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**Table 3.8.2 Performance Rewards by salary band for personnel below Senior Management Service for the period 1 April 2014 to 31 March 2015**

Salary band	Beneficiary Profile			Cost		
	Number of beneficiaries	Number of employees	% of total within salary bands	Total Cost (R'000)	Average cost per employee	Total cost as a % of the total personnel expenditure
Lower Skilled (Levels 1-2)	34	94	40 %	141	4147	0.06 %
Skilled (level 3-5)	108	248	42.7 %	578	5351	0.27 %
Highly skilled production (level 6-8)	121	178	76.5 %	1082	8942	0.506 %
Highly skilled supervision (level 9-12)	63	98	70.7 %	1297	20587	0.607 %
<b>Total</b>	<b>326</b>	<b>618</b>	<b>56 %</b>	<b>3098</b>	<b>9503</b>	<b>1.443 %</b>

**Table 3.8.3 Performance Rewards by critical occupation for the period 1 April 2014 to 31 March 2015**

Critical occupation	Beneficiary Profile			Cost	
	Number of beneficiaries	Number of employees	% of total within occupation	Total Cost (R'000)	Average cost per employee
Legislators, senior officials and managers	58	24	69 %	1143	19706
Technicians and associate professionals	5	39	71 %	104	20800
Administrative Office Workers	121	295	76.5 %	1082	8942
Elementary occupations	142	284	42.9	769	5415
<b>Total</b>	<b>326</b>	<b>642</b>	<b>56 %</b>	<b>3098</b>	<b>9503</b>

*Table 3.8.4 Performance related rewards (cash bonus), by salary band for Senior Management Service for the period 1 April 2014 to 31 March 2015*

Salary Band	Beneficiary Profile			Cost		
	Number of beneficiaries	Number of employees	% of total within salary bands	Total Cost (R'000)	Average cost per employee	Total cost as a % of the total personnel expenditure
<b>Salary Band</b>						
Band A	6	18	31.57 %	347	57833.33	0.162 %
Band B	0	2	0 %	0	0	0
Band C	0	2	0 %	0	0	0
Band D	0	1	0 %	0	0	0
<b>Total</b>	<b>6</b>	<b>23</b>	<b>26 %</b>	<b>347</b>	<b>57833.33</b>	<b>0,162%</b>

**3.9. Foreign Workers**

The tables below summarise the employment of foreign nationals in the department in terms of salary band and major occupation.

*Table 3.9.1 Foreign workers by salary band for the period 1 April 2015 and 31 March 2016*

Salary Band	01 April 2015		31 March 2016		Change	
	Number	% of total	Number	% of total	Number	% Change
Lower skilled	0	0	0	0	0	0
Highly skilled production (Lev. 6-8)	0	0	0	0	0	0
Highly skilled supervision (Lev. 9-12)	0	0	0	0	0	0
Contract (level 9-12)	0	0	1	0.2	1	0.2
Contract (level 13-16)	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

*Table 3.9.2 Foreign workers by major occupation for the period 1 April 2015 and 31 March 2016*

Major occupation	01 April 2015		31 March 2016		Change	
	Number	% of total	Number	% of total	Number	% Change
Veterinarian	0	0	1	0.2	1	0.2

**3.10. Leave utilisation**

The Public Service Commission identified the need for careful monitoring of sick leave within the public service. The following tables provide an indication of the use of sick leave and disability leave. In both cases, the estimated cost of the leave is also provided.

*Table 3.10.1 Sick leave for the period 1 January 2015 to 31 December 2015*

Salary Band	Total days	% Days with Medical certification	Number of Employees using sick leave	% of total employees using sick leave	Average days per employee days/number of employees	Estimated Cost (R'000)
Lower Skills (Level 1-2)	467	93.79	58	14.6	8.1	158

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supervision(Levels 9-12)			
Senior management (Levels 13-16)	740	31	23.87
<b>Total</b>	15862	641	24.74

Table 3.10.4 Capped leave for the period 1 January 2015 to 31 December 2015

Salary band	Total days of capped leave taken	Number of Employees using capped leave	Average number of days taken per employee	Average capped leave per employee as on 31 March 2016
Lower skilled (Levels 1-2)	6	1	6	9.82
Skilled Levels 3-5)	6	1	6	23.76
Highly skilled production (Levels 6-8)	2	2	1	30.17
Highly skilled supervision(Levels 9-12)	13.36	2	6.68	42.44
Senior management (Levels 13-16)	0	0	0	33.35
<b>Total</b>	27.36	6	4.56	27.90

The following table summarise payments made to employees as a result of leave that was not taken.

