

PRESENTATION TO THE PORTFOLIO COMMITTEE ON THE
ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED
31 MARCH 2012/13



**cooperative governance
& traditional affairs**

Department:
Cooperative Governance and Traditional Affairs
REPUBLIC OF SOUTH AFRICA

OVERVIEW OF THE PRESENTATION

The outline of the presentation is as follows:

- Purpose
- Background
- Annual Financial Statements for the 2012/13 financial year
- Conclusion.

INTRODUCTION

The purpose of the presentation is to brief the Portfolio Committee on:

- 2012/13 Audit outcome
- Key areas of under-spending at the end of the 2012/13 financial year; and
- The significant notes and disclosures reflected in the 2012/13 Annual Financial Statement of the Department

All amounts in the presentation are in Rand values; rounded off to the nearest R1000 as in the Quarterly Financial Statements.

3

AUDIT OUTCOME

During the 2012/13 Financial Year the Department's received an Unqualified Audit Opinion with matters of emphasis

4

UNDER SPENDING

Table 1: Summary of under-expenditure at the end of the 2012/13 financial year per Programme:

Programme	2012/13 Final Appropriation Amount	Actual Amount Spent	% Spent	Deviation	% Deviation
	R'000	R'000		R'000	
Programme 1: Administration	205 838	183 625	89.21%	22 213	10.79%
Programme 2: Policy, Research and Knowledge Management	51 763	49 911	96.42%	1 852	3.58%
Programme 3: Governance and Inter Government Relations	38 108 109	37 364 161	98.05%	743 948	1.95%
Programme 4: Disaster Response Management	556 458	114 113	20.51%	442 345	79.49%
Programme 5: Provincial and Municipal Governance Systems	274 437	274 298	99.95%	139	0.05%
Programme 6: Infrastructure and Economic Development	15 551 211	15 341 309	98.65%	209 902	1.35%
Programme 7: Traditional Affairs	107 362	106 948	99.61%	414	0.39%
TOTAL	54 855 178	53 434 365	97.41%	1 420 813	2.59%

UNDER SPENDING (Cont.)

Programme 1: Administration

Office Accommodation was not paid in time due to delays in invoicing from Public Works and the communication survey as well as the training workshops at local government were not completed on time.

Programme 2: Policy, Research and Knowledge Management

Final invoices for SITA contracts were submitted late.

Programme 3: Governance and Intergovernmental Relations

National Treasury withheld transfer of the Equitable Share grants due to poor performance of municipalities on other conditional grants in the previous financial year. The South African Local Government Association appropriation was increased, but the approval for the virement was received after year end. This amount was requested as a roll-over to the 2013/14 financial year. The final transfer to South Cities Network was not applied for on time, but a request was sent to National Treasury to roll-over unspent funds.

Programme 4: Disaster Response Management

The delay in verification and quantification of disaster damages delayed the disbursement of disaster relief funds to affected provinces and municipalities.

UNDER SPENDING (Con.)

Table 2: Summary of under-expenditure at the end of the 2012/13 financial year per Economic Classification:

Economic Classification	2012/13 Final Appropriation Amount	Actual Amount Spent	% Spent	Deviation	% Deviation
	R'000	R'000		R'000	
Compensation of employees	292 770	266 374	90.98%	26 396	9.02%
Goods and Services	1 804 505	1 587 471	87.97%	217 034	12.03%
Transfers and Subsidies	52 738 886	51 561 784	97.77%	1177102	2.23%
Payment of Capital Assets	18 103	17 822	98.45%	281	1.55%
Payment for Financial Assets	914	914	100.00%	0	0.00%
TOTAL	54 855 178	53 434 365	97.41%	1 420 813	2.59%

7

UNDER SPENDING (Cont.)

Compensation of Employees

The under-spending is on earmarked sub- programmes (Community Works Programme (CWP) and Special Purpose Vehicle (MISA)) mainly due to delays in recruitment processes.

Goods and Services

Office Accommodation was not paid on time due to delays in invoicing from Public Works and the communication survey as well as the training workshops at local government were not completed on time.

Transfers and Subsidies

National Treasury withheld transfer of the Equitable Share grants due to poor performance of municipalities on other conditional grants in the previous financial year. The South African Local Government Association appropriation was increased, but the approval for the virement was received after year end. This amount was requested as a roll-over to the 2013/14 financial year. The final transfer to South Cities Network was not applied for on time, but a request was sent to National Treasury to roll-over unspent funds.

8

SELECTED NOTES TO THE AFS

Note 5.3: Consultants, contractors and outsourced services

The expenditure relate to the procurement of critical services rendered through consultants, contractors and outsourced services, amongst other, the following:

- Management of Community Work Programme (CWP) sites and disbursements to participants (Wages – 59.31%; None wages – 29.29%); and
- Legal fees (0.53%)

Note 7.1: Material losses written off

The material losses written-off to the amount of R 914 thousand is mainly due to the following incidents:

- Cancellation fees on air tickets – R 5k; and
- Car accident claims – R 909k

Note 9. Expenditure for capital Assets

The expenditure for capital assets increased from R8, 277 million to R17,822 million. This increase is mainly due to payments for Municipal Infrastructure Support Agent (MISA) and Community Work Programme (CWP) capital assets.

9

DISCLOSURE NOTES TO THE AFS

Disclosure note 19.1: Contingent liabilities

- The amount of R 170 thousand reflected as claims against the Department relate to a court case where the service provider claims relief for additional services rendered.

Disclosure note 21: Accruals

- The accruals increased from R62 million to R84 million in the 2012/13 financial year. The increase mainly relates to CWP invoices which were supposed to be paid in the period under review, but only paid in the new financial year 2013/14. The delay was due to the verification process for quality assurance on the supporting documents for payments.

10

DISCLOSURE NOTES TO THE AFS (Cont.)

Disclosure note 23: Lease Commitment

- This note includes finance expenditure lease commitments relating to parking, cell phones, photocopying machines and motor vehicles.
- The lease contracts relating to the buildings have not been renewed, as a result, it has not been included in this note. Discussions are continuing between CoGTA and the Department of Public Works in this regard.

Disclosure note 24: Irregular expenditure

- The irregular expenditure to the amount of R 727,438 million mainly relates to cases of non-compliance to procurement policies. All these incidents are being investigated by the Internal Audit Unit to determine whether they will be recovered from the responsible officials or condoned.
- The Department has developed a Post Audit Action Plan which will assist in mitigating the control weaknesses identified by the Auditor General in this regard.

11

DISCLOSURE NOTES TO THE AFS (Cont.)

Disclosure note 25: Fruitless and wasteful expenditure

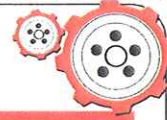
- The fruitless and wasteful expenditure has decreased significantly from R1 million in the 2011/12 financial year to R 2 thousand at the end of March 2013.
- The Department has developed a Post Audit Action Plan which will assist in mitigating the control weaknesses identified by the Auditor General in this regard.

Disclosure note 26: Related party transactions

- As per the National Treasury guide, the disclosure for transactions with related parties is limited to those between the Department and the Public Entities falling under the Minister/MEC's portfolio (i.e. subject to common control), and also those that process expenditure on behalf of the Department and gets reimburse thereafter.
- In this case the only transactions that occurred outside the statutory transfers were between the Department and the Development Bank of Southern Africa as well the South African Local Government Association, to the value of R24 thousand and R135 million respectively.
- No other transactions have been entered into between the department and its Entities including Municipalities.

12

CONCLUSION



THANK YOU