

MINISTRY OF FINANCE

ANNUAL PERFORMANCE REPORT

2010/2011

FINANCIAL YEAR

TABLE OF CONTENTS

VISION	3
MISSION STATEMENT.....	3
VALUE STATEMENT.....	3
GOALS AND OBJECTIVES	3
MAIN OBJECTIVES FOR THE YEAR 2010/11.....	4
PROCUREMENT AND SUPPLY CHAIN MANAGEMENT.....	6
FISCAL & MONETARY AFFAIRS SECTION	8
BUDGET AND ECONOMIC AFFAIRS SECTION	14
PUBLIC ENTERPRISES UNIT	17
TREASURY AND STORES	20
DEPARTMENT OF TAXES.....	23
INTERNAL AUDIT.....	26
CUSTOMS AND EXCISE.....	26
RECURRENT EXPENDITURE.....	27
Head 34 – Headquarters	27
Head 35 – Treasury Department	28
Head 36 – Department of Taxes.....	29
Head 38 – Internal Audit.....	30
Head 39 – Customs and Excise Department.....	32
CAPITAL PROJECTS.....	33
OFFICE OF THE AUDITOR GENERAL.....	35

VISION

To be a highly efficient and effective ministry that proactively addresses the needs of its stakeholders.

MISSION STATEMENT

To ensure macroeconomic stability in Swaziland by formulating and implementing fiscal and financial policies that optimize economic growth and improves the welfare of its citizens.

VALUE STATEMENT

The Ministry is guided by the following values:

- Excellence (punctuality, good customer service and quality service delivery)
- Professionalism (adherence to office etiquette and confidentiality)
- Integrity (honesty and transparency)

GOALS AND OBJECTIVES

- To improve revenue collection through efficiency and diversification
- To control public expenditure management through improved budgeting, internal control and monitoring
- To facilitate privatization and improve supervision of public enterprises
- To enhance service delivery and improve internal operations
- To improve the regulatory framework for the financial sector including the non-bank financial sector
- To regulate and control supply chain management practices (procurement, stores management and contract and supplier performance)
- To facilitate timely payment of government financial obligations

1. MAIN OBJECTIVES SET FOR THE YEAR 2010/11

1.1 At the beginning of the year the Ministry set targets to address areas of revenue collection, value added tax, financial regulation, public expenditure, privatisation and procurement. To monitor if the set targets have been achieved, certain activities which are to be carried out in each quarter are matched with the main objectives. For each quarterly activity, a key performance indicator is set. The targets based on the afore-mentioned areas are as follows:

Revenue Collection

- Efficient and robust system of assessment and collection of Government revenue through 2013.

Value Added Tax

- To prepare for the introduction of Value Added Tax which is to be completed by 2012.

Financial Regulation

- Well regulated Financial Sector to include the non-bank financial institutions by the end of 2013.

Public Expenditure

- High standard of public expenditure management with tight budgetary controls and improved risk management by the end of 2013.

Privatisation

- Divestment of Government entities that can best be run by the private sector, thereby introducing efficiencies by the end of 2013.

Procurement

- Well regulated and controlled practises in respect of public procurement to achieve efficiency, transparency, economy and value for money.
- High standard of Stores Management and Asset Disposal in Government achieved by the end of 2013.

For each of the above-stated targets the Ministry came up with activities which were to be tackled. Some of the activities that were set for the third quarter are outlined below:

2. Efficient and robust system of assessment and collection of Government revenue through 2013.

2.1 Some of the activities set to realise this target were to provide tariff books for borders, ensure that the local customs system is integrated with the South African system and to introduce a fully-fledged self-assessment programme for companies and other taxpayers declared to be subject to self-assessment.

2.1.1 The tariff books have been provided for the major commercial borders such as Lavumisa, Lomahasha, Mhlumeni, Ngwenya, Matsapha International airport, Matsapha Inland Container Depot and the Matsapha AGOA office. The other borders will now be catered for by the Swaziland Revenue Authority.

2.1.2 The integration of the two countries has commenced through ASYCUDA and it is envisaged that the remaining ASYCUDA modules will commence in February and will be completed by the 31st March 2011.

2.1.3 The implementation of the self-assessment is largely dependent on the promulgation of the proposed Income Tax (Amendment) Bill. The Bill has been completed together with an explanatory memorandum and waits to be tabled before Cabinet.

3. Well regulated Financial Sector to include the non-bank financial institutions by the end of 2013.

3.1 The Ministry's activity was to have the Financial Regulatory Authority established, staffed and operational by the end of 2010.

3.2 The Ministry appointed the Board of Directors of the Financial Services Regulatory Authority (FSRA). The Board is expected to undertake the following activities as part of the setting-up process of the Authority:

- Appointment of the Chief Executive Officer of FSRA.
- Draw up an organizational structure of FSRA.
- Secure offices for FSRA.
- Recruit staff.
- Conclude a Memorandum of Understanding with Central Bank of Swaziland regarding the take on of staff of the Capital Markets Unit currently housed at the Central Bank.
- Discuss and make recommendations on logistics of transitional arrangements of transferring staff of the Registrar of Retirement Funds and Insurance.
- Oversee the transfer of assets from the Central Bank of Swaziland and Registrar of Retirement Funds and Insurance to FSRA.

3.2.1 Also as part of the process of setting up the office of the Authority, the Ministry forwarded a request for technical assistance to FIRST INITIATIVE which is an organization that assists countries with financial sector requirements in matters

such as the setting up of Non Bank Financial Institutions.

4. To prepare for the introduction of Value Added Tax which is to be completed by 2013.

4.1 The Ministry's activity was to ensure that the VAT Bill was submitted to Cabinet.

4.1.1 The Ministry concluded the consultative process on the Bill. Comments from all stakeholders were received, discussed and were incorporated into the Bill. It is now awaiting finalization by the Legal Office prior to its submission to Cabinet. It is envisaged that it would have been submitted to Cabinet before the end of the 2010/11 financial year.

Apart from the overarching ministerial targets, the different departments set their own targets and these are outlined below.

5. PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

5.1 To improve procurement systems and procedures by the Public Service through capacity building.

5.1.1 The Ministry has continued providing support and on-the-job training to Government Departments and Ministries on the use of the Procurement Regulations. This includes training on preparing procurement plans, procurement methods and procedures, bid evaluation, contract negotiation and monitoring. Below is a summary of the Ministries trained and the topics covered in the training:

MINISTRY/DEPARTMENT	TOPIC/SUBJECT	NO. OF PARTICIPANTS
Tourism	Contract Negotiation	12
ICT	Procurement Process and Procedures Annual Procurement Planning Procurement of IT Software and Consultancy (TOR)	26
Computer Services Department	Annual Procurement Planning	10
National Library Services	Procurement of IT Equipment & Software (TOR)	3

SBIS	Annual Procurement Planning	5
Fire Services	Procurement of Catering Services	3
Health	Procurement of Catering Services	2
Police	Procurement of Catering Services	2
Foreign Affairs	Procurement Process and Procedures	10
National archives	Annual Procurement Planning	4
Public Service	Annual Procurement Planning	17
TOTAL		94

5.2 Continue to act as Secretary to the National Tender Board

5.2.1 The National Tender Board awarded contracts to the value of E569, 364,884.57. Below is a summary of the contracts:

PROCUREMENT STATISTICS BY SECTOR

SECTOR	AMOUNT
Public Works	1, 261,271,349.45
Pharmaceuticals and Medical Supplies	57,060,105.64
Vehicles and Plant	67,716,539.30
Goods and Services	129,862, 043.44
TOTAL	1,515,910,037.83

5.3 To carry-out the process of recruiting the Accountant General.

5.3.1 The department engaged Kobla Quashie (Pty) Ltd to assist in the recruitment process for E20, 000.00. The recruitment process has been finalized and recommendation has been submitted to the Civil Service Commission so that they can carry-on with the appointment of the preferred candidate.

