

TECHNICAL OVERSIGHT OF ANNUAL REPORTING WORKSHOP

Portfolio Committee on Public
Works

11 March 2008



Outline

- Objectives of department
- Budget tables
- Appropriation statement
- Audits
- HR

2006/07 strategic objectives

- improve the management of the state's immovable property portfolio
- use accommodation-related programmes, such as maintenance contracts, to contribute to economic growth
- contribute to job creation and poverty alleviation through further rollout of the expanded public works programme
- provide leadership in the transformation of the construction and property industries.

Strategic drivers

- Service delivery improvement programme – quality standards
- Human resource capacity – to manage department's core business
- Implementation of asset management policies, return on investment and devolution of budgets

Receipts⁵

- Main revenue sources are letting property and official quarters, and the sale of state-owned land, buildings and structures, including redundant military bases and properties that are no longer cost-effective to maintain
- One govt property worth R300m to be disposed of in 2006/07

Table 6.2 Departmental receipts

R thousand	Audited outcome			Adjusted appropriation	Medium-term receipts estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Departmental receipts	34 166	36 017	41 194	76 759	314 360	63 687	67 751
Sales of goods and services produced by department	10 402	10 809	22 917	18 826	10 456	10 303	10 960
Sales of scrap, waste and other used current goods	74	10	281	8	9	8	8
Fines, penalties and forfeits	1 633	2 710	2 262	842	999	1 000	1 064
Interest, dividends and rent on land	2 349	1 600	1 762	1 004	1 030	1 000	1 063
Sales of capital assets	10 197	8 002	8 291	46 444	300 500	50 000	53 192
Financial transactions in assets and liabilities	9 511	12 886	5 681	9 635	1 366	1 376	1 464
Total	34 166	36 017	41 194	76 759	314 360	63 687	67 751

Budgetary Tables (1)

Appropriations for the MTEF period

R thousand	2006/07 To be appropriated	2007/08	2008/09
MTEF allocations	3 080 181	3 494 610	3 873 159
<i>of which:</i>			
Current payments	1 251 595	1 311 341	1 382 838
Transfers and subsidies	1 226 310	1 361 121	1 456 048
Payments for capital assets	602 276	822 148	1 034 273
Statutory amounts	–	–	–
Executive authority	Minister of Public Works		
Accounting officer	Director-General of Public Works		

Budget tables (2)

- Devolution of funds to other departments decreased baseline allocations

Table 6.1 Public Works

bd1

Programme				Adjusted appropriation	Revised estimate	Medium-term expenditure estimate			
		Audited outcome							
R thousand		2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	
1.	Administration	374 393	419 796	497 052	551 880	592 086	593 211	607 830	643 249
2.	Provision of Land and Accommodation	1 049 317	1 280 552	1 608 660	1 668 193	1 417 986	2 369 024	2 762 080	3 095 211
3.	National Public Works Programme	306 449	310 644	96 875	121 391	121 391	98 808	104 605	113 321
4.	Auxiliary and Associated Services	15 210	13 517	41 822	17 407	17 407	19 138	20 095	21 378
Total		1 745 369	2 024 509	2 244 409	2 358 871	2 148 870	3 080 181	3 494 610	3 873 159
Change to 2005 Budget estimate					(3 195 180)	(3 405 181)	(2 879 599)	(3 082 996)	(3 124 414)

