



Economic Development Department 2013/14 Annual Report

Financial Report

Presentation to the Select Committee on
Economic and Business Development



economic
development

Economic Development Department
REPUBLIC OF SOUTH AFRICA

11 November 2014



- EDD delivered effectively on the core business KPIs
- The Department is able to resource the core business for delivery on the APP. There is room for improvement in the demand planning and recruitment of staff.
- The management systems of the Department are settling. Improved stability of staffing will enhance this.
- Governance is improving through risk management, internal audit, ICT governance, security management and the system of management; and the audit committee oversight support.

Overall Performance Level	Number of KPIs
Total Number of KPIs	38
KPIs with Targets exceeded	11
KPIs with Targets met	26
KPIs with Targets under-achieved	1

For the year under review the department spent 99.99% of the allocated budget.

Financial Performance per Programme

Programmes	2013/14				2012/13			
	Annual Budget	Expenses	Variance		Annual Budget	Expenses	Variance	
	R'000	R'000	R'000	%	R'000	R'000	R'000	%
Administration	91 342	91 301	41	0.04%	62 931	55 394	7 537	12%
Economic Policy Development	23 891	23 886	5	0.02%	19 197	11 575	7 622	39.7%
Economic Planning and Coordination	644 515	644 511	4	0%	601 824	597 523	4 301	0.7%
Economic Development and Dialogue	11 718	11 697	21	0.18%	12 565	8 981	3 584	28.5%
Total	771 466	771 395	71	0.01%	696 518	673 473	23 045	3.3%

Year on Year Performance per Programme

Programmes	2013/14	2012/13	Variance
Administration	99.96%	88.0%	11.96%
Economic Policy Development	99.98%	60.3%	39.68%
Economic Planning and Coordination	100.0%	99.3%	0.70%
Economic Development and Dialogue	99.82%	71.5%	28.32%
Total	99.99%	96.7%	3.29%
Total (R'000)	771 395	673 473	97 922

Financial Performance per Economic Classification

Classification	2013/14				2012/13			
	Annual Budget	Expenses	Variance		Annual Budget	Expenses	Variance	
	R'000	R'000	R'000	%	R'000	R'000	R'000	%
Compensation of employees	70 948	70 922	26	0.04%	70 399	62 074	8 325	11.8%
Goods & services	66 277	66 239	38	0.06%	69 562	58 544	11 018	15.8%
Departmental Agencies	273 603	273 603	0	0%	249 220	249 220	0	0%
Universities & Universities of Technology	0	0	0	0%	12 280	12 280	0	0%
Public Corporations	353 979	353 979	0	0%	289 328	289 327	1	%
Households	499	495	4	0.8%	223	222	1	0.4%
Machinery & equipment	6 160	6 157	3	0.05%	5 506	1 806	3 700	32.8%
Totals	771 466	771 395	71	0.01%	696 518	673 473	23 045	3.3%

Financial Performance per Economic Classification

Classification	2013/14	2012/13	Variance
Compensation of Employees	99.96%	88.2%	11.76%
Goods & services	99.94%	84.2%	15.74%
Departmental Agencies	100.0%	100%	0%
Universities & Universities of Technology	0%	100%	-100%
Public Corporations	100.0%	100%	0%
Households	99.20%	99.6%	-0.4%
Machinery & equipment	99.95%	32.8%	67.15%
Totals	99.99%	96.7%	3.29%

Improvement of spending Year on Year

- Compensation of Employees' baseline allocation is for 166 posts. The targeted number as per the approved APP2013/14 was 146. In the Adjusted ENE, EDD did a straightline projection based on historical spending for the first 5 months of the year and projected for the remainder of the 7 months on a number of posts.
- Savings realised in compensation of employees was utilised to absorb:
 - Increased office space (Block G): R7.5 million
 - Increased legal fees: R6.7 million
 - The PICC publicity campaign: R19.1 million
 - The Video Conference facility: R 456 thousand
 - Budget cuts to **sefa's** economic competitiveness funding by R50 million: R15 million.
- Unlike in 2012/13, the department did not receive any unsolicited additional funding in the Adjusted Estimates of National Expenditure (AENE)
- Spending for the 2012/13 financial year was hampered by the additional funding received to develop capacity for the Economic Regulatory Bodies (ERBs) during the AENE and could not be implemented on time.