5.4 To carry out the review of terms and conditions of service of the Judiciary.

5.4.1 Kobla Quashie was once again engaged to carry-out the exercise at a fee of E242, 000.00.

6. FISCAL & MONETARY AFFAIRS SECTION

6.1 To create an environment that will promote private sector development.

6.1.1 In a bid to create a conducive environment for private sector development, the Ministry established the Rural Finance and Enterprise Development Programme (RFEDP)/ Micro-Finance Unit (MFU). The Unit has been fully operational since the 1st September 2010 and has already embarked on numerous activities in implementing the International Fund for Agricultural Development (IFAD) funded programme. The following are the activities that have occurred:

- The IFAD Programme Implementation Support Mission availed Mr. Geoffrey Livingstone to assist with the finalization of the draft Annual Work-Plan and Budget which was submitted by the Unit to IFAD. This was finalized and the annual work plan was endorsed by the Programme Steering Committee (PSC) in their meeting of the 19th November 2010. The following key issues emanated from the PSC meeting;
- Programme Re-launch
- Technical Committees – Key Technical Working Groups should be put in place to provide technical support to the Unit during the implementation process.
- PSC Representation – This should embrace the participation of all the key stakeholders. The Representatives should be in a position to make the decisions when required.
- Implementation Schedule -The Unit has been engaged in several discussions with key stakeholders to provide information on the Programme and identify key areas of collaboration. The progress status below indicates the outcome of the interaction and the identified areas of intervention. These intervention areas are part of the recently endorsed Annual Work Plan and Budget and the Half-year Implementation Plan.
- Deepening the Rural Financial Sector which includes E-Technology Solution. The Programme Document indicates that the introduction of an e-technology solution to facilitate access to financial services for the rural un-banked. After thorough analysis and discussion with the commercial banks and the e-technology service providers it emerged that there will be a need to split the E-technology Solution into two delivery streams, which are the “Transaction and the Financial Linkage Platform”.
- Discussion with the Commercial Banks-The programme had interactions with the senior management of 4 commercial banks in the country i.e. FNB, Nedbank,

Standard Bank and Swazi Bank. MTN Swaziland was also met to discuss the mobile side of the programme and the company's possible interventions for the project. The General consensus from these stakeholders is one of enthusiasm as most of them are South African companies and their head officers have already embarked on similar projects to the RFEDP.

- Capacity in the Rural Economy- Policy and regulatory framework- The Objective is to identify areas that will require intervention and facilitate the development of an advocacy strategy in collaboration with the SME Unit, SEDCO and other key stakeholders, outline possible areas that will require policy reform and develop an implementation plan.
- High Growth Enterprises- it has been identified that in order for the successful implementation of the programme it should also identify the key institutional issues (e.g. market assessments, business consolidators, collection point, market requirements, haulage etc.) Joint planning sessions are yet to be held with SEDCO and LUSIP to come up with specific activities for the programme.
- FINSCOPE Survey 2011-In 2011 Swaziland will embark on a national Finscope Survey. A Finscope survey is a national representative study of consumers' perceptions on financial services and issues, which creates insight to how consumers source their income and manage their financial lives. The sample is determined from the adult population, rich and poor, urban and rural, in order to create a segmentation, or range, of the entire market and lend perceptions to the various market segments. Finscope study explores consumer's usage of informal and formal products and builds a picture of the role that the informal sector can play in the financial markets of developing countries.

A Finscope study achieves a measure and understanding of the country's population in terms of livelihoods and how they generate their incomes, financial needs or demands, financial perceptions, attitudes, and behaviors, demographic and geographical distribution, obstacles that they face which influence on their financial situations, size of markets- financial markets, barriers to utilization of, and access to, financial products and services and differences and commonalities between different market segments.

Finscope research is of both value to policymakers who aim to improve the functioning of financial markets as well as to commercial providers who are able to design product strategies around the segmentation models and trends highlighted by the data. It further offers a complimentary role between Governments as policy makers and market-enablers and the Private Sector looking to innovate into new markets. In a nutshell Finscope study brings together policy-makers, regulators and private sector providers over common data on financial markets that opens the possibility of sustainable financial markets development leading to higher levels of financial access.

- Finmark Trust (FT) based in South Africa approached the Ministry of Finance for support in implementing the FINSCOPE Swaziland Survey 2011. FT received donor funding from DFID to undertake these surveys in selected countries in the Region. The survey will look at both the financial supply and demand issues and it is expected that the findings of the survey will feed on the activities that are implemented by the RFEDP

6.2. Regional Integration Initiatives

- 6.2.1 The Ministry participated in a number of regional meetings under the Southern African Customs Union (SACU) and the Southern African Development Community (SADC).
- 6.2.2 Southern African Customs Union (SACU)-Between October and December 2010 the Ministry participated in the following SACU Task Team meetings: Task Team on Trade Data Reconciliation, Task Team on Textile and Clothing Industry, Task Team on the Establishment of the SACU Tariff Board and National Bodies and the Task Team of Legal Experts. The outcome of these meetings was discussed in the SACU Commission and Council Meeting held during the first week of December 2010 in Windhoek, Namibia.
- 6.2.3 In the December 2010 Commission and Council Meetings, Council considered and approved recommendations by the Task Team on Data reconciliation on the final trade figures for the calculation of SACU revenue shares for 2011/12. The Task Team also presented calculations on the allocation of the deficit balances in the 2009/10 SACU Common Revenue Pool. Taking into account this deficit and the projected pool for 2011/12 the allocation for Swaziland for 2011/12 amounted to E2.8 Billion. This amount will be paid to Swaziland in four equal installments at the beginning of each quarter in 2011/12.
- 6.2.4 The other Teams also presented their work progress which included the preparations for the institutionalization of the SACU Heads of State and Government in to the SACU Structures. Other issues considered by Commission and Council at the December Meeting include the preparation for the next SACU Heads of State and Government Meeting which is scheduled for first quarter of 2011.
- 6.2.5 Southern Africa Development Community (SADC)-The SADC Secretariat hosted a meeting of the Direct Foreign Investment (DFI) subcommittee at the Elephant Hills hotel, Victoria Falls in Zimbabwe. The objective of the meeting was to report on the progress on the activities of the Development Finance Resource Centre (DFRC) and expanding the DFI network.

6.3 To maintain a Monetary Policy that is supportive of economic growth.

- 6.3.1 Import Permits-The Import Permit Committee comprises members from the Department of Customs and Excise, Department of Income Taxes, Ministry of

Commerce, Industry and Trade, Central Bank and the Ministry of Finance (Chairperson and secretary). The committee is tasked with the issuance of import permits for goods imported into Swaziland from countries outside the Southern African Customs Union (SACU). The committee meets weekly on Wednesdays to discuss numerous applications and out of 1, 249 applications the committee issued 1, 164 import permits valued at E115.8 million. Ten(10) of the issued permits were for applicants, who had paid penalties with the Department of Customs and excise for importing vehicles that are older than the ten (10) year limit requirement on importation of motor vehicles.

- 6.3.2 Development Approval Order (DAO)- The Development Approval Order Committee considered six applications and one of the applications intends bringing into the country an investment equivalent to E300 million. Through this investment, the country stands to benefit in the form of employment of 70 Swazi nationals, rising to an estimated 150 by the end of 2012. Others include direct and indirect economic activity and infrastructural development around Ngwenya area.

Other applications have been partly finalized where MOUs have been drafted and await Cabinet approval to finalise the granting of DAOs to three (3) companies. Granting DAOs to these companies would benefit the country in different aspects. These include, among others;

- A total investment of E 66.2 million,
- Creation of 788 permanent employment opportunities, and
- An increase in export earnings.

These applications will be finalized within the next quarter.

- 6.3.3 Sales Tax Exemptions-The Minister, exercising powers vested upon him through Section (8) (f) of the Sales Tax Act, 1983 (Amended) granted exemptions that amounted to E4, 826, 045.14 (Four Million, Eight Hundred and Twenty-Sixy Thousand, Forty-five Emalangeneni and fourteen cents.

6.4 To maintain a Monetary Policy that is supportive of economic growth.

- 6.4.1 Domestic debt-In November 2010, the Treasury Bills and Government Stocks Act, 1994, was amended and the object of the Amendment was to increase the maximum amount which can be borrowed domestically from E1 billion to 25% of GDP. With the new ceiling, government can be able to borrow domestically up to about E6 billion. Total domestic debt currently stands at about E1.263 billion.
- 6.4.2 The Ministry of Finance in collaboration with the Central Bank of Swaziland continued to issue 91-day Treasury Bills on a weekly basis. The total amount outstanding currently stands at about E500 million and the 91-day Treasury bill rate currently stands at 5.73 percent per annum.

- 6.4.3 Another instrument was added into the portfolio of debt instruments that have been issued by the government since the beginning of the year. This was done through the issuance of a 5 year bond valued at E218 million at a coupon rate of 7 percent per annum. The main players in this issuance were the commercial banks and pension funds. Individual investors also participated albeit at a small scale. Just like the proceeds from the 3 year government bond, the proceeds for this issuance were also used for general budgetary purposes.
- 6.4.4 Effective December 2010, the Ministry of Finance working together with the Central Bank of Swaziland, commenced the issuance of an 182-day Treasury Bill. Through this decision, the Ministry was able to immediately raise E285 million and these funds were used to partly address the cash flow problems that the government is currently faced with. The Cash flow management committee is already finalizing logistics for the issuance of 273-day and 364 Treasury Bills. Further debt instruments are set to be issued in January and February 2011. These instruments are 7 and 10 year bonds of E750 million and E600 million, respectively.