Slide 7

bd1

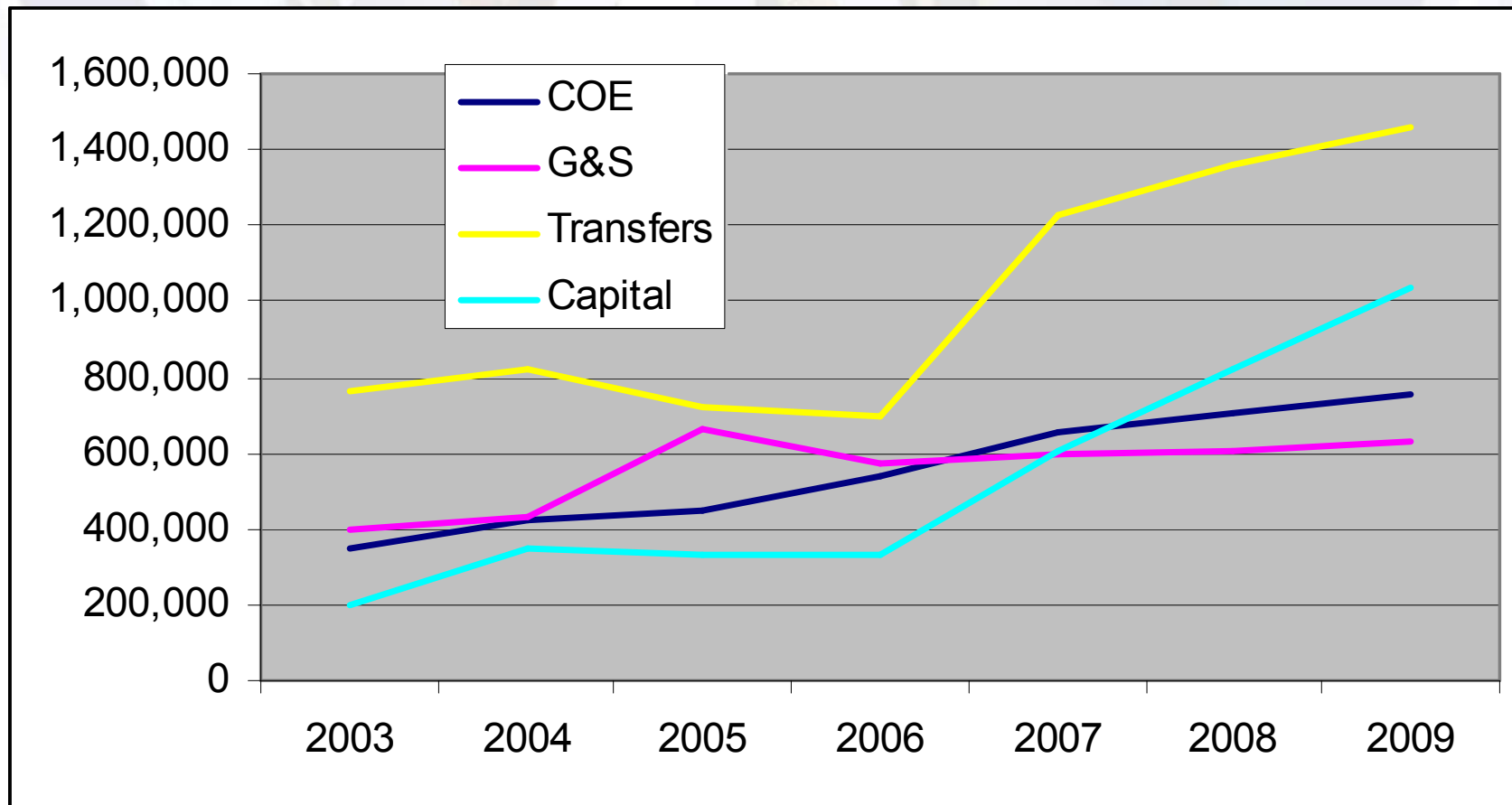
dmaphiri, 2008/03/11

Budget tables (3)

- Economic classification shows large budget consumed by transfers to other spheres and entities – how are these funds being used there (s. 38(1)(j) of PFMA)
- 2008 DoRB provides for reporting obligations of transferring national departments to monthly report on the implementation of the MIG to NT and other national departments