Table 3.10.5 Leave pay-outs for the period 1 April 2015 and 31 March 2016

Reason	Total amount (R'000)	Number of employees	Average per employee (R'000)
Leave pay-out for 2014/15 due to non-utilisation of leave for the previous cycle	0	0	0
Capped leave pay-outs on termination of service for 2015/16	819	12	68
Current leave pay-out on termination of service for 2015/16	586	30	19

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Skilled (levels 3-5)	1131	96.36	155	39.1	7.3	<b>480</b>
Highly skilled production (levels 6-8)	766	97.96	113	28.4	6.8	<b>652</b>
Highly skilled supervision (levels 9 -12)	442	97.32	62	15.6	7.12	<b>778</b>
Top and Senior management (levels 13-16)	39	96.89	9	2.3	4.3	<b>151</b>
<b>Total</b>	<b>2845</b>	<b>96.46</b>	<b>397</b>	<b>100</b>	<b>7.2</b>	<b>2219</b>

Table 3.10.2 Disability leave (temporary and permanent) for the period 1 January 2015 to 31 December 2015

Salary Band	Total days	% Days with Medical certification	Number of Employees using sick leave	% of total employees using sick leave	Average days per employee	Estimated Cost (R'000)
Lower skilled (Levels 1-2)	333	100	14	35.89	23.78	<b>116</b>
Skilled (Levels 3-5)	413	100	20	51.28	20.65	<b>174</b>
Highly skilled production (Levels 6-8)	80	100	4	10.26	20	<b>68</b>
Highly skilled supervision (Levels 9-12)	20	100	1	2.56	20	<b>12</b>
Senior management (Levels 13-16)	0	0	0	0	0	<b>0</b>
<b>Total</b>	<b>809</b>	<b>100</b>	<b>39</b>	<b>100</b>	<b>21.10</b>	<b>370</b>

The table below summarises the utilisation of annual leave. The wage agreement concluded with trade unions in the PSCBC in 2000 requires management of annual leave to prevent high levels of accrued leave being paid at the time of termination of service.

Table 3.10.3 Annual Leave for the period 1 January 2015 to 31 December 2015

Salary band	Total days taken	Number of Employees using annual leave	Average per employee
Lower skilled (Levels 1-2)	2099	89	23.58
Skilled Levels 3-5)	6361	246	25.85
Highly skilled production (Levels 6-8)	4050	174	23.27
Highly skilled	2612	101	25.86



<b>Total</b>	<b>1405</b>	<b>42</b>	<b>33</b>
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### 3.11. HIV/AIDS & Health Promotion Programmes

*Table 3.11.1 Steps taken to reduce the risk of occupational exposure*

Units/categories of employees identified to be at high risk of contracting HIV & related diseases (if any)	Key steps taken to reduce the risk
1. Cleaners	HIV, Counselling and Testing (HCT), education and awareness Provision of Personal Protective Equipment (PPE) and Occupational Health and Safety (OHS) Inspections
2. Peer educators	HCT, First Aid training and provision of First Aid equipment
3. Officials working and living at Resorts and Reserves, away from their homes	HCT, education and awareness, condom demonstration and distribution
4. Officials working at abattoir and game capture	HCT, education and awareness, provision of PPE and conducting OHS inspections