6.5 Revenue

- 6.5.1 To maximize the availability of sustainable revenue sources to finance government operations, the Ministry intends to expand the existing revenue base and also improve the efficiency of revenue collections.
- 6.5.2 Swaziland Revenue Authority-The Ministry has facilitated the process of identifying all assets owned by the Department of Customs and Excise and the Department of Taxes in preparation for the transfer of same to the Swaziland Revenue Authority. All the assets have been identified; however the transfer process is pending evaluation and the necessary registration of such properties by relevant Ministries.
- 6.5.3 Sales Tax Amendment - The Ministry held consultations with the Attorney General and the draft Sales Tax Amendment Bill was finalized. The Bill which, among other things, seeks to review sales tax rate on alcohol and cigarettes will be submitted to Cabinet during the first quarter of 2011.
- 6.5.4 Graded Tax Amendment-The draft Graded Tax Amendment Bill still awaits finalization by the Legal Office. The Bill seeks to revise graded tax rates to generate additional revenue for Government. The Bill is expected to be submitted to Cabinet before the end of the first quarter of 2011.
- 6.5.5 Review of User fees-The Ministry continued with the consultative process with various Ministries for purposes of reviewing fees to at least cost recovery levels. The review of some the fees require amendment and gazetting of schedules of the relevant pieces of legislation. Ministries and Departments were urged to review fees falling under their jurisdiction. Fees that are in the pipeline to be reviewed

include motor vehicle license fees and road traffic fines.

6.6 Revenue Performance

- 6.6.1 Income Taxes-Company taxes collected E1'115 billion (E186 million, 392 million and E537 million) from a budgeted E1'115 billion (E166 million, 332 million and E617 million). The good outturn is attributable to intensified audit carried out by the department of taxes. Taxes on individuals have shown to be the most reliable source of collection. At the end of the December 2010 E1.081 billion was collected from a budgeted E1.045 billion. Other income taxes collected amount to E272 million from a budgeted amount of E337 million. Graded tax collected amounted to E870.8 million. Revenue items under this section continue to improve as the Department of taxes has intensified its audit activities with the preliminary result showing that the initial budget will be met and in most categories might have to be revised upwards to cater for the steady growth.
- 6.6.2 Taxes on Property-The payment of transfer duties continue to improve as E28 million was collected against a budgeted amount of E25.8 million. The collection is also likely to continue increasing as the demand for land is still an attractive investment.
- 6.6.3 Taxes on Goods and Services-Southern Africa Customs Union (SACU) Receipts continue to be one of government's main sources of revenue. A total of E1, 479,137 billion has been received from the pool. In addition, once off payments of E600 million were received from South Africa in the second and third quarters which were amounts coming from the award in favor of the BLNS countries under the arbitration process. Sales Tax collected for the period amounted to E928.166 million from a budgeted E1'758 billion. The overall budget is likely to be met as on average the collection at Ngwenya Border is E6 million per month. Revenue from Lotteries and Gaming has not been received as they are due after the audit of financial year statements at year end. We expect a drastic increase in the normal collection as the Act is currently being revised to increase the rate from 4.5% to 15%. E55.6 million was collected for Licenses and other taxes and E31 million for Road Toll. This section continues to be the major source of Government revenue.
- 6.6.4 Fuel tax collected for the period under review amounted to E133.9 million from a budgeted E196 million. As a means to enhance monitoring and reconciliation of fuel tax collected from oil companies, the Ministry took a move to separate these deposits from the Government General Account. A Fuel Tax Special Account was opened and oil companies were advised to use this account instead of the General account effective from 1st December 2010.
- 6.6.5 Non- Tax Revenue-Property income relates to profits from Central Bank and interests derived from investments. Overall this section contributed E257 million.

- 6.6.6 Overall-E9.567 billion was collected from a budgeted amount of E9.470 billion. This shows a 1% over-collection which is attributable to the improvement in collection.

7. BUDGET AND ECONOMIC AFFAIRS SECTION

7.1 To monitor expenditure

- 7.1.1 The unit continued to monitor the cash flow situation in light of the high deficit of 13% of GDP approved by Government at the beginning of the financial year. In the first six months, Government was running a deficit of E353 million per month, equivalent to 1.3% of GDP. The implication of this high spending rate of E950 million compared to revenue inflow of E600 million per month meant that there was a need to review the implementation of the budget to avoid an imminent fiscal crisis. The Ministry reviewed the automatic quarterly warrants and moved towards cash budgeting, where warrants issued were limited to cash available.
- 7.1.2 For the first time in the year, the Ministry released only personnel and the utilities budget, whilst the other items were released only on request and based on cash availability. This saw payments declining from almost E200 million to E750 million per month and the deficit falling to E200 million per month in the third quarter.
- 7.1.3 The E200 million monthly deficit was still very high compared to low revenue inflows that averaged E550 in the third quarter. The Ministry then issued a circular stopping all new commitments for the remainder of the year. These were funds against which Government was yet to commit either through hiring, issuing tender sanctions and purchase orders. The process involved the suspension of the sitting of the Tender Board, Tender Waiver Committee and suspension of government tenders. Government's capital programme was the worst affected by this policy, with half year implementation rate estimated at 30% of the total budget.
- 7.1.4 In a bid to ensure that this policy did not result to an increase in arrears, the Ministry through the assistance of the IMF introduced monitoring of arrears beginning end of November, where October arrears were reported by all Ministries to the Ministry of Finance. The first report showed that government had arrears of E650 million as at the end of October and this was equivalent to 2.4% of GDP. The objective is to clear these over time to avoid both economic and legal problems they may cause for Government.
- 7.1.5 In a bid to contain the level of arrears, the Ministry submitted a Supplementary Budget request to Parliament to the tune of E350 million. This was in support of the Sikhuphe International Airport that had overrun its budget by E210 million, contributing to almost 30% of the total arrears.

7.2 To continue with the financial year budget preparations

- 7.2.1 The unit started on the 2011/12 budget preparation by submitting a Budget Outlook Paper that sought to reduce the deficit by at least 3 percentage points of GDP. This was approved by Cabinet and Budget Call Circulars were issued to ministries recommending that goods and services be reduced by 20% and internal transfers by 10%, whilst the capital budget was given an increase allowance of 8%. This is in line with the Fiscal Adjustment Roadmap approved by Cabinet at the end of the second quarter.
- 7.2.2 The approval of this budget framework marks the beginning of a three-year journey towards fiscal prudence. For this to be sustained there will be need for concerted effort in both revenue collection as well as expenditure management. Within the three year period, revenues will have to be increased, whilst spending be reduced to attain a sustainable fiscus. Of importance to note is that there is a need for a paradigm shift on government's way of doing business if the above set targets on both expenditure and revenue are to be met.

7.3 To continue to be part of the International Co-operation

- 7.3.1 The Ministry received the IMF mission late November as part of its annual Article IV consultations. This year's consultations were done in the context of the Fiscal Adjustment Roadmap also presented to Multilaterals (IMF, World Bank, African Development Bank and the European Union) in Washington DC early October. This year's mission was following up on issues that were discussed at the Donor's round table in Washington DC. Amongst other issues discussed with the IMF was the possibility of the country signing up to a Staff Monitored Programme to sustain the implementation of the Fiscal Adjustment Roadmap. A Staff Monitored Programme is a programme where the IMF provides advice on fiscal adjustment from time to time. The IMF has agreed to co-operate with the country in implementing the adjustment policies detailed in the Fiscal Adjustment Roadmap. As such another mission is scheduled for February to finalise discussions on this issue.
- 7.3.2 The World Bank also visited the country between the 27th of October and the 10th of November 2010 alongside the IMF mission. The objective of the mission was to determine the relevance of its intervention in the country. This will then be detailed in the new World Bank Strategy for Swaziland. Until January 2010, co-operation between Swaziland and the World Bank has been guided by a two-year Interim Strategy Note. There is need to finalise a co-operation framework in order for the country to continue benefiting from World Bank programmes that include the proposed World Bank funded projects (Swaziland Local Government and HIV/Health projects).

