (Table 17)

Table 38: Performance related rewards (cash bonus) by salary band for SMS, 1 April 2011 to 31 March 2012

Salary band	Beneficiary profile			Cost		
	Number of beneficiaries	Number of employees	% of total within salary band	Total cost R'000	Average cost per employee R'000	Total cost as a % of the total personnel expenditure
None (0) SMS members received performance related awards (cash bonus) during this financial year.						

## 4.8 Foreign Workers

PALAMA employed no foreign workers during this financial year.

# Part Four: Human Resource Management Report

## 4.9 Leave utilisation for the period 1 January 2011 to 31 December 2011

Table 39: Sick leave, 1 January 2011 to 31 December 2011

Salary band	Total days	% days with medical certificate	Number of employees using sick leave	% of total employees using sick leave	Average days per employee	Estimated cost (R'000)
Senior management (Levels 13–16)	215	82.3%	37	88.1%	13	398
Highly skilled supervision (Levels 9 – 12)	424	80.4%	52	92.9%	33	506
Highly skilled production (Levels 6 – 8)	431	78.9%	55	79.7%	23	251
Skilled (Levels 3 – 5)	81	85.2%	10	100%	14	28
Lower skilled (Levels 1 – 2)	0	0%	0	0%	0	0
<b>Total</b>	<b>1 151</b>	<b>80.5%</b>	<b>154</b>	<b>87%</b>	<b>7</b>	<b>1,183</b>

In terms of the table above, the highest utilisation of sick leave is at salary levels 9 to 12 (92,9%) and levels 3 to 5 (100%) respectively. The highest estimated cost is at salary levels 9 to 12 (R506,000), due to the utilisation of sick leave for long periods. This excludes sick leave utilisation of seven interns for 33 days with an estimated cost of R7 594,41.

Table 40: Annual leave, 1 January 2011 to 31 December 2011

Salary band	Total days taken	Total number of employees utilising annual leave	Average days per employee
Senior management (Levels 13–16)	823	43	19
Highly skilled supervision (Levels 9 – 12)	1 136	54	21
Highly skilled production (Levels 6 – 8)	1 016	56	18
Skilled (Levels 3 – 5)	209	11	19
Lower skilled (Levels 1 – 2)	0	0	0
<b>Total</b>	<b>3 184</b>	<b>164</b>	<b>19</b>

\*Annual leave of seven interns excluded amounting to 16 days.

Table 41: Capped leave, 1 January 2011 to 31 December 2011

Salary band	Total days of capped leave taken	Total number of employees using capped leave	Average number of days taken per employee	Capped leave credits as at 31/12/2011	Number of employees with capped leave	Average capped leave per employee as at 31/12/2011
Senior management (Levels 13–16)	-	-	-	525.23	12	43.77
Highly skilled supervision (Levels 9 – 12)	1	1	1	938.35	22	42.65
Highly skilled production (Levels 6 – 8)	-	-	-	144.7	8	18.09
Skilled (Levels 3 – 5)	-	-	-	102.72	6	17.12
Lower skilled (Levels 1 – 2)	-	-	-	0	0	0
<b>Total</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1 711</b>	<b>48</b>	<b>35.65</b>

\*Average capped leave per employee calculated capped leave credits divided by the number of employees with capped leave. In comparison with the previous year, there are four employees less with capped leave credits, due to terminations (i.e. resignations, dismissals and transfers out). This has resulted in a decrease in total capped leave credits for the current financial year with 1 16,24 days. However, due to transfers of two employees on SMS level into the department, the capped leave credits increased with 21,92 days.

Table 42: Leave pay-outs, 1 April 2011 to 31 March 2012

Reason	Total amount R'000	Number of employees	Average payment per employee R'000
Leave pay-out for 2011/12 due to non-utilisation of leave for the previous cycle	80	4	20
Capped leave pay-out on termination of service for 2011/12	68	1	68
Current leave pay-out on termination of service for 2011/12	124	10	12
<b>Total</b>	<b>272</b>	<b>15</b>	<b>18</b>

\*Average payment per employee is calculated as total amount by the number of employees. Leave pay-outs of three interns on expiry of contracts are excluded as well as encashment of leave for six employees for twenty years long-service awards.