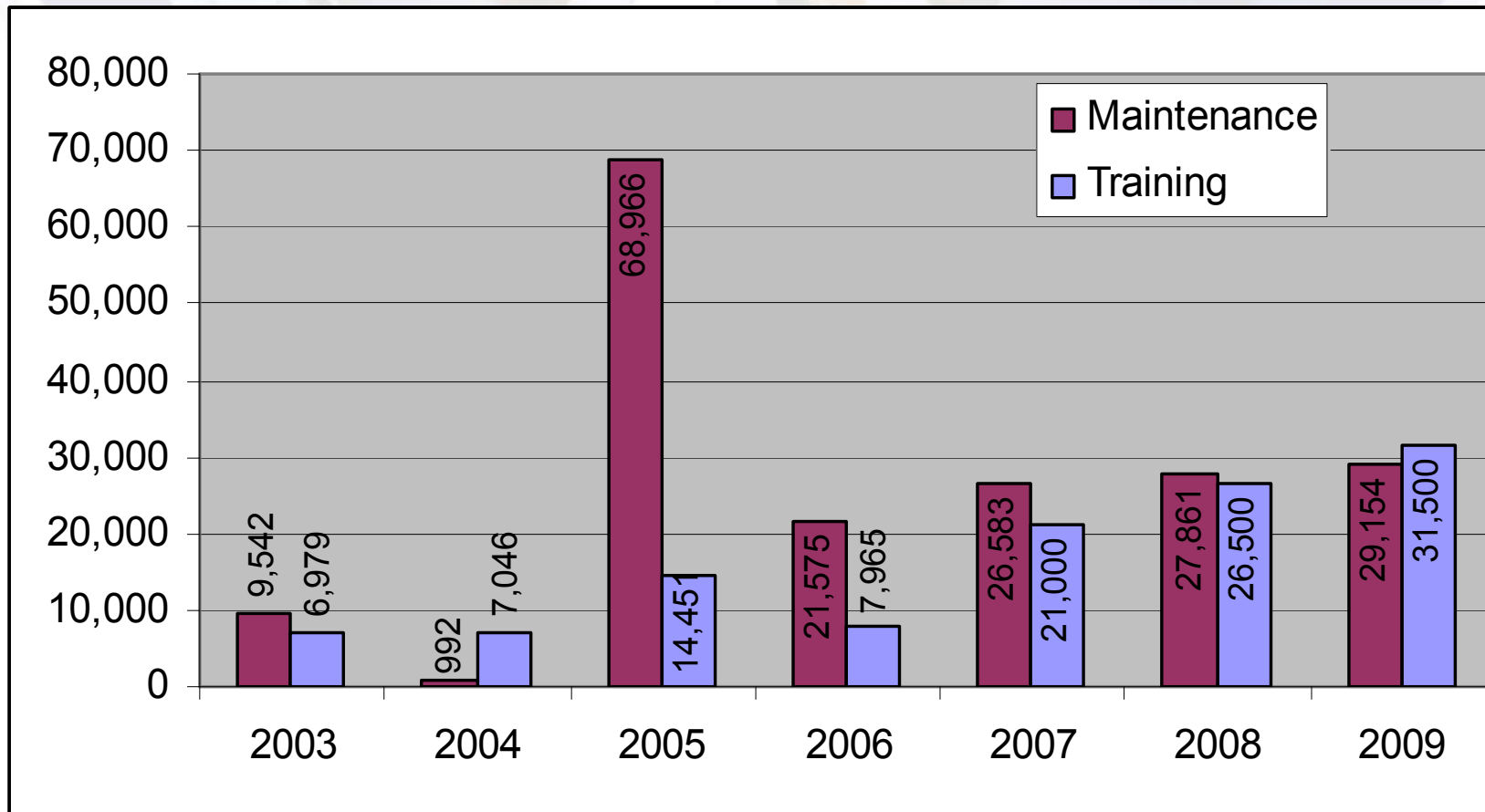
Budget tables

- Budgets for major input items



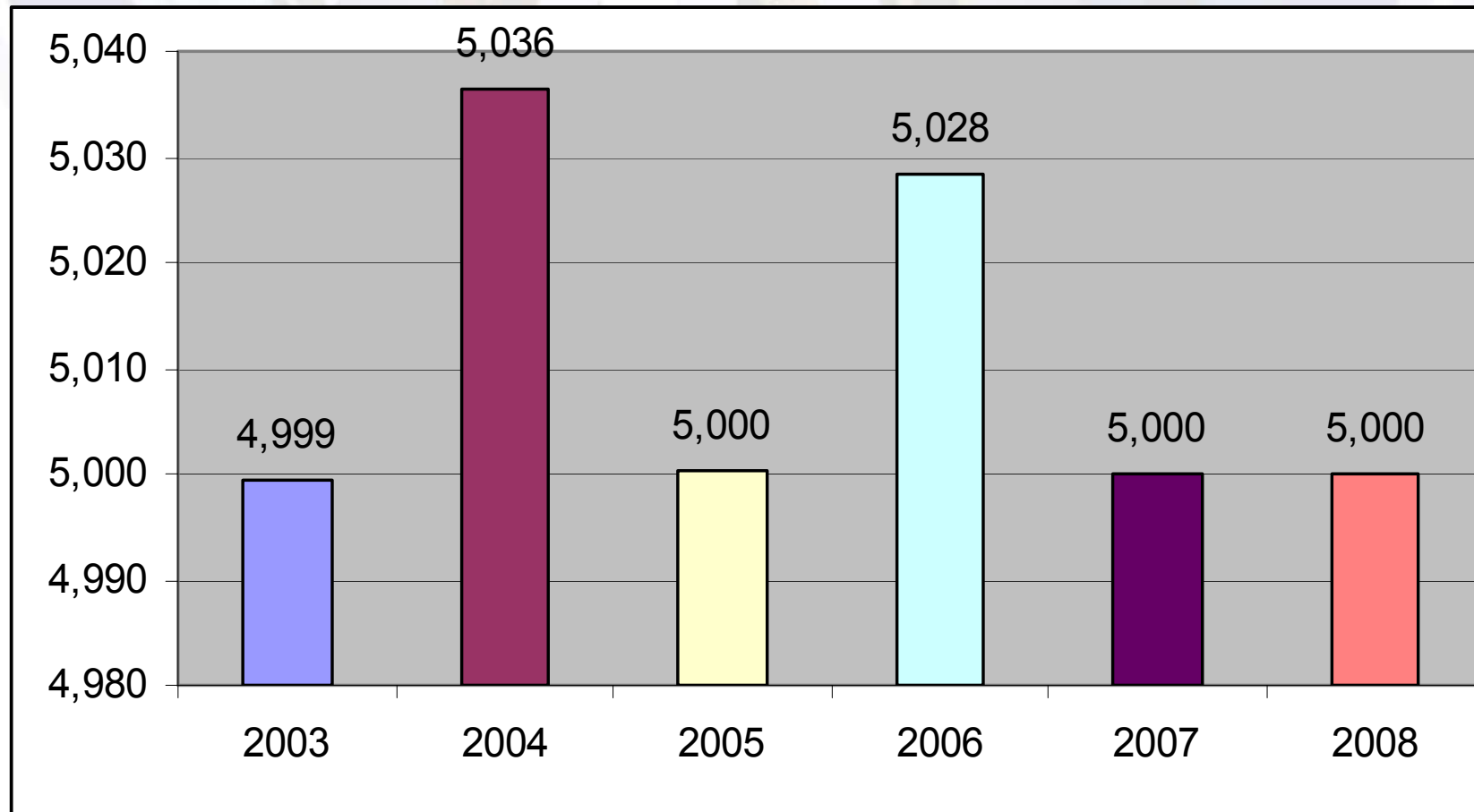
Budget tables

- Maintenance and training budgets



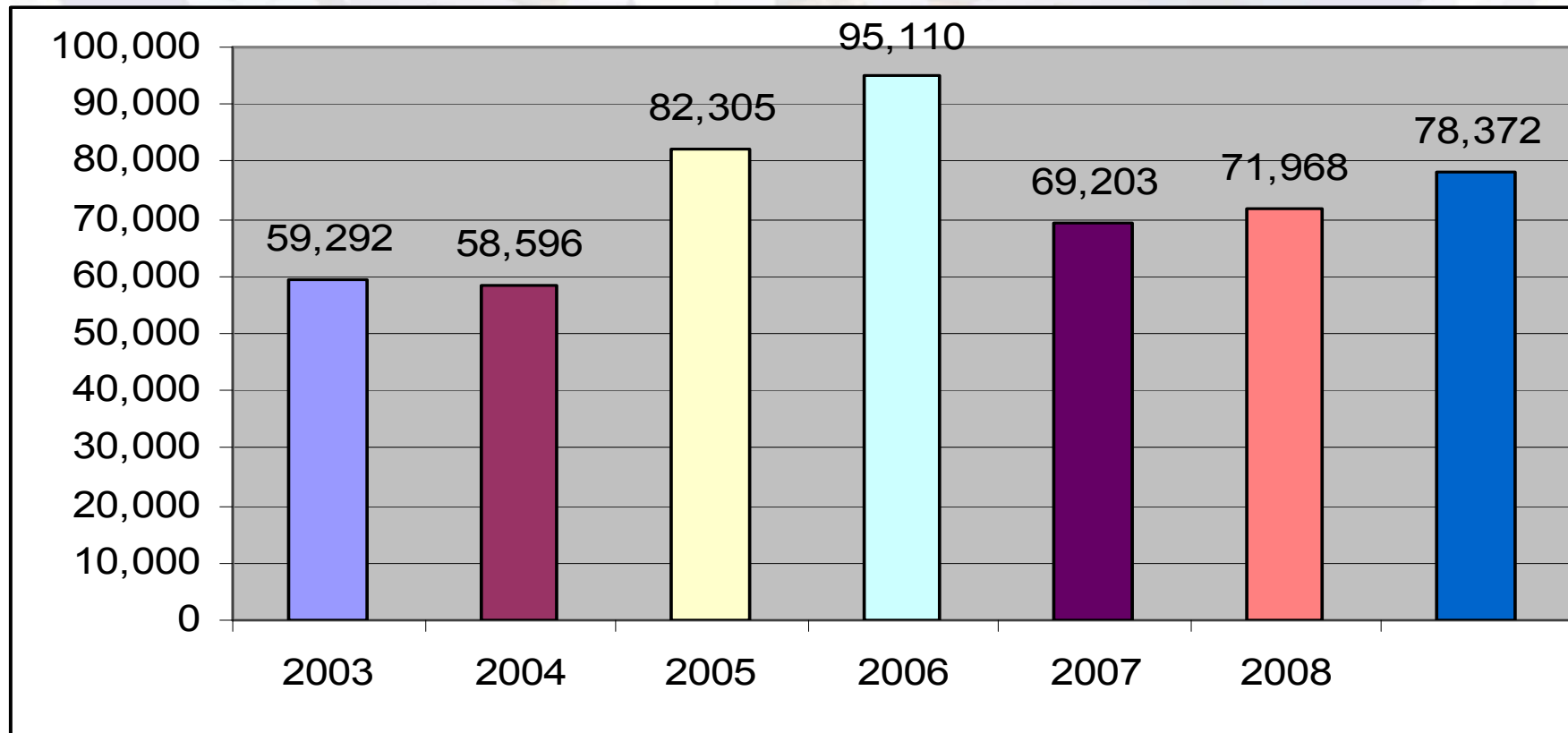
Budget tables

- Training budgets per capita



Budget tables

- Consultancy spending



REPORT OF THE AUDIT COMMITTEE

- Internal Audit Committee
- Share Committee: Provincial Treasury
- Comment on:
 - Effectiveness of internal control
 - Quality of in year monitoring
 - Evaluation of the annual financial statements by performing a review

Audit committee findings (2007)

- The system of internal control was **not entirely effective** for the year under review, as compliance with prescribed policies and procedures were lacking in certain instances (Breakdown of functioning controls)