7.4 To solicit funds to finance the budget deficit

- 7.4.1 Alongside the IMF Article IV mission, the Ministry also received an African Development Bank (AfDB) mission to appraise the US \$100 million Budget Support loan. The objective of the mission was to obtain Government's commitments on the envisaged reforms supporting the request for a budget support loan. The mission concluded by agreeing on the triggers for the each tranche of the loan. All three tranches of the loan (US \$40 million first tranche, US \$ 35 million second tranche and US \$25 million for the third tranche) will be activated by fulfillment of activities that Government has committed to do in the Fiscal Adjustment Roadmap. These are activities within programmes of improved investment climate, Public Finance Management reforms, revenue enhancement, expenditure rationalisation and improvement in audit and oversight roles of government.
- 7.4.2 The Ministry was able to negotiate a loan with the World Bank on Local Government Project. This is a joint project between the Ministries of Housing and Urban Development and Tinkhundla Development. The Ministry would be soon requesting for Parliament's sanction to go ahead with this loan. The unit is also in discussions with other organisations that might be of assistance in financing the deficit.
- 7.4.3 A mission from the Arab Bank for Economic Development in Africa was received by the unit between the 21st and the 30th of November 2010. This mission undertook the following activities; the appraisal of the Manzini-Mbhadlane road project, review progress of BADEA funded projects (Sikhuphe airport access road, Sicunusa-Nhlangano road and feasibility study on Lavumisa Irrigation project) and identify areas of co-operation with the country. The mission expressed interest in the water sector and has agreed to assist in the funding of Mkhondvo irrigation development, construction of earth dams and the Lower Usuthu Small Scale Irrigation Project
- 7.4.4 The unit has also participated in the weekly government's cash flow committee, wherein the government payments are looked at against available financing. The unit has greatly assisted in providing quarterly expenditure projections. The Section worked closely with the Central Bank of Swaziland in issuing Treasury Bills. The issuing of the Treasury Bills is done on a weekly basis and about E30 million worth of bills are issued weekly. There has also been issuance of bonds, which is a long term dated paper in September where a 5-year bond was issued. This paper raised E250 million for government and this was channeled to general budget support.

8. PUBLIC ENTERPRISES UNIT

8.1 To produce PEU Quarterly Reports

8.1.1 The PEU continued producing quarterly reports for submission to the Standing Committee on Public Enterprises (SCOPE) and Parliament. The September 2010 Quarterly Report was produced and will be discussed in the next SCOPE meeting before being tabled in Parliament. These reports inform SCOPE and Parliament about the general operational and financial affairs of all category A public enterprises and also highlight the major concerns on the operations of the enterprises. The reports are accompanied by the Standard Bank report which illustrates the performance of the Public Enterprises Loan Guarantee Fund (PELGF) which is used to train management and Chief Executive Officers of public enterprises as well as guarantee loans from local financial institutions.

8.2 To manage the Public Enterprises Loan Guarantee Fund (PELGF)

8.2.1 The Loan Guarantee Fund has three components consisting of 80% of the contributions going into the guaranteeing of loans, 10% of the contributions by PEs going to each public enterprise top executive training (Individual Training), and finally 10% of all the PEs contributions going into a common pool to train all PEs middle managers as groups (Group Training).

The Public Enterprise Group Training Committee of which the PEU is co-ordinator continued its work on group training on the Management Development Program and 18 participants were trained during the quarter.

The PEU continued supporting individual training of senior management of Public Enterprises through the training portion of the Loan Guarantee Fund. Under this program enterprises send their senior managers to certain specific courses, but before the courses are attended the PEU has to be consulted. The PEU assesses the course content and its relevance to the operations of that particular enterprise. The enterprises are reimbursed for this training from funds set aside for individual training under the scheme. There were eleven (11) individuals that went for training and they were from UNISWA (9) and SNPF (2) and they were all from Swazi Bank.

8.3 To conduct training under the Public Enterprises Loan Guarantee Fund

8.3.1 The PEU continued with the monitoring of the performance of the Public Enterprises Loan Guarantee Fund. This included the review of requests for training and of the financial performance of the Fund. The Unit continued monitoring the performance of the Fund which is now managed by Standard Bank.

8.3.2 The PEU also continued facilitating the training of Boards and senior members of category A public enterprises which is funded through the Public Enterprises Loan Guarantee Fund.

8.4 To Manage Corporate Governance Training

8.4.1 During the quarter the Unit was able to monitor training on Corporate Governance Training that was delivered by SAMKHO and REDI to three enterprises namely CMAC, Royal Swazi, and SWADE.

8.5 To act as the Secretariat on SCOPE Issues

8.5.1 The PEU continued with the task of being the secretariat for the Cabinet Standing Committee on Public Enterprises (SCOPE) Sub-Committee. This involves arranging SCOPE meetings, preparing of agenda items, distributing papers to members and other related issues including giving advice when needed. The Cabinet Standing Committee on Public Enterprises (SCOPE) is the approving authority for major decisions involving scheduled public enterprises, in accordance with The Public Enterprises (Monitoring & Control) Act, 1989.

SCOPE was able to meet nine (9) times and they made the following approvals:

- Appointment of Acting Chief Executive Officer for Swaziland Television Authority;
- Appointment of members into the Swaziland Television Authority Board of Directors;
- Request for approval for implementation of salary review of the National Agricultural Marketing Board;
- Request to appoint new board members for the Small Enterprises Development Company;
- Extension of the term of two board members for the Swaziland Electricity Company;
- Appointment of the Board of Directors of Swazi Bank;
- Request for renewal of contract for Swaziland Water and Agricultural Development Enterprises Chief Financial Officer;
- Appointment of the board of Directors of the Financial Services Regulatory Authority;

- Appointment of Board members for the Swaziland Housing Board;
- Salary increase for the Swaziland Railways (Union) main staff.
- Appointment of a Government representative in the Governing Body of FINCORP;
- Appointment of members to the National Agricultural Marketing Board;
- Approval of engagement contract for the Chief Executive Officer of the Raleigh Fitkin Memorial Hospital;
- International Cooperation and Development Fund (ICDF) Loan Guarantee for FINCORP;
- Extension of term of office for the Board of Directors of Royal Swazi National Airways Corporation;
- Request to appoint new board for the Swaziland Investment Promotion Authority;
- Request to appoint new board members for the Small Enterprises Development Company;
- Status of SPTC issues regarding MTN shares and regulatory powers;
- Appointment of board members of the Swaziland Water Services Corporation;
- Appointment of a board member of the Swaziland Electricity Company;
- Submission of the proposed changes in the operations of the Pigg's Peak Hotel and Casino and appointment of Board members and Chairperson of the Board of Directors for Pigg's Peak Hotel and Casino.

8.6 To continue managing Public Enterprises budgets

8.6.1 The PEU continued advising the Ministry of funds that have to be forwarded to public enterprises that receive subvention from Government. The Unit also issued circulars to public enterprises requesting them to submit their budget requests for 2011/2012 financial year.

9. TREASURY AND STORES

9.1 To review the revenue system for better service provision

9.1.1 Adoption of International Public Sector Accounting Standards (IPSAS)

9.1.2 This exercise has commenced and is on-going but some challenges were encountered while rolling out the programme. The crucial challenge was that the department was unable to engage a consultant to carry the programme through due to lack of funding. A Cabinet Paper will be submitted requesting for authority to engage a consultant before the end of February 2011. The consultant is required for the following:

- The review and upgrading of the financial systems towards Integrated financial and management systems (IFMIS).
- Ensuring full compliance with International Public Sector Accounting Standards (IPSAS) cash accounting reporting.
- Cash flow forecasting model.

9.2 To continue tracing and collecting long overdue debts on car loans

9.2.1 After running a notice on both local papers on defaulters, some of the defaulters or their next of kin have come out to own up to these debts. Some have paid, others have made written commitments on the terms of payment they will follow when settling their debts. Though the repayment rate is low, the department has received seventy thousand, three hundred and thirteen Emalangeni nineteen cents (**E70, 313.19**) out of a total of one million, three hundred and sixty-three thousand, six hundred and fifty-three Emalangeni and sixty-five cents (**E1, 363, 653.65** which is owed).

9.3 To develop the department's strategic plan

9.3.1 The department sourced the services of Kobla Quashie and Associates to carry out the strategic planning exercise.

9.4 To continue with the decentralization of revenue collection services to communities

9.4.1 Even though this exercise is on-going, it is faced with some challenges. These are shortage of staff, lack of accommodation for even the few officers and the lack of security in Hluthi and Siphofaneni revenue offices.

9.4.2 Another challenge is that discussions for the Lomahasha revenue office between the Tinkhundla Ministry and the elders of that constituency are taking longer than what was anticipated.

9.5 To maximize collection of Government revenue

9.5.1 The department continued to collect revenue even though we under-collected in the third quarter. The under collections in the various items is due to the process of posting of batches which usually takes place later than the reporting period. The posting phase is the one that finally informs the accounting system of the actual revenue collected.