# Part Four: Human Resource Management Report

## 4.10 HIV/AIDS and Health Promotion Programmes

No units or categories of employees within PALAMA were identified to be at high risk of contracting HIV and related diseases and it was therefore not necessary to take specific steps to reduce the risk of occupational exposure.

Table 43: Details of health promotion and HIV and AIDS programmes

Question	Yes	No	Details, if yes
1. Has the Department designated a member of the SMS to implement the provisions contained in Part VI E of Chapter 1 of the Public Service Regulations, 2001? If so, provide her/his name and position.	✓		Ms N C Siwisa, Director: HRM & D
2. Does the Department have a dedicated unit or has it designed specific staff members to promote the health and wellbeing of its employees? If so, indicate the number of employees who are involved in this task and the annual budget that is available for this purpose.	✓		Two staff members, additional funding for projects (R182 000) and annual salaries for two staff members (R522 487, 86). Total budget R704 487, 86.
3. Has the Department introduced an Employee Assistance or Health Promotion Programme for its employees? If so, indicate the key elements/services of this programme.	✓		Managing HIV and AIDS in the workplace Wellness management (physical, spiritual and psychological – EAP)
4. Has the Department established (a) committee(s) as contemplated in Part VI E.5(e) of Chapter 1 of the Public Service Regulations, 2001? If so, please provide the names of the members of the committee and the stakeholder(s) that they represent.	✓		Mr R Mdlalo : Corporate Services (Chair) Members: Ms A Montana: Corporate Services Mr I Masilo: Corporate Services Ms B Barnard: Professional Support Mr C Matsei: Training Delivery Ms G Manzini: Training Delivery Mr J Devasahayam: Training Delivery Mr J Pietersen: Training Delivery Ms S Mokgani: Training Delivery

Question	Yes	No	Details, if yes
5. Has the Department reviewed its employment policies and practices to ensure that these do not unfairly discriminate against employees on the basis of their HIV status? If so, list the employment policies/practices so reviewed.	✓		Developed an HIV/AIDS and TB Operational Plan  Drafted the Standard Operating Procedure (SOP) for HIV/AIDS, STIs and TB Management
6. Has the Department introduced measures to protect HIV positive employees or those perceived to be HIV positive from discrimination? If so, list the key elements of these measures.	✓		HIV/AIDS Operational Plan  Advocacy and awareness programmes on key calendar days that focus on HIV issues
7. Does the Department encourage its employees to undergo voluntary counselling and testing (VCT)? If so, list the results that you have achieved.	✓		HIV Counselling and Testing (HCT) campaign adopted and 18% of staff tested  More testing as part of the HIV/AIDS Operational Plan and the HCT strategy, is encouraged  Conduct quarterly HIV counselling and testing of all staff
8. Has the Department developed measures/indicators to monitor and evaluate the impact of its health promotion programmes? If so, list these measures/indicators.	✓		Quarterly and annual reports from the service providers



# Part Four: Human Resource Management Report

## 4.1 | Labour Relations

No collective agreements were entered into with trade unions within PALAMA in the 2011/12 period. The main focus for consultation within the Departmental Bargaining Chamber (DBC) was on the HRM&D policies. The following tables summarise the outcome of disciplinary hearings conducted, grievances and disputes lodged and strike actions within PALAMA for the year under review.

Table 44: Misconduct and disciplinary hearing finalised

Misconducts and disciplinary hearings – 2011/12	Number	% of total
Correctional counselling	-	-
Verbal warning	-	-
Written warning	-	-
Final written warning	1	25%
Suspended without pay	-	-
Fine	-	-
Demotion	-	-
Dismissal	2	50%
Not guilty	1	25%
Case withdrawn	-	-
Total	4	100%

Table 45: Types of misconduct addressed at disciplinary hearings, 1 April 2011 to 31 March 2012

Type of Misconduct – 2011/12	Number	% of total
Fraud – financial misconduct	3	75%
Unauthorised utilisation of PALAMA property (training manuals)	1	25%

Table 46: Grievances lodged, 1 April 2011 to 31 March 2012

Grievances lodged – 2011/12	Number	% of total
Number of grievances resolved	4	57%
Number of grievances not resolved	3	43%
Total number of grievances lodged	7	100%