- In certain instances, some weaknesses reported previously have **not been fully and satisfactorily addressed**
- The Audit Committee is **satisfied with the content and quality of monthly and quarterly reports** prepared and issued by the Accounting Officer

Audit committee findings (2007)

- The Audit Committee concurs and accepts the Auditor General's conclusions on the annual financial statements
- The Committee has noted the Accounting Officer's commitments towards developing an action plan to comprehensively address the issues raised by the Auditor General

16 CONTENTS ANNUAL FINANCIAL STATEMENTS

- Management report & approval
- Report of the Auditor General
- Statement of Accounting Policies and Related Matters
- Appropriation Statement and Notes
- Statement of Financial Performance;
- Statement of Financial Position;
- Statement of Net Assets and Equity
- Cash flow statement;
- Notes to the financial statements;
- Disclosure notes to the financial statements;
- Annexures

MANAGEMENT REPORT

- Descriptive report
- General Review of the state of financial affairs
- Services rendered by the Department
- Capacity constraints
- Donor Funds
- Trading and public entities
- Transfer payments
- PPP

MANAGEMENT REPORT

- Discontinued/ New activities
- Progress with Financial Management Improvement
 - Large amounts of money
 - PFMA
 - Progress report on implementation
- Performance Information
 - What processes are in place to measure performance