Revenue budget performance report

		BUDGET	ACTUALS	VARIANCE	OVER/ - CR +DR (UNDER) COLLECTION
		2010/11			
Motor vehicles license	20401	7,968,000.00	7,721,978.00	-246,022.00	0.03%
Penalties- motor vehicle license	20402	329,250.00	265,570.00	-63,680.00	-0.19%
Disposal of motor vehicles fees	20403	72,750.00	168,100.00	95,350.00	1.31%
Change of ownership fees	20404	88,500.00	206,500.00	118,000	1.33%
Registration of new motor vehicles	20405	272,250.00	343,485.00	71,235.00	0.26%
Certification of road worthiness	20406	524,250.00	1,350.00	-522,900.00	-1.00%
Driver's license	20407	2,100,750.00	2,198,585.00	97,835.00	0.05%
Arrears motor vehicle license	20408	636,750.00	501,374.00	-135,376.00	-0.21%
Special permit	20409	40,500.00	50,300.00	9,800.00	0.24%
	20410	346,500.00			

Certificate of fitness			599,920.00	253,420.00	0.73%
Public driving permit	20411	561,000.00	321,750.00	-239,250.00	-0.43%
Duplicate disc	20412	26,250.00	24,700.00	-1,550.00	-0.06%
Duplicate T disc	20413	0.00	0.00	0.00	-
Certificate of temporary exempt	20414	0.00	0.00	0.00	-
Instructor's certificate	20415	4,500.00	4,600.00	100.00	0.02%
Duplicate blue book	20416	60,000.00	70,800.00	10,800.00	0.18%
Personalized number plates system	20417				
Motor Vehicle Third Plate	20419				
TOTAL		13,031,250.00	12,479,013.00	-551,838.00	2.26%

9.6 CHALLENGES

9.6.1 Lost Court cases and out of court settlements

9.6.1.1 The government continues to lose substantial amounts of money due to lost cases and out of court settlements. The total amount paid due to lost court cases and out of court settlements in the third quarter is three million, four hundred and twenty-eight thousand, six hundred and twenty-nine Emalangeni, ninety cents (**E 3,428,629.90**) and this translates to eleven million, three hundred and sixty-three

thousand, two hundred and sixty-seven Emalangeni, forty-seven cents (E11, 363,267.47) for the whole year.

10. DEPARTMENT OF TAXES

10.1 To improve and maximize revenue collection

10.1.1 The budget estimate for the 2010/2011 financial year is E2, 249,531,003.00 and the total tax collected in respect of the period from April to December is E1, 785,808,760.80 which translates to about 79.4% of the budget estimate. A balance amounting to E464, 082,240.20 remain to be collected before the end of the current financial year. The monthly collection up to the end of the financial year must average E154, 694,000.33 for the set target to be met. The details of revenue collected by tax type for the first, second and third quarters are as reflected below:

Type of tax	Revenue collected (in millions of Emalangeni)		
	First Quarter	Second Quarter	Third Quarter
PAYE withheld and paid	331,231,127.92	363,169,885.66	375,817,422.58
Provisional payments	159,957,215.58	239,686,459.64	129,569,989.70
Assessed tax/penalty	38,657,674.48	21,806,996.93	23,038,868.55
Other withheld taxes	43,442,943.19	32,193,962.10	31,368,570.12
Sugar levy	-	-	-
Casino Levy	-	3,064,162.42	-
Graded Tax	877,906.62	1,834,430.91	779,571.10
Less: refunds	(1,179,153.19)	(1,402,461.79)	(8,005,283.47)
TOTAL	572,987,714.60	660,353,435.87	552,569,138.58

Revenue collection for this quarter

The revenue collection for the third quarter, that is October to December, amounted to E552, 569,138.58 which translates to 98.3% to the quarterly budgeted estimate of E562, 383,503.00. Actual collection is E9, 814,364.42 below the set target.

Arrear tax

The collected tax from actual assessments for this period amounted to E22, 877,120.30 comprising of the following:

Table A

Tax type	Amount collected	Budget	Variance	Percentage
Company tax	11,811,598.90	4,771,500.00	7,040,098.90	2.48%
Individual tax	10,891,288.22	4,939,250.00	5,952,038.22	2.21%
Self-employed	174,233.18	47,500.00	174,233.18	3.67%
Total	22,877,120.30	9,758,250.00	13,118,870.30	2.34%

The collected assessed tax in respect of the period from April to December, amounts to E83, 039,054.90 and is made up as follows:

April - December**Table B**

Tax type	Amount collected	Budget	Variance	Percentage
Company tax	51,959,125.47	19,086,000.00	32,873,125.47	2.72%
Individual tax	30,585,891.60	19,757,000.00	10,828,891.60	1.55%
Self-employed	494,037.83	190,000.00	304,037.83	2.60%
Total	83,039,054.90	39,033,000.00	44,006,054.90	2.13%

The budget estimate for the current financial year regarding assessed tax is a sum of E39, 033,000.00. Therefore the collected assessed tax for these nine months translates to 2.13% of the budgeted estimate.

Provisional tax

The total provisional tax collected in respect of companies and individuals for this third quarter amounted to E129, 569,989.70, which translates to an under collection of E49, 553,760.30 as reflected in Table C below.

Table C

Provisional Tax	Amount collected	Budget	Variance	Percentage
Company	125,016,089.69	152,983,500.00	(27,967,410.31)	0.82%
Individuals	4,553,900.01	26,140,250.00	(21,586,349.99)	0.17%
Total	129,569,989.70	179,123,750.00	(49,553,760.30)	0.72%

The total provisional tax collected to date is E529, 213,664.38 against a budget estimate of E716, 495,000.00 (see Table D below). This translates to 74 per cent of the estimate.

April - December**Table D**

Provisional Tax	Amount collected	Budget	Variance	Percentage
Company	481,819,617.96	611,934,000.00	(130,114,382.04)	0.79%
Individuals	47,394,046.96	104,561,000.00	(57,166,953.04)	0.45%
Total	529,213,664.92	716,495,000.00	(187,281,335.08)	0.74%

Employees' Tax (PAYE)

Employees' tax collected during the third quarter amounted to E375, 236,185.77 resulting in an over collection of E55, 195,435.77 above the budget estimate of E330, 040,750.00. The PAYE collected in relation to the nine months period amounted to E1, 068, 795,126.41 and translates to 0.81% to the budget estimate of E1, 320, 163, 000.00. The balance of E251, 367, 873.59 indicates that the set target would be met. The Table below shows the collection figures for this period.

Employees' Tax**Table E**

PAYE	Amount collected	Budget	Variance	Percentage
Third Quarter	375,236,185.77	330,040,750.00	55,195,435.77	1.14%
April -December	1,068,795,126.41	1,320,163,000.00	(251,367,873.59)	0.81%

Withholding Taxes

The budget estimate as regards withholding taxes on payments made to both non-resident and resident persons was a sum of E36, 456, 750.00 and the revenue collected during this third quarter amounted to E31, 368, 570.12 resulting in an under collection of E5, 088, 179.88 (see Table F below). There was an over collection of E118,767.09 in the case of withholding taxes on payments made to resident persons whilst there was an under collection as regards non-resident taxes of E5, 206,946.97.

Table F

Withholding tax	Amount collected	Budget	Variance	Percentage
Non-Resident Tax	27,458,053.03	32,665,000.00	(5,206,946.97)	0.84%
Resident Taxes	3,910,517.09	3,791,750.00	118,767.09	1.03%
Total	31,368,570.12	36,456,750.00	(5,088,179.88)	0.86%

The budget estimate for withholding taxes in the current financial year stands at E146, 192,000.00 and the revenue collected relative to this revenue item amounted to E106, 906,116.72 which, is 0.73% of the budget.

April - December

Table G

Withholding tax	Amount collected	Budget	Variance	Percentage
Non-Resident Tax	85,403,071.47	130,374,000.00	(44,970,928.53)	0.66%
Resident Taxes	21,503,045.25	15,818,000.00	5,685,045.25	1.36%
Total	106,906,116.72	146,192,000.00	(39,285,883.28)	0.73%

The budget estimate for Graded tax in the current financial year amounts to E3, 401,000.00 and the revenue collected as regards this revenue item for the nine months is E3, 484,901.43 which translates to 1.02% of the budget (see Table I below). The relatively good performance is attributed largely to the directive issued to all employers to deduct total graded tax due from each employee once in the month of July. This directive has been complied with by the majority of employers. Those that have not complied with this directive are being compelled to comply with it.

April – December

Table I

Graded tax	Amount collected	budget	variance	percentage
Employer remittance	2,718,042.76	2,674,000.00	44,042.76	1.02%
Individuals	766,858.67	727,000.00	39,858.67	1.05%
Total	3,484,901.43	3,401,000.00	83,901.43	1.02%

Assessments

The number of assessments raised and issued in the third quarter was 6,064 resulting in tax payable amounting to E436, 826,629.81 net of refunds. The good performance in this regard is attributable to the implementation of a strategy aimed at improving the turn-around time in the processing of income tax returns.