*Table 3.11.2 Details of Health Promotion and HIV/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.	x		Mr JJ Malinga Acting Chief Director: Corporate Services Mr M. Segopa Acting Director: Organisational and Human Resource Development (OHRD)
2. Does the department have a dedicated unit or has it designated specific staff members to promote the health and well-being of your employees? If so, indicate the number of employees who are involved in this task and the annual budget that is available for this purpose.	x		EHWP Unit, Six (6) employees Budget: R1.2056 M
3. Has the department introduced an Employee Assistance or Health Promotion Programme for your employees? If so, indicate the key elements/services of this Programme.	X		HIV Counselling and Testing (HCT) Programme Health Risk Assessments (HRA) Disease Management Programme(DMP) Promotion of Health & Wellness
4. Has the department established (a) committee(s) as contemplated in Part VI	X		<b>EHWP COMMITTEE</b>  Mrs. LGB Molefe(EHWP)

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Question	Yes	No	Details, if yes
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.			<p>Mrs. P.Mothibedi (HEALTH &amp;PRODUCTIVITY)</p> <p>Mrs. M. Ntsiuoa (HIV MANAGEMENT)</p> <p>Ms K Mampe (HIV MANAGEMENT)</p> <p>Ms N Seleokane (WELLNESS)</p> <p>Ms T. Morabe (OHS)</p> <p><b>PEER EDUCATORS:</b></p> <p>Ms Puleni</p> <p>Mr. Mokhathi</p> <p>Ms Molokoane</p> <p>Ms Modise</p> <p>Mr. Ramalefane</p> <p>Mr. Kanono (Deseased in January 2016)</p> <p>Ms Mollo</p> <p>Mr. Moseki</p> <p>Mr. Lesupi</p> <p>Ms Mahlomola</p> <p>Ms Setsetse</p> <p>Mr Sitisho</p> <p>Mr Seisho</p> <p>Mr Nonyane</p> <p>Ms Motsoane</p> <p>Mr Ditabe</p> <p>Mr Makubu</p> <p>Ms Mosikili</p> <p>Ms Dube</p> <p>Ms Menong</p> <p>Mr Senyakanyaka</p> <p>Mr Khauhelo</p> <p>Mr Mokhele</p> <p>Ms Motaung</p> <p>Mr Mamome</p> <p>Mr Lesapo</p>

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Question	Yes	No	Details, if yes
			Mr Telane Ms Machogo Mr Motlohi Ms Motsumi Mr Ntomane Ms Phato Mr Seekane Ms Mampe Ms Pulane Ms Sefuba Mr Phangisa
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.		X	-
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.	X		<ul style="list-style-type: none"> <li>HIV Policy developed and approved</li> <li>Only Registered Professionals attend to HIV related matters</li> </ul>
7. Does the department encourage its employees to undergo Voluntary Counselling and Testing? If so, list the results that you have achieved.	X		<ul style="list-style-type: none"> <li>HCT Campaigns are held every six months within the department</li> <li>Employees are offered free treatment and support</li> <li>Infected employees are enrolled on Disease Management Programme</li> </ul>
8. Has the department developed measures/indicators to monitor & evaluate the impact of its health promotion programme? If so, list these measures/indicators.		X	-

**3.12. Labour Relations***Table 3.12.1 Collective agreements for the period 1 April 2015 and 31 March 2016*

Total number of Collective agreements	None
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The following table summarises the outcome of disciplinary hearings conducted within the department for the year under review.

*Table 3.12.2 Misconduct and disciplinary hearings finalised for the period 1 April 2015 and 31 March 2016*

Total number of Disciplinary hearings finalised	10
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*Table 3.12.3 Types of misconduct addressed at disciplinary hearings for the period 1 April 2015 and 31 March 2016*

- Theft, absenteeism and drunkenness whilst on duty.

*Table 3.12.4 Grievances lodged for the period 1 April 2015 and 31 March 2016*

Grievances	Number	% of Total
Number of grievances resolved	35	97.22%
Number of grievances not resolved	1	2.78%
<b>Total number of grievances lodged</b>	<b>36</b>	<b>100%</b>

*Table 3.12.5 Disputes logged with Councils for the period 1 April 2015 and 31 March 2016*

Disputes	Number	% of Total
Number of disputes upheld	0	0%
Number of disputes dismissed	1	17%
Number of disputes awaiting set-down	5	83%
<b>Total number of disputes lodged</b>	<b>6</b>	<b>100%</b>

*Table 3.12.6 Strike actions for the period 1 April 2015 and 31 March 2016*

Total number of persons working days lost	0
Total costs working days lost	0
Amount recovered as a result of no work no pay (R'000)	0

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Table 3.12.7 Precautionary suspensions for the period 1 April 2015 and 31 March 2016

Total number of Precautionary Suspensions effected	0
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**3.13. Skills development**

This section highlights the efforts of the department with regard to skills development.