MANAGEMENT REPORT

- Events after the balance sheet date – adjusting vs non adjusting
- Approval of the financial statements:
 - Page numbers all pages except MR & AG
 - Date - 31 MAY
 - Accounting Officer
- Do not contradict information contained elsewhere in the report
- Both positive and negative

Management report

- I have noted the significant issues raised by the Auditor General that have translated to the qualification of the department's audit report as well as other equally significant matters raised in subsequent paragraphs of the audit report
- I will closely monitor the action plan to be put in place to ensure their resolution and preventing recurrence thereof in the course of the financial year
- The oversight structures of Parliament will soon be provided with the action plan to resolve these matters with realistic timeframes as some of them particularly those whose resolution will require the co-operation of other departments

REPORT OF THE AUDITOR GENERAL

- Issued to the Departments by 31 July
- Audit of the financial statements
- Independent
- Review the processes
- Compliance issues
- Verification of expenditure
- Unaqualified, Qualified and Disclaimer
- SCOPA

Audit Opinions

- Unqualified
- Qualified
- Adverse opinion
- Disclaimer

Audit opinion

- Qualified audit for the ff reasons:
 - Out of a sample of 1 745 assets, 328 assets could not be traced to the asset register
 - Out of a sample of 1 041 assets, 83 assets could not be physically verified
 - A number of assets were not bar coded which made it difficult to locate the assets on the asset register
 - A number of duplicate assets were found on the asset registers submitted for audit and some were shown at two different prices;
 - At the time of this report the fixed asset register had not been updated with the result of the asset count
 - I am unable to conclude on the completeness, accuracy and valuation of the fixed asset register and furniture and office equipment of R73 million disclosed under note 28 to the financial statements

Audit opinion

- Qualified audit for the ff reasons (Immovable):
 - the department has not included additions and improvements to the properties amounting to 2006/07: R414 million, (2005/06: R406 million) in the asset register although the amount has been included in note 28 to the financial statements
 - The Department of Correctional Services (DCS) incurred expenditure amounting to R1, 242 billion on improvements/additions to buildings under the custodianship of the Department of Public Works. By time of report DCS had not transferred these improvement/additions to the department and as a result the PMIS and note 37 to the financial statements are understated by R1, 242 billion

Audit opinion

- Emphasis of matter:
 - Payments of invoices amounting to R10.7 million were **not made within 30 days of receipt of invoice** as required in terms of Treasury Regulation (TR) 8.2.3 and the PFMA
 - Maintenance, repairs and running costs of R6 Million are amounts that could be classified as Capital Expenditure
 - Expenditure amounting to R1, 494 billion was similarly allocated and **disclosed as "Maintenance, repairs and running costs"** under Current Expenditure in the financial statements of the Property Management Trading Entity (PMTE) of the department
 - Not all objects as set out in the **strategic plan** for the EPWP were reported in the **annual report**

APPROPRIATION STATEMENT

- Voted amount as per adjustment estimates and not cash received
- Virements (8% of savings) with restrictions:
 - Can not increase personnel expenditure
 - Can not increase or decrease transfers
 - Can not use capital for current
 - Can not use savings from conditional grants

APPROPRIATION STATEMENT

- Adjusted budget
- Actual expenditure
- Variance
- Prior year
- Explanations

APPROPRIATION STATEMENT

- Programme
- Sub-programme
- Economic Classification
- Reconciliation

APPROPRIATION STATEMENT

Adjusted budget

Table 6.1: Public Works

Programme		2006/07					
R thousand	Main appropriation	Additional appropriation				Total additional appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable /unavoidable	Virement	Other adjustments		
1. Administration	593 211	-	-	-	-	-	593 211
2. Provision of Land and Accommodation	2 369 024	-	-	(32 588)	-	(32 588)	2 336 436
3. National Public Works Programme	98 808	32 500	-	32 588	-	65 088	163 896
4. Auxiliary and Associated Services	19 138	4 081	-	-	-	4 081	23 219
Total	3 080 181	36 581	-	-	-	36 581	3 116 762

APPROPRIATION STATEMENT

Department of Public Works - Vote 6
Appropriation Statement for the year ended 31 March 2007