Table 47: Disputes lodged with Councils, 1 April 2011 to 31 March 2012

Disputes lodged with Councils – 2011/12	Number	% of total
Number of disputes resolved	1	20%
Number of disputes not resolved	4	80%
Total number of disputes lodged	5	100%

Table 48: Strike actions, 1 April 2011 to 31 March 2012

Strike actions – 2011/12	Number of person days
No strike actions during this period	0

Table 49: Precautionary suspensions, 1 April 2011 to 31 March 2012

Suspensions – 2011/12	Number of person days
Number of people suspended	4
Average number of calendar days suspended	182.75
Cost of suspension	R492,714.00

# Part Four: Human Resource Management Report

## 4.12 Skills Development

This section highlights PALAMA's efforts to skills development among its staff.

Table 50: Training needs identified, 1 April 2011 to 31 March 2012

Occupational categories	Gender	Number of employees as at 1 April 2011	Training needs identified at start of reporting period			
			Learner-ships	Skills programmes and other short courses	Other forms of training	Total
Legislators, senior officials and managers (Levels 13 – 16)	Females	22	-	19	-	-
	Males	22	-	18	-	-
Professionals (Levels 9 – 12)	Females	32	-	31	-	-
	Males	29	-	30	-	-
Clerks (Levels 3 – 8)	Females	67	-	35	-	-
	Males	15	-	34	-	-
Elementary occupations (Levels 1 – 2)	Females	0	-	0	-	-
	Males	0	-	0	-	-
Subtotal	Females	121	-	85	-	-
	Males	66	-	82	-	-
Total		187	-	167	**7	-

\*167/187(89%) as per planned training (number to be trained) approved in the approved WSP 2011/12

\*\*7 Planned ABET

Table 51: Training provided, 1 April 2011 to 31 March 2012

Occupational categories	Gender	Number of employees as at 1 April 2011	Training provided within the reporting period			
			Learner-ships	Skills programmes and other short courses	Other forms of training (Bursaries and ABET)	Total
Legislators, senior officials and managers (Levels 13–16)	Females	22	-	20	1	21
	Males	22	-	19	1	20
Professionals (Levels 9 – 12)	Females	32	-	22	4	26
	Males	29	-	26	4	30
Clerks (Levels 3 – 8)	Females	67	-	59	8	67
	Males	15	-	11	3	14
Elementary occupations (Levels 1 – 2)	Females	0	-	0	0	0
	Males	0	-	0	0	0
Subtotal	Females	121	-	101	13	114
	Males	66	-	56	8	64
Total		187	-	*157	**21	178

\*157 is the total number of employees trained for the 2011/12 financial year

\*\* (Other forms of training) 14 are bursaries awarded and 7 attended ABET = 21

The tables above illustrate that during this reporting period, employees were trained in 94% (157/167) of the identified total training needs.

# Part Four: Human Resource Management Report

## 4.13 Injury on duty

The table below provides basic information regarding injury on duty.

Table 52: Injury on duty, 1 April 2011 to 31 March 2012

Nature of injury on duty	Number	% of total number of staff
Required basic medical attention only	None	0%

## 4.14 Utilisation of Consultants

Table 53: Report on consultant appointments using appropriated funds, 1 April 2011 to 31 March 2012 (Combining Vote and Trade Account)

Project Title	Total number of consultants	Duration in workdays	Contract value R'000
Management consulting			
Change consultants			
Financial consulting	2	Ad-hoc	52
Legal consultants			
Temporary administrative staff			
Internal audit services		Ad-hoc	1648
AMDIN management consultants			
Induction programme			
International relations			
Training of national and provincial departments and local government	152	Ad-hoc	10 738
Facilities management services		Daily	4247
IT outsource services		Daily	7736
Total	154		24421

152 of these are on Trade Account

Table 54: Report on consultant appointments using Donor funds, 1 April 2011 to 31 March 2012

Consultant appointments	Total
Number of consultants appointed	7

## 4.15 Employee-initiated Severance Packages

None

## Part Five: Other Information



## Part Five: Other Information

### 5.1 PALAMA Social Responsibility

#### Nelson Mandela Day

In response to the national call to honour former President, Mr Nelson Mandela, on Nelson Mandela Day, PALAMA worked with the Tshwane Leadership Foundation and identified Lerato House as a beneficiary for selfless activities. Lerato House is a home for young girls (aged 0 to 18) who are victims of human trafficking, drugs, abuse and prostitution. It is a temporary house for girls which work together with Tswelelang Home (which is a foster home). Lerato House also runs a crèche for kids whose mothers are not working and or are street hawkers. The crèche is run free of charge to the affected families, though donations are sometimes received from the parents.