Table 3.13.1 Training needs identified for the period 1 April 2015 and 31 March 2016

Occupational category	Gender	Number of employees as at 1 April 2015	Training needs identified at start of the reporting period			
			Learnerships	Skills Programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	22	0	<ul style="list-style-type: none"> <li>• Project Khaedu</li> <li>• Strategic Capability &amp; Leadership</li> <li>• People Empowerment &amp; Management</li> <li>• Advanced Project Management</li> <li>• Principles of Monitoring and Evaluation</li> <li>• Occupational Health &amp; Safety</li> <li>• Advanced Presiding Skills</li> <li>• PILIR</li> </ul>	0	6
	Male	41	0	<ul style="list-style-type: none"> <li>• Project Khaedu</li> <li>• Strategic Capability &amp; Leadership</li> <li>• People Empowerment &amp; Management</li> <li>• Advanced Project Management</li> <li>• Principles of Monitoring and Evaluation</li> <li>• Occupational Health &amp; Safety</li> <li>• Advanced Presiding Skills</li> <li>• PILIR</li> </ul>	0	8
Professionals	Female	1	0	0	0	0
	Male	3	0	0	0	0

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Technicians and associate professionals	Female	41	0	0	0	0
	Male	67	0	0	0	0
Clerks	Female	100		<ul style="list-style-type: none"> <li>• Fire Arms / Rhino Protection</li> <li>• Advanced Acquisition Management</li> <li>• Contract Management</li> <li>• Logistics Management</li> <li>• Detection &amp; combating bid rigging</li> <li>• Principles of Monitoring &amp; Evaluation</li> <li>• Skills Development Facilitation</li> <li>• Occupational Health &amp; Safety</li> <li>• Computer Literacy: Excel</li> <li>• Advanced Budgeting for Public Service</li> <li>• Advanced Presiding Skills</li> <li>• Investigating Skills</li> <li>• Minute Taking</li> <li>• Report Writing</li> <li>• Gyroplane Operator</li> </ul>	0	15
	Male	83		<ul style="list-style-type: none"> <li>• Fire Arms / Rhino Protection</li> <li>• Advanced Acquisition Management</li> <li>• Contract Management</li> <li>• Logistics Management</li> <li>• Detection &amp; combating bid rigging</li> <li>• Principles of Monitoring &amp; Evaluation</li> <li>• Skills Development Facilitation</li> <li>• Occupational Health &amp; Safety</li> <li>• Computer Literacy: Excel</li> <li>• Advanced Budgeting for Public Service</li> <li>• Advanced Presiding Skills</li> </ul>	0	15

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				<ul style="list-style-type: none"> <li>Investigating Skills</li> <li>Minute Taking</li> <li>Report Writing</li> <li>Gyroplane Operator</li> </ul>		
Service and sales workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Skilled agriculture and fishery workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Craft and related trades workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Plant and machine operators and assemblers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Elementary occupations	Female	77	0	<ul style="list-style-type: none"> <li>General Maintenance</li> <li>Computer Literacy</li> <li>Veld Fire Extinguishing</li> <li>Report Writing</li> </ul>	<ul style="list-style-type: none"> <li>Adult Basic Education &amp; Training</li> </ul>	5
	Male	188	0	<ul style="list-style-type: none"> <li>General Maintenance</li> <li>Computer Literacy</li> <li>Veld Fire Extinguishing</li> <li>Report Writing</li> </ul>	<ul style="list-style-type: none"> <li>Adult Basic Education &amp; Training</li> </ul>	5
<b>Sub Total</b>	<b>Female</b>	<b>241</b>	<b>0</b>	<b>26</b>	<b>1</b>	<b>27</b>
	<b>Male</b>	<b>382</b>	<b>0</b>	<b>26</b>	<b>1</b>	<b>27</b>
<b>Total</b>		<b>623</b>	<b>0</b>	<b>52</b>	<b>2</b>	<b>54</b>