Overall Performance for 2013/14

KPIs	
Total Number of KPIs	38
KPI's with targets exceeded	11
KPI's with targets met	26
KPI's with targets under-achieved	1

R'000	
Budget	771 466
Expenditure	771 395
Under spending	71

Post numbers funded	166
Post numbers (APP target)	146
Staff employed	139

Performance for the 2013/14 - Programme 1

KPIs	
Total Number of KPIs	5
KPIs with targets Exceeded	1
KPI's with targets met	3
KPI's with targets under-achieved	1

R'000	
Budget	91 342
Expenditure	91 301
Under spending	41

Funded Post numbers	77
Staff employed	73

Performance for the 2013/14 - Programme 2

KPIs	
Total Number of KPIs	11
KPIs with targets Exceeded	3
KPI's with targets met	8
KPI's with targets under-achieved	0

R'000	
Budget	23 891
Expenditure	23 886
Under spending	5

Funded Post numbers	24
Staff employed	18

Performance for the 2013/14 – Programme 3

KPIs	
Total Number of KPIs	14
KPIs with targets Exceeded	6
KPI's with targets met	8
KPI's with targets under-achieved	0

R'000	
Budget	644 515
Expenditure	644 511
Under spending	4

Funded Post numbers	49
Staff employed	31

Performance for the 2013/14 – Programme 4

KPIs	
Total Number of KPIs	8
KPIs with targets Exceeded	1
KPI's with targets met	7
KPI's with targets under-achieved	0

R'000	
Budget	11 718
Expenditure	11 697
Under spending	21

Funded Post numbers	16
Staff employed	14

Transfers to Entities

Description	2013/14	2012/13
	R'000	R'000
Industrial Development Corporation	108 000	109 000
Industrial Development Corporation: Sefa	245 979	171 330
Competition Commission	176 888	157 211
Competition Tribunal	16 945	15 798
International Trade Administration	79 770	74 403
Total	627 582	527 742

1. The additional R15 million transferred to sefa for the budget shortfall of the 2014/15 ECSP allocation is included in the above figure.

Revenue Performance

Description	2013/14	2012/13
	R'000	R'000
Sales of goods and services other than capital assets	23	21
Fines, penalties and forfeits	1 037 454	617 344
Interest, dividends and rent on land	50 229	50 106
Transactions in financial assets and liabilities	9 836	1 191
Total	1 097 542	668 662

Revenue collection increased from R669 m to R1.1b and this was largely due to the increase in fines and penalties imposed by the Competition Commission.

- **Fines, penalties & forfeits confirmed and collected by the Competition Authorities**
- **Interest earned on the commercial bank account**
- **Dividends earned from shares in the Industrial Development Corporation**

Irregular expenditure

- Increased from R61 thousand to R592 thousand
- **Root causes**
 - Consultant appointed without a tax clearance certificate
 - Consultant engaged with a certified copy of the tax clearance certificate
 - Consultant engaged in periods where tax clearance was not provided
 - Verification of officials details using a service provider whose term had lapsed
 - Engaging a service provider without following SCM processes
 - Overtime worked without prior approval
 - Overtime paid in exceeds 30% monthly basic salary
 - Acting allowance paid beyond the permitted timeframe
- **Controls implemented**
 - Only original tax clearance certificates are accepted from potential service providers
 - Tax clearance certificates are verified before payments are effected
 - All procurement is initiated at SCM
 - Only pre approved overtime will be processed

Human Resource Management

Employment and vacancies by programme as at 31st March 2014

Programme	Number of posts approved establishment	of on	Number of posts filled	Vacancy rate against approved establishment
Administration	77		76	1%
Economic Policy Development	24		18	25%
Economic Planning Coordination	49		31	37%
Economic Development and Social Dialogue	16		14	13%
Total	166		136	18%

Note: additional comments on this table on the Annual Report (page 77, table 3.2.1)

Audit Outcome

- **The department obtained an unqualified audit report**
- **Non compliance that resulted in irregular expenditure being incurred**
- **Correction of the annual financial statements during the audit:**
 - **Disclosure notes (3 areas)**
 - **Receivables: error in capturing a sub note in the word version of the AFS**
 - **Accruals: a claim received from the Department of Justice for a service rendered in March 2014 not recognised in the AFS**
 - **Asset disclosure note: Inconsistencies in the layout of the asset comparative disclosure note**
 - **Remedies**
 - **EDD already compiles monthly disclosure notes with the detailed working file and relevant supporting documents**
 - **Legal services is now required to ensure that all services sourced via the Dept. of Justice are recorded with SCM as commitments/accruals**
 - **The current method is being implemented as directed in the guide, the OAG has been contacted to provide a consistent template.**

Commitments on addressing Audit Issues

- A consolidated 'heat map' to rectify the audit findings has been compiled, which reflects responsible persons and timeframes to rectify each finding
- 'Heat Map' mitigation plans are being monitored every second Friday at the progress meetings, attended by the process owners & chaired by the CFO.
- Internal Audit attends these meetings and will audit the corrective measures that have been implemented as part of the audit coverage plan
- Progress reports on the implementation of corrective measures are presented to the Audit Committee, Executive Authority, DG and EXCO.

- The new APP and the identification of clear outputs for delivery in 2014/15 will build on this and lead to a more focused use of resources of the Department to impact on economic development.
- Alignment of budget programme structure with the revised strategic outcomes has been effected and will be visible in the 2015 ENE, Strategic Plan and Annual Performance Plan (APP)
- Review of the organisational structure is at an advanced stage
- Focused attention on stabilising HRM and addressing the audit findings
- On going work on monitoring controls – heatmap

THANK YOU



SIYABONGA

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