11. INTERNAL AUDIT

11.1 To engage a consulting company to provide technical assistance

11.1.1 Government has engaged a consulting company to provide technical assistance to the Internal Audit Department on co-sourced basis and during the quarter, the consultants managed to cover the following:

- Skills audit of the Internal Audit staff,
- Capacity building strategy for the department,
- Risk Assessment of all Ministries,
- Developed a Draft Internal Audit Manual and
- Classroom training of the Internal Audit Staff

11.1.2. The department is now preparing for the audit fieldwork which will be conducted jointly with the Consultants.

12. CUSTOMS AND EXCISE

12.1 To amend the Customs and Excise regulations and revenue laws in order to enforce mandatory electronic submission of cargo and goods declarations

12.1.1 The Department of Customs & Excise is waiting for the approval of legislation on mandatory electronic submission of Customs declarations and other transactions to facilitate complete automation. The Bill has been submitted to Parliament.

12.1.2 Setting up of a Modular Office-This has been installed in four border posts where the building infrastructure is not conducive for the implementation of a computer system due to shortage of space to install equipment. The affected border posts are Mananga, Matsamo, Sandlana, and Sicunusa. Network infrastructure and electricity power is being installed.

12.2 Pending Issues

12.2.1 These include the implementation of Credit Payments and Transit Module and this will be completed as soon as the legislation is promulgated.

12.2.2 A capital project of E2 000,000.00 has been requested, and has still not yet been released by the Ministry of Economic Planning and Development.

13. RECURRENT EXPENDITURE

13.1 Head 34 – Headquarters

ITEM	ESTIMATE	RELEASED TO DATE	EXPENDITURE	VARIANCE	%
00	584,653.00	209,824.00	197,327.83	12,496	55.00
01	11,811,611.00	8,678,703.00	9,270,269.00	-591,566.94	-4.65
02	2,753,402.00	2,169,885.00	1,796,337.25	373,547.75	12.40
04	8,099,438.00	5,429,297.00	4,289,922.00	1,132,790.68	29.81
06	280,200.00	253,060.00	248,059.00	5,500.36	-0.17
07	225,032.00	162,558.00	64,500.20	70,158.80	43.15
10	63,870,000.00	60,910,000.00	3,789,170.30	57,120,829.70	93.77
11	1,919,085.00	1,789,085.00	314,815.39	1,474,269.61	81.04
TOTAL		79,602,412.00	19,970,400.97	58,498,279.90	73.48

ITEM 00: CTA CHARGES

The savings under this item is caused by the delay in posting CTA charges.

ITEM 01: PERSONNEL COSTS AND ALLOWANCES

The department is operating within the set budget as the variance is within the allowable margin of 10%.

ITEM 02: TRAVEL TRANSPORT AND COMMUNICATION

Though the table shows some savings of 12.40%, there are committed orders which have not been paid to Royal Swazi National Airways for trips to Botswana for an official opening of the SADCC Headquarters and Namibia for a SACU meeting.

ITEM 04: PROFESSIONAL AND SPECIAL SERVICES

The huge savings under this item is caused by delays experienced in paying the Crown Agents for procurement works. The payments are effected through bank transfers and capturing these transactions often delay due to the back log at the Treasury.

ITEM 06: COMSUMABLE MATERIAL AND SUPPLY

Due to the cash flow problem, the procedure for the release of funds had to be revisited and this has resulted in the late release of third quarter funds, thus the over expenditure.

ITEM 07: DURABLE MATERIALS AND EQUIPMENT

The savings are to be used to purchase computers for new officers, but because of the cash flow problem, we are unable to source the items currently.

ITEM 10: GRANTS AND SUBSIDIES – INTERNAL

Most of the unutilized funds were for the recapitalization of Fincorp and this was effected in mid-January. This will show in the system once the transaction has been captured.

ITEM 011: GRANTS AND SUBSIDIES – EXTERNAL

The funds have all been utilized in paying subscriptions to MEFMI and Anti-Money Laundering and Combating the Financing of Terrorism. The transactions have not yet been posted thus they do not reflect in the system.

13.2 Head 35 – Treasury Department

Item	Estimates	Released Funds	Actual Expenditure	Variance
00	3,168,188.00	1,584,088.00	1,375,255.00	208,833.00
01	21,209,082.00	15,906,789.00	18,887,954.00	-2,981,483.00
02	1,249,946.00	905,940.00	635,354.00	270,586.00
04	5,362,691.00	2,977,986.00	2,163,064.00	814,922.00
06	1,348,649.00	1,213,725.00	1,032,001.00	181,724.00
07	974,750.00	1,080,885.00	339,838.00	741,047.00
11	130,260.00	130,260.00	0	130,260.00

ITEM 00: CTA CHARGES

This item shows an under expenditure since CTA charges are not posted on time.

ITEM 01: PERSONNEL COSTS AND ALLOWANCES

This item shows an over expenditure owing to salary increases effected in August 2010.

ITEM 02: TRAVEL, TRANSPORT AND COMMUNICATION

There is an under expenditure on this item resulting from planned ESAAG trips which did not get timely approval and therefore never took off.

ITEM 04: PROFESSIONAL AND SPECIAL SERVICES

This item shows an under expenditure, this is mainly due to item 047 (bank charges) which are not charged on time due to delays in receiving the bank statements and therefore making the necessary adjustments.

ITEM 06: COMSUMABLE MATERIALS AND SUPPLIES

This item shows an under expenditure because currently the procurement exercise has been put on hold, if there is some activity, it is very minimal. These are controls government has put in place to control expenditure.

ITEM 07: DURABLE MATERIALS AND EQUIPMENT

This under expenditure is due to the slow process in disposing off old unusable durables owing to the understaffing of the Stores section. The funds are to be used for replacing old furniture and equipment but this exercise can not be carried out until the old items have been disposed off.

ITEM 011: GRANTS AND SUBSIDIES – EXTERNAL

The funds will be utilized for the payment of the ESAAG subscription which is required at the end of the financial year.

13.3 Head 36 – Department of Taxes

ITEM	ANNUAL BUDGET	REALEASED FOR THE 1/4	ACTUAL EXPENDITUR E	VARIANCE	%
00	2,438,680.00	0	386,782.41	-386,782.41	35
01	20,678,827.00	0	5,199,526.16	-5,199,526.16	1
02	1,746,722.00	158,240.75	282,095.26	-123,854.51	43
04	6,214,714.00	2,410,000.00	779,956.26	1,630,043.74	80
06	555,502.00	0	223,117.36	-223,117.36	13
07	400,000.00	0	174,000.00	-174,000.00	29
11	98,998.00	0	0.00	-386,782.41	100
TOTAL	32,133,443.00	10,257,609.25	7,421,942.88	2,835,666.37	

ITEM 00: CTA CHARGES

Expenditure for this quarter is at E 386,782.41. Expenditure for this item will gradually increase as CTA continues to capture fuel forms. Even though there were no funds released for this quarter, there is still a savings of 35%. This is from saving from previous quarters.

ITEM 01: PERSONNEL COSTS

Expenditure for this quarter is at E 5,199,526.16. There is a 1% saving on this item and E 500,000.00 has been reallocated from item 041 to cater for temporal tax officers' salaries.

ITEM 02: TRAVEL AND COMMUNICATIONS

An expenditure of E 282,095.26 has been incurred and a commitment of E 58,640.05 has been made. There is a saving of 43% on this item. This is because of the suspension of external trips.

ITEM 04: PROFESSIONAL SERVICES

An expenditure of E 779,956.26 has been incurred and a commitment of E 134,217.46 has been made. There is an 80% saving on this item this due the suspension of orders and from the fact that over E 2 million was released for the quarter.

ITEM 06: CONSUMABLE MATERIALS AND SUPPLIES

An expenditure of E 223,117.36 has been incurred and a commitment of E 38,897.07 has been made. There is 13% saving on this item due to the fact that orders suspended.

ITEM 07: DURABLE MATERIALS AND EQUIPMENT

Expenditure for this quarter is at E 174,000.00. Almost all the funds allocated for this item were fully used.

ITEM 011: GRANTS AND SUBSIDIES – EXTERNAL

No expenditure has been incurred on this item for this quarter; an invoice for the yearly subscription has been received and funds are yet to be released.