Table 3.13.2 Training provided for the period 1 April 2015 and 31 March 2016

Occupational category	Gender	Number of employees as at 1 April 2015	Training provided within the reporting period			
			Learnerships	Skills Programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	22	0	<ul style="list-style-type: none"> <li>Principles of Monitoring and Evaluation</li> <li>Occupational Health &amp;</li> </ul>	0	5

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				<ul style="list-style-type: none"> <li>Safety</li> <li>• Advanced Presiding</li> <li>• PILIR</li> </ul>		
	Male	41	0	<ul style="list-style-type: none"> <li>• Principles of Monitoring and Evaluation</li> <li>• Occupational Health &amp; Safety</li> <li>• Advanced Presiding</li> <li>• PILIR</li> </ul>	0	5
Professionals	Female	1	0	0	0	0
	Male	3	0	0	0	0
Technicians and associate professionals	Female	41	0	0	0	0
	Male	67	0	0	0	0
Clerks	Female	100	0	<ul style="list-style-type: none"> <li>• Principles of Monitoring &amp; Evaluation</li> <li>• Skills Development Facilitation</li> <li>• Occupational Health &amp; Safety</li> <li>• Computer Literacy: Excel</li> <li>• Advanced Budgeting for Public Service</li> <li>• Advanced Presiding Skills</li> <li>• Supply Chain Management</li> <li>• Office Professional Development</li> <li>• PILIR</li> <li>• Industrial Relations</li> <li>• Minute Taking</li> <li>• Report Writing</li> </ul>	0	12
	Male	83	0	<ul style="list-style-type: none"> <li>• Principles of Monitoring &amp; Evaluation</li> <li>• Skills Development Facilitation</li> <li>• Occupational Health &amp; Safety</li> </ul>	0	12



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				<ul style="list-style-type: none"> <li>• Computer Literacy: Excel</li> <li>• Advanced Budgeting for Public Service</li> <li>• Advanced Presiding Skills</li> <li>• Supply Chain Management</li> <li>• Office Professional Development</li> <li>• PIILIR</li> <li>• Industrial Relations</li> <li>• Minute Taking</li> <li>• Report Writing</li> </ul>		
Service and sales workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Skilled agriculture and fishery workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Craft and related trades workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Plant and machine operators and assemblers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Elementary occupations	Female	77	Nature Conservation Resource Guardianship	<ul style="list-style-type: none"> <li>• Computer Literacy</li> <li>• Report Writing</li> </ul>	ABET	4
	Male	188	Nature Conservation Resource Guardianship	<ul style="list-style-type: none"> <li>• Computer Literacy</li> <li>• Report Writing</li> </ul>	ABET	4
<b>Sub Total</b>	<b>Female</b>	<b>241</b>	<b>1</b>	<b>18</b>	<b>1</b>	<b>20</b>
	<b>Male</b>	<b>382</b>	<b>1</b>	<b>18</b>	<b>1</b>	<b>20</b>
<b>Total</b>		<b>623</b>	<b>2</b>	<b>36</b>	<b>2</b>	<b>40</b>

**3.14. Injury on duty**

The following tables provide basic information on injury on duty.

*Table 3.14.1 Injury on duty for the period 1 April 2015 and 31 March 2016*

Nature of injury on duty	Number	% of total
Required basic medical attention only	16	100
Temporary Total Disablement	16	100
Permanent Disablement	0	0
Fatal	0	0
Total	16	100

**3.15. Utilisation of Consultants**

The following tables relate information on the utilisation of consultants in the department. In terms of the Public Service Regulations "consultant" means a natural or juristic person or a partnership who or which provides in terms of a specific contract on an ad hoc basis any of the following professional services to a department against remuneration received from any source:

- (a) The rendering of expert advice;
- (b) The drafting of proposals for the execution of specific tasks; and
- (c) The execution of a specific task which is of a technical or intellectual nature, but excludes an employee of a department.