Through individual generous contributions by PALAMA employees, donations were handed over to Lerato House, and employees also interacted with the staff and children.

#### World AIDS Day

PALAMA and the neighbouring Department of Energy collaborated on 2 December 2011 in commemoration of World AIDS days, 16 days of Activism and International day of persons with disabilities. The event was attended by employees and senior officials from both departments, which included a talk by a person living with HIV, and talks about shared experiences and challenges as people living with disabilities. The Director-General lit the candle of hope in support of all people infected and affected by HIV and AIDS. Different service providers were also on site to provide screening for different health conditions.

## Part Five: Other Information

### 5.2 Abbreviations and Glossary of Terms

Abbreviation	Description
AMDIN	African Management Development Institutes' Network
AMDP	Advanced Management Development Programme
BAS	Basic Accounting System
CAPAM	Commonwealth Association of Public Administration and Management
CIDA RCB	Canadian International Development Agency Regional Capacity Building
CPSI	Centre for Public Service Innovation
DPSA	Department of Public Service and Administration
DRC	Democratic Republic of Congo
EC	Eastern Cape
EDP	Executive Development Programme
EMDP	Emerging Management Development Programme
ENA	Ecole Nationale D'Administration
ENE	Estimates of National Expenditure
ETQA	Education and Training Quality Assurance
EWS	Early Warning System
FMDP	Foundation Management Development Programme
FPE	Facilitator and Participant Evaluation
GEMS	Government Employees Medical Scheme
GMP	Gender Mainstreaming Programme
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
HEI	Higher Education Institution

Abbreviation	Description
HRD	Human Resource Development
HRM	Human Resource Management
HRM&D	Human Resource Management and Development
IASIA	International Association of Schools and Institutes of Administration
IBSA	India Brazil South Africa
ICT	Information and Communication Technology
IFRS	International Financial Reporting Standards
IGW	Inter-Governmental Workshop
IIC	Independent Individual Contractor
InWEnt	Internationale Weiterbildung und Entwicklung gGmbH
JMMS	Junior and Middle Management Service
KZN	KwaZulu-Natal
LCBP	Legislatures Capacity Building Programme
LGSETA	Local Government Sector Education and Training Authority
M&E	Monitoring and Evaluation
MDI	Management Development Institute
MISS	Minimum Information Security Standards
MPSA	Ministry for the Public Service and Administration
NC	Northern Cape
NQF	National Qualifications Framework
NW	North West
OD	Organisational Design
ODA	Official Donor Assistance

Abbreviation	Description
OPSC	Office of the Public Service Commission
PAIA	Promotion of Access to Information
PAJA	Promotion of Administrative Justice
PALAMA	Public Administration Leadership and Management Academy
PMDS	Performance Management and Development System
PFMA	Public Finance Management Act
PSC	Public Service Commission
PSETA	Public Service Sector Education and Training Authority
PSI	Public Service Induction
PSTF	Public Sector Trainers' Forum
REQ	Reaction Evaluation Questionnaire
SAHRC	South African Human Rights Commission
SALGA	South African Local Government Association
SAQA	South African Qualifications Authority
SCM	Supply Chain Management
SCOA	Standard Chart of Accounts
SETA	Sector Education and Training Authority
SITA	State Information Technology Agency
SLA	Service Level Agreement
SMS	Senior management service
SOPs	Standard Operating Procedures
TMS	Training Management System
TNA	Training Needs Analysis
ToT	Training of Trainers

## Part Five: Other Information

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## Part Five: Other Information

### 5.4 Additional Information

The Director-General of PALAMA is also the Information Officer in terms of the Promotion of Access to Information Act, and can be contacted as follows:

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