13.4 Head 38 – Internal Audit

ITEM	DESCRIPTION	TOTAL BUDGET	RELEASED	ACTUAL EXPENDITURE	VARIANCE	%
00	C.TA. CHARGES	994 392	497,196	70 279	426 917	86
01	PERSONNEL COSTS	3,588,570	2 691 426	2 164 732	526 694	24
02	TRAVEL AND COMMUNICATION	483,547	241,772	71 409	170 363	70
04	SERVICES	460,420	234,210	45 066	189 144	81
06	CONSUMABLES	138,292	62,646	46 450	16 196	26
07	DURABLES	200,000	200,000	93 596	106 404	53

11	EXTERNAL TRANSFERS	10,000	-	-	-	-
TOTAL		5,875,221	3 927 250	2 491 532	1 435 718	37

General comments on expenditure

The overall budget outlook reflects some savings in all the items and this can be attributed to the fact that this department is still not fully staffed and therefore not fully operational. Such savings will apparently, project to the end of the year since government has suspended all commitments.

ITEM 00: CTA CHARGES

The department budgeted for three (3) vehicles but was allocated only one (1) thus the savings.

ITEM 01: PERSONNEL COSTS

The department is still working with a skeleton staff due to some vacant posts which the Department, in consultation with the Civil Service Commission, was in the process of filling had government not suspended all recruitments and promotions.

ITEM 02: TRAVEL AND COMMUNICATIONS

As previously stated, the Department is very thin on personnel and has only one vehicle to use for regional auditing. We nevertheless hope that requests for additional staff and vehicles will be favorably considered in future.

ITEM 04: PROFESSIONAL SERVICES

Since the department is not yet properly and fully staffed, most of the anticipated training programmes budgeted for, have been put on hold until the personnel issue is sorted out.

ITEM 06: CONSUMABLE MATERIALS AND SUPPLIES

This item is within budget and we do not anticipate any major variations.

ITEM 07: DURABLE MATERIALS AND EQUIPMENT

The budget will be utilized for the purchase of additional computers and office furniture once the procurement process has been completed.

ITEM 11: GRANTS AND SUBSIDIES – EXTERNAL

Funds under this item will be utilized to pay the yearly membership subscription to the Institute of Internal Auditors once they have been released.

13.5 Head 39 – Customs and Excise Department

ITEM	ESTIMATES	RELEASED	ACTUAL	VARIANCE
00	3,573,723.00	1,036,860.00	1,501,714.93	-464,854.93
01	40,930,877.00	40,930,824.00	32,701,228.05	8,229,595.95
02	1,807,227.00	12,949,903.00	984,873.24	240,682.67
04	2,545,319.00	1,495,903.00	1,246,215.43	214,430.67
06	1,382,586.00	1,339,660.00	1,047,232.12	248,148.70
07	2,000,000.00	2,000,000.00	103,511.84	94,088.16
11	216,089.00	216089	216089	
TOTAL	52,455,821.00	59,969,239.00	37,800,864.61	150,225,924.61

ITEM 00: CTA CHARGES

This item shows and under expenditure since CTA charges are not posted on time.

ITEM 01: PERSONNEL COSTS

Funds under this item will be utilised to pay staff salaries, overtime claims and allowances such as commuted car allowances and housing allowances until the end of the financial year.

ITEM 02: TRAVEL, TRANSPORT AND COMMUNICATION

Funds under this item will be used to pay for external and internal travel and communication.

ITEM 04: PROFESSIONAL SERVICES, MAINTENANCE AND CONTRACTS

This item serves payment of electricity bills, water, boreholes maintenance, power generators; contracted equipment with Kiel Business Machines (Pty) Ltd for photocopiers, fax machines at Border posts and within the Headquarters.

ITEM 06: CONSUMABLE MATERIALS AND SUPPLIES

Cleaning material, stationary, staff uniform is paid under this item. And invoices not have been paid due to unavailability of funds.

ITEM 07: DURABLE MATERIALS AND EQUIPMENT

Funds under this item services by replacing old or new office equipment that is photocopiers, Fax Machines, computers, adding machines etc.

ITEM 11: GRANTS AND SUBSIDIES- EXTERNAL

This item services payment of World Custom Organisation membership, the renewal of organization in Brussels and subscriptions to World Customs of East and Southern Africa (W.C.O. ESA) in Kenya.

14. CAPITAL PROJECTS

14.1 HEAD 35

Project name and number	Estimates	Released Funds	Actual Expenditure	Variance
G514/99- Upgrading of revenue receiving system	808,000.00	0.00	0.00	0.00
G515/99 – Computerization of Embassy accounts	250,000.00	146,342.00	0.00	146,342.00

14.1.1 Upgrading of revenue receiving system

G514/99 – Challenges

The staff compliment shortage, lack of accommodation for even the few officers, and the lack of security in Hluthi and Siphofaneni revenue offices continues to be a big challenge.

Discussions for the Lomahasha and Buhleni revenue offices are still going on between the Tinkhundla Ministry and the elders of the constituencies.

As a result of the above-mentioned challenges, the E808, 000.00 that was budgeted for this project has not yet been released. Once the Ministry of Tinkhundla Administration has reached a consensus with the elders, the funds will be utilized to construct the two revenue offices.

14.1.2 G515/99-Computerization of Embassy Accounts

Challenges:

The project for computerizing more embassies will again take off in the last quarter considering that it has been delayed by the anticipated exercise of recalling Third Secretaries by the Ministry of Foreign Affairs. Since this exercise is taking a bit long to take off, the department will continue with its project and will computerize five more embassies before the end of the financial year.

14.2 HEAD 39

PROJECT NAME & CODE	ANNUAL ALLOCATION	AMOUNT WARRANTED	ACTUAL EXPENDITURE
EXTENSION OF LAVUMISA BORDER POST – G411/99	20,00,00.00	945,351.00	945,350.09
EXTENSION OF NGWENYA BORDER POST – G480/99	9,523,000.00	3,965,394.00	3,927,467.65
TOTAL	29,523,000.00	4,910,745.00	48,872,817.74

14.3 PROJECT G480/99 – Extension of Ngwenya Border Post

The construction of the 2 x 8 blocks of flats to be used by the police to be relocated from next to the border building is complete. The contractor is doing landscaping and the construction of the 2x 8 blocks of flats to accommodate customs officials is under way.

14.4 PROJECT G411/99 – Extension of Lavumisa Border Post

The terminal building is complete. A contractor has been engaged for paving the parking bay and the drainage system on the premises of the border.

14.5 PROJECT G507/99- Computerization of Customs Data

The Department of Customs and Excise is in the process of implementing the AUTOMATED SYSTEM FOR CUSTOMS DATA (ASYCUDA ++) to provide complete automated solution to all its business processes.

14.5.1 Objective

The objective of the system is to enhance trade facilitation, maximize revenue collection, provide accurate statistics, monitor transit goods, manage risk and control debts.

14.5.2 Status: The implementation started in November 2008 at Ngwenya border post as a pilot site and has been rolled out to Lomahasha, Mhlumeni, Matsapha International

Airport, Matsapha AGOA, Matsapha Inland Container Depot, Mahamba, and Lavumisa,

14.6 DTI: This is Direct Traders Input which is a facility that allows traders including clearing agents to declare their goods from their premises and electronically send them to Customs prior to arrival and departure. This facilitates data communication between traders and Customs. It started operating in November 2008 and it mainly facilitates data capturing and submission of electronic information to Customs systems in remote sites.

15. Office of the Auditor General

15.1 INTRODUCTION

The Office of the Auditor General is established by Section 207 of the Constitution of the Kingdom of ESwatini and Audit Act No. 4 of 2005. The Auditor General is mandated to audit the Public Accounts of Swaziland and all offices, courts and authorities of the Government of ESwatini and Report to Parliament.

15.2 VISION

To be an autonomous office of the Auditor General that addresses audit issues with proficiency and passion

15.3 MISSION STATEMENT

The office of the Auditor General is a Public Institution that audits and assesses value for money applications on public accounts, advises stakeholders on accountability and reports to Parliament in terms of the Audit Act No. 4 of 2005.

15.4 POLICIES

The office of the Auditor General is in the process of reviewing the following policy issues:-

(a) **Mandate**

Strengthening the existing legal framework in order to enhance its operational effectiveness, and introducing new audit concept such Forensic Audit, Gender Audit and PSHACC audit.

(b) **Service Delivery**

The office aims to be responsive to public expectation through effective communication with all stakeholders to improve its credibility in order to enhance and retain public confidence.

(c) **Organizations and Management**

The office intends to improve its management capacity in order to promote good governance within the audit institution.

(d) **Human Resources**

The office intends to improve Human Resources Management in the audit institution in order to retain motivated, competent and productive personnel. In this regard, the office is in the process of updating the Schemes of service to align with the enhanced qualifications of the audit personnel, and also to inculcate the culture of continuous learning among the staff.

(e) **Audit Methodology**

It is the intention of the office to conduct its audits in a manner that reflects best practice, and in this regard the office is in the process of customizing the Regularity and Performance Audit manuals produced by AFROSAI-E.