Appropriation per Programme									
	2006/07							2005/06	
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual Expenditure R'000
1. Administration									
Current payment	589,762	–	32,028	621,790	614,325	7,465	98.8	377,906	350,023
Transfers and subsidies	1,090	–	–	1,090	738	352	67.7	489	1,514
Payment for capital assets	2,359	–	–	2,359	10,142	(7,783)	429.9	13,894	40,895
2. Provision of Land and Accommodation									
Current payment	665,563	–	(37,503)	628,060	587,865	40,195	93.6	3,758,610	3,755,588
Transfers and subsidies	1,162,453	–	–	1,162,453	1,162,869	(416)	100	925,853	928,529
Payment for capital assets	508,420	–	–	508,420	437,251	71,169	86	409,162	392,756
3. National Public Works Programme									
Current payment	115,725	–	–	115,725	110,312	5,413	95.3	105,414	104,969
Transfers and subsidies	48,021	–	–	48,021	47,346	675	98.6	34,382	37,078
Payment for capital assets	150	–	–	150	346	(196)	230.7	430	43
4. Auxilliary and Associated Services									
Current payment	1,656	–	5,475	7,131	6,601	530	92.6	1,654	2,430
Transfers and subsidies	21,563	–	–	21,563	19,696	1,867	91.3	15,893	11,997
Payment for capital assets	–	–	–	–	1	(1)	–	549	549
5. Special Functions (Theft and Losses)									
Current payment	–	–	–	–	28,296	(28,296)	–	–	8,499
Total	5,644,236	–	–	5,644,236	5,634,870	9,366	99.8%	5,513,909	5,304,916
Reconciliation with Statement of Financial Performance									
Departmental receipts				79,937				98,077	
Actual amounts per Statement of Financial Performance (Total Revenue)				3,196,699				5,742,313	
Actual amounts per Statement of Financial Performance Expenditure					3,025,788				5,634,870

APPROPRIATION STATEMENT

Reasons for virement (Mid-year)

- Incorrectly classified funds have been shifted from machinery and equipment (in this programme) for the maintenance of information systems.
- Funds shifted from goods and services (in this programme) will be used for leave gratuities
- This allocation for the maintenance of information systems was incorrectly classified and has been shifted to goods and services (in this programme)
- Savings are due to the time-consuming process to fill vacancies and a current moratorium on the filling of vacancies
- R52,347 million was incorrectly classified as capital expenditure and was shifted from buildings and other fixed structures (in this programme)
- R52,347 million for planned maintenance was incorrectly classified as capital expenditure and has been shifted to goods and services in this programme.

APPROPRIATION STATEMENT²²

Reasons for virement (End of year)

- Customisation of iEworks system
- Marketing and awareness programme of Zimisele
- Refurbishment and upgrading the security for Minister
- Costs incurred towards the State functions in the form of logistical / accommodation related support that the department has to provide
- R91m underspending; R79m of which will be applied for as rollover for capital

STATEMENT OF FINANCIAL PERFORMANCE (INCOME STATEMENT)