*Table 3.15.1 Report on consultant appointments using appropriated funds for the period 1 April 2014 and 31 March 2015*

Project title	Total number of consultants that worked on project	Duration (work days)	Contract value in Rand
Development of Hazardous Waste Inventory	01	365	R1 150 032.00
Total number of projects	Total individual consultants	Total duration Work days	Total contract value in Rand
01	01	365	R 1 150 032.00

*Table 3.15.2 Analysis of consultant appointments using appropriated funds, in terms of Historically Disadvantaged Individuals (HDIs) for the period 1 April 2014 and 31 March 2015*

Project title	Percentage ownership by HDI groups	Percentage management by HDI groups	Number of consultants from HDI groups that work on the project
n/a			

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Table 3.15.3 Report on consultant appointments using Donor funds for the period 1 April 2014 and 31 March 2015

Project title	Total Number of consultants that worked on project	Duration (Work days)	Donor and contract value in Rand
n/a			

Total number of projects	Total individual consultants	Total duration Work days	Total contract value in Rand
n/a			

Table 3.15.4 Analysis of consultant appointments using Donor funds, in terms of Historically Disadvantaged Individuals (HDIs) for the period 1 April 2014 and 31 March 2015

Project title	Percentage ownership by HDI groups	Percentage management by HDI groups	Number of consultants from HDI groups that work on the project
n/a			

Project title	Percentage ownership by HDI groups	Percentage management by HDI groups	Number of consultants from HDI groups that work on the project
n/a			

**3.16. Severance Packages**Table 3.16.1 Granting of employee initiated severance packages for the period 1 April 2014 and 31 March 2015

Salary band	Number of applications received	Number of applications referred to the MPSA	Number of applications supported by MPSA	Number of packages approved by department
Lower skilled (Levels 1-2)	0	0	0	0
Skilled Levels 3-5)	0	0	0	0
Highly skilled production (Levels 6-8)	0	0	0	0
Highly skilled supervision (Levels 9-12)	0	0	0	0
Senior management (Levels 13-16)	0	0	0	0
<b>Total</b>	0	0	0	0

## PART E: FINANCIAL INFORMATION

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# **Report of the auditor-general to the Free State Legislature on vote no. 3: Department of Economic, Small Business Development, Tourism and Environmental Affairs**

## **Report on the financial statements**

### **Introduction**

1. I have audited the financial statements of the Department of Economic, Small Business Development, Tourism and Environmental Affairs, set out on pages 133 to 205, which comprise the appropriation statement, the statement of financial position as at 31 March 2016, the statement of financial performance, statement of changes in net assets, and cash flow statement for the year then ended, as well as 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 the Modified Cash Standards prescribed by the National Treasury, the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA) and the Division of Revenue Act of South Africa, 2015 (Act No. 1 of 2015) (DoRA), 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 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 qualified audit opinion.

## **Basis for qualified opinion**

### **Transfers and subsidies**

6. The department did not classify payments made for the Micro enterprises support programme in terms of the nature of the transactions in accordance with the chapter on expenditure in the Modified Cash Standard. The department classified these payments as transfers and subsidies instead of current expenditure: goods and services and expenditure for capital assets: tangible assets. Consequently, transfers and subsidies are overstated by R18 900 000 (2015: R24 003 000). In addition, I was unable to obtain sufficient appropriate audit evidence to determine the respective amounts by which current expenditure: goods and services and expenditure for capital assets: tangible assets were understated, as the supporting information was not provided. I was unable to determine the understatements by alternative means.

### **Qualified opinion**

7. In my opinion, except for the effects of the matters described in the basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Department of Economic, Small Business Development, Tourism and Environmental Affairs as at 31 March 2016 and its financial performance and cash flows for the year then ended, in accordance with the Modified Cash Standard prescribed by the National Treasury and the requirements of the PFMA and DoRA.