15.5 RECURRENT EXPENDITURE

Item	Budget Estimate	Cumulative Released Budget	Cumulative Actual Expenditure	Committed amounts	Variance at end of December
00	507,357.00	253,678.00	309,052.29	6,500.00	(61,874.29)
01	10,245,257.00	7,683,939.00	8,055,115.07		(371,176.07)
02	1,254,317.00	1,220,274.00	979,706.47	179,809.35	60,,758.18
04	295,187.00	261,492.00	95,488.44	2,748.50	163,255.06
06	169,086.00	177,240.00	161,618.78	12,869.10	2,752.12
07	100,000.00	20,000.00	0.00		10.00
011	52,367.00	0.00	0.00		0.00

ITEM 00: CTA CHARGES

The budget for the second quarter under the above item was not released, and hence the over expenditure. The quarterly release amounts to E126, 839.25.

ITEM 01: PERSONNEL COSTS

The over expenditure under this item was as a result of the 4.5% salary increase which was effected in August, 2010, and also acting and housing allowances for the previous year which were approved paid in the current financial year.

ITEM 02: TRAVEL, TRANSPORT AND COMMUNICATION

The budget allocation under this item was insufficient. Regional inspections had to be reduced in order to meet the meager budget allocation. The fast moving item is item 021, under which bus allowance claims for commuting officers are paid, and also lunch out and tour advances for inspections. Foreign Missions have all been inspected except for South Africa and Maputo. These two missions could not be inspected because the budget under 022 (traveling external) was exhausted.

ITEM 04: PROFESSIONAL SERVICES, MAINTENANCE AND CONTRACTS

The heavy expenditure under this item was experienced under item 041 (professional services) where the workshop on Performance Audit which was conducted at the Castle Hotel was financed, and also the service of our office printers. The bulk of the budget under 044 is reserved for the printing and binding of the annual Audit Report towards the end of December.

ITEM 06: CONSUMABLE MATERIALS AND SUPPLIES

Most of the expenditure under this item went to stationery. This is mainly because of the increase in staff. Consumption of stationery and cleaning materials is high. The increase in usage of photocopiers and printers is resulting in the heavy usage of cartridges and toners which have escalated in prices.

ITEM 07: DURABLE MATERIALS AND EQUIPMENT

No expenditure was incurred under this item. The amount of E20, 000.00 which was released was reallocated for the procurement of stationery and toners for the printers.

ITEM 11: GRANTS AND SUBSIDIES- EXTERNAL

No expenditure has been incurred yet under this item as invoices are issued at the end of December each year.

15.6. Audit Work Carried Out

15.6.1 Financial / Regularity Audits

- Ministry of Agriculture
- Ministry of Natural Resources and Energy
- Audit of overtime- Ministry of Natural Resources and Energy
 - Elections and Boundaries and Commission
 - Ministry of Agriculture
- Ministry of Commerce, Industry and Trade
- Audit of Empowerment Fund 2009/2010 financial year on 14 Tinkhundla Centres
- Leased office accommodation – Ministry of Labour and Social Security

Examination of the Treasury Annual Accounts

1. Appendix 1 – Statements of Assets and Liabilities
2. Appendix 2 – Detailed Statement of Assets
3. Appendix 3 – Detailed Statement of Liabilities
4. Appendix 4 – Statement of Receipts and Payments
5. Appendix 5 – Surplus and Deficit accounts
6. Appendix 6 – Detailed Statement of Revenue Expenditure
7. Appendix 7 – Detailed Statement of Recurrent Expenditure
8. Appendix 8 – Detailed Statement of Capital Expenditure
9. Appendix 9 – Grants from other bodies
10. Appendix 10 – Capital fund
11. Appendix 11- Statement of Public Debt
12. Appendix 12 – Outstanding loans from Revenue and other sources
13. Appendix 13 – Statement of imprest outstanding revenue
14. Appendix 14 – Consolidated statement of outstanding Revenue
15. Appendix 15 – Statement of contingent liabilities
16. Appendix 16 – Statement of expenditure authorised by contingent warrants
17. Appendix 17 - Statements of write offs by Principal Secretary, Finance
18. Appendix 18 – Police Reward Fund
19. Appendix 19 – Fairview Township
20. Appendix 20 – Disabled soldiers and dependents Pension Fund
21. Appendix 21 – Prison Officers Reward fund
22. Appendix 22 – Special fund and unexpended loan held by Treasury
23. Appendix 23 – Guardian fund
24. Appendix 24 – Ngwane Park Township
25. Appendix 25 – Disaster Relief Fund
26. Appendix 26 – Community Development
27. Appendix 27 – Regional Development
28. Appendix 28 – Strategic oil reserve
29. Appendix 29 – Sibhimbi fund

30. Appendix 30 – Water Relief Fund
31. Appendix 31 – Special Care Medical Aid Fund
32. Appendix 32 – Empowerment Fund
33. Appendix 33 – Capital Investment
34. Appendix 34 – IMF Special drawing rights accounts
35. Appendix 35 – Japanese Aid Fund
36. Appendix 36 – Resettlement Fund
37. Appendix 37 – Matsapha Industrial Estates
38. Appendix 38 – Drugs Trading Account
39. Appendix 39 – Poultry Extension Accounts
40. Appendix 40 – Manyonyaneni Beef Ranch
41. Appendix 41 – Tractor Hire Pool
42. Appendix 42 – Protea Piggs Peak
43. Appendix 43 – Central Transport Administration
44. Appendix 44 – Book Fund
45. Appendix 45 – Health Sector Study
46. Appendix 46 – Swaziland International Trade Fair
47. Appendix 47 – Statute Revision
48. Appendix 48 – Statement of Prison Poultry Extension
49. Appendix 49 - Housing and Urban Settlement

Follow ups

- Overpayment of salary, employee 3198603 – Elections and Boundaries Commission.
- Overpayment of salary, employee 2414966 – Ministry of Justice and Constitutional Affairs.
- Overpayment of salary, employee 4304629- Ministry of Justice and Constitutional Affairs
- Overpayment of salaries – Employees 4050564, 5089264, 3159952, 3623284, 2501758, 5255126, Ministry of Tourism and Environmental Affairs.
- Overpayment of salary for employee 7010024 – Ministry of Tourism and Environmental Affairs.
- Overpayment of transport re-imbursive allowances, employees, 4187211, 2072317, 5063497, 64333, 4132345 and 5080124- Ministry of Natural Resources and Energy.
- Loss of government Revenue – Malkerns Research Station
- Shewula High School

Audit of Schools

1. St Marks Primary School
2. Mgampondo Primary School
3. Engudzeni High School
4. Ngwane Practising Primary School
5. Sigcaweni Primary School

6. Manyovu Primary School

Workmens Compensations

1. Vincent Ndumiso Dlamini
2. Josephine Dudu Shiba
3. Philiswa Dlamini
4. Ntombi C.Shongwe
5. Jabu Joyce Shongwe
6. Margaret Tsembeni Mamba
7. Muzi E.Myeni
8. Enock M.Maseko
9. Siza Ceasar Dlamini
10. Mangaliso P.Dlamini
11. Bhekithemba Ndlabatsi
12. Machawe S.Dube
13. Lilly Nkosi

Tinkhundla Projects

- Building materials, Mater Dolorosa High School
- Dumankungwini Water project
- Sandleni Water Project
- Plumbing material, Ntjanini High School
- Electrical material and water pumps, Somntongo disabled people

15.7 **Capital Projects**

Project E39399 - Construction of Science schools Laboratories II

Project E38099 – Installation of Security system at Ministry of Education and Training

Project E38199- Swaziland National Library Bibliographic network

Parastatal Bodies reviews of audited financial statements

- Swaziland Environmental Authority
- University of Swaziland
- Swaziland Development and Savings Bank
- Swaziland Development Finance Corporation
- Swaziland Electricity Company
- Swaziland Tourism Authority
- Swaziland Railway
- Swaziland Television Authority
- Motor Vehicle Authority
- Swaziland Water and Development Enterprise

- Swaziland Investment Promotion Authority
- Swaziland Cotton Board
- ADB Funded Programmes – Grant No. 55001 5000451 Rehabilitation and upgrading of Primary Health Care facilities and Training Institutions, Project No. PZ- SZ-I BO – 002.

Performance Audit

- (a) Conducted field inspections in respect of the following performance audit projects to implement revised action plans.
- Orphans and vulnerable children – report was finalized.
 - Elderly grant- Conducted field inspections and drafted report
 - Maintenance of government houses project was completed but amendments are still being made.
 - HIV and AIDS – Conducted the audit up to 70 % completion.
- (b) Commenced performance audit on the following projects:
- Regional Development Fund
 - Purchase and distribution of Electrical Stoves