### **Emphasis of matters**

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

### **Restatement of corresponding figures**

9. As disclosed in note 32 to the financial statements, the corresponding figures for 31 March 2015 have been restated as a result of an error discovered during 2016 in the financial statements of the department at, and for the year ended, 31 March 2015.

### **Irregular expenditure**

10. As disclosed in note 23 to the financial statements, the department incurred irregular expenditure of R72 566 000 relating to the current year due to non-compliance with supply chain management requirements. The full extent of irregular expenditure incurred is still in the process of being investigated.

## Impairments

11. As disclosed in note 22.2 to the financial statements, a provision for impairment of R9 140 000 (2015: R7 235 000) has been made with regard to accrued departmental revenue of R14 504 000 (2015: R11 715 000) as a result of possible non-recovery of rental income from a debtor.

## Additional matter

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

## Unaudited supplementary schedules

13. The supplementary information set out on pages 206 to 213 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

## Report on other legal and regulatory requirements

14. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives of selected programmes presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

## Predetermined objectives

15. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected programmes presented in the annual performance report of the department for the year ended 31 March 2016:
  - Programme 2: Environmental affairs on pages 51 to 59
  - Programme 3: Economic and small business development on pages 59 to 67
16. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).
17. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

18. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following programmes:

- Programme 2: Environmental affairs
- Programme 3: Economic and small business development

### **Additional matters**

19. Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected programmes, I draw attention to the following matters:

### **Adjustment of material misstatements**

20. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of programme 2: Environmental affairs and programme 3: Economic and small business development. As management subsequently corrected the misstatements, I did not identify any material findings on the usefulness and reliability of the reported performance information.

### **Unaudited supplementary schedules**

21. The supplementary information set out on pages 23 to 43 does not form part of the annual performance report and is presented as additional information. I have not audited these schedules and, accordingly, I do not report on them.

### **Compliance with legislation**

22. I performed procedures to obtain evidence that the department had complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

### **Financial statements and annual report**

23. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records as required by section 40(1)(a) and (b) of the PFMA. Material misstatements of expenditure, transfers and subsidies and disclosure notes identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.



## **Expenditure management**

24. Effective steps were not taken to prevent irregular expenditure, amounting to R72 566 000 as disclosed in note 23 of the financial statements, as required by section 38(1)(c)(ii) of the PFMA and Treasury Regulation (TR) 9.1.1.

## **Revenue management**

25. Effective and appropriate steps were not taken to collect all money due, as required by section 38(1)(c)(i) of the PFMA and TR 11.2.1, 15.10.1.2(a) and 15.10.1.2(e).

## **Transfers and subsidies**

26. Sufficient appropriate audit evidence could not be obtained that appropriate measures were maintained to ensure that transfers and subsidies to the Micro enterprise support programme beneficiaries were applied for their intended purposes, as required by TR 8.4.1.

## **Procurement**

27. Sufficient appropriate audit evidence could not be obtained that all contracts and quotations were awarded in accordance with the legislative requirements as documentation in respect of expenditure for the Micro enterprise support programme by the service provider was not obtained.
28. Contract and quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, which is prescribed in order to comply with TR 16A8.3.
29. Persons in service of the department whose close family members, partners or associates had a private or business interest in contracts awarded by the department failed to disclose such interest, as required by TR 16A8.4.

## **Internal control**

30. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for qualified opinion and the findings on compliance with legislation included in this report.

## **Leadership**

31. Management did not exercise effective control over financial management to ensure fair presentation of the financial statements in accordance with Modified Cash Standards as prescribed by National Treasury. This has resulted in material misstatements being identified by the auditors of which management was in disagreement, hence no correction was made to the financial statements. Furthermore, management did not

adequately exercise effective control to address compliance with laws and regulations.

## Financial and performance management

32. Management did not ensure that the departmental performance measures in support of procurement processes are developed and monitored when procuring through the use of the implementing agents which resulted in the department incurring irregular expenditure.

## Governance

33. The audit committee did not sufficiently perform their oversight function to adequately address the significant risks identified in the previous audit to enhance the control environment.

*Auditor - General*

Bloemfontein

31 July 2016



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*