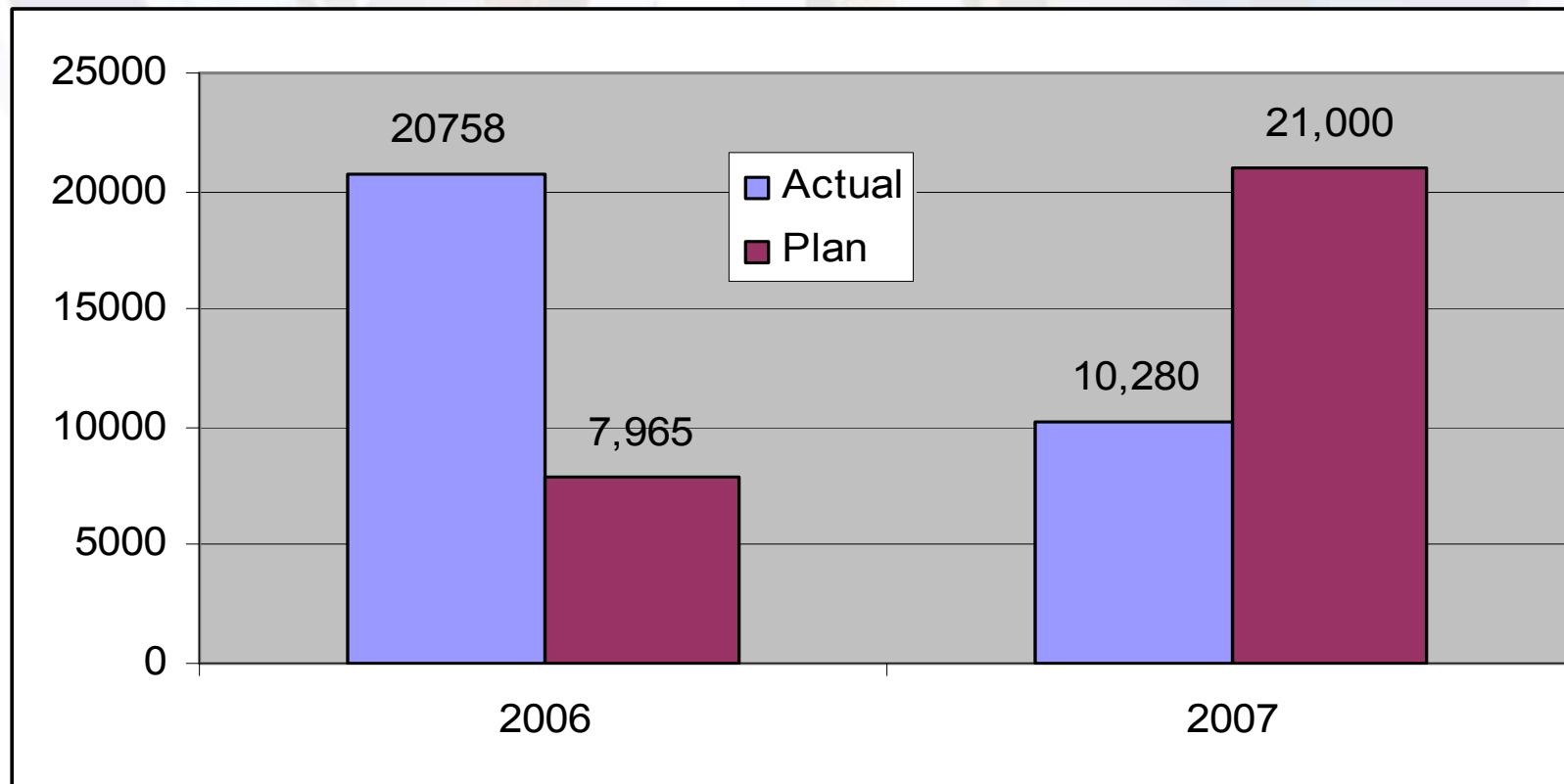
- Measures the entity's performance over a period – for the year ended
- Revenue
 - Voted Funds - Budget
 - Non voted funds – other revenue
- Expenditure
 - Current expenditure
 - Transfers
 - Purchase of capital assets
- Net surplus/deficit – under spending/overspending
- Unauthorised/fruitless & wasteful expenditure

Statement of financial position

	Note	2006/07 R'000	2005/06 R'000
REVENUE			
Annual appropriation	1.	3,116,762	5,644,236
Departmental revenue	2.	79,937	98,077
TOTAL REVENUE		<u>3,196,699</u>	<u>5,742,313</u>
EXPENDITURE			
Current expenditure			
Compensation of employees	4.	613,572	542,763
Goods and services	5.	705,505	3,654,411
Interest and rent on land	6.	—	15,836
Financial transactions in assets and liabilities	7.	28 322	8,499
Total current expenditure		<u>1,347,399</u>	<u>4,221,509</u>
Transfers and subsidies	8.	1,230,649	979,118
Expenditure for capital assets			
Buildings and other fixed structures	9.	414,120	376,783
Machinery and Equipment	9.	29,323	29,525
Software and other intangible assets	9.	4,297	27,935
Total expenditure for capital assets		<u>447,740</u>	<u>434,243</u>
TOTAL EXPENDITURE		<u>3,025,788</u>	<u>5,634,870</u>
SURPLUS/(DEFICIT)		170,911	107,443
SURPLUS/(DEFICIT) FOR THE YEAR		<u>170,911</u>	<u>107,443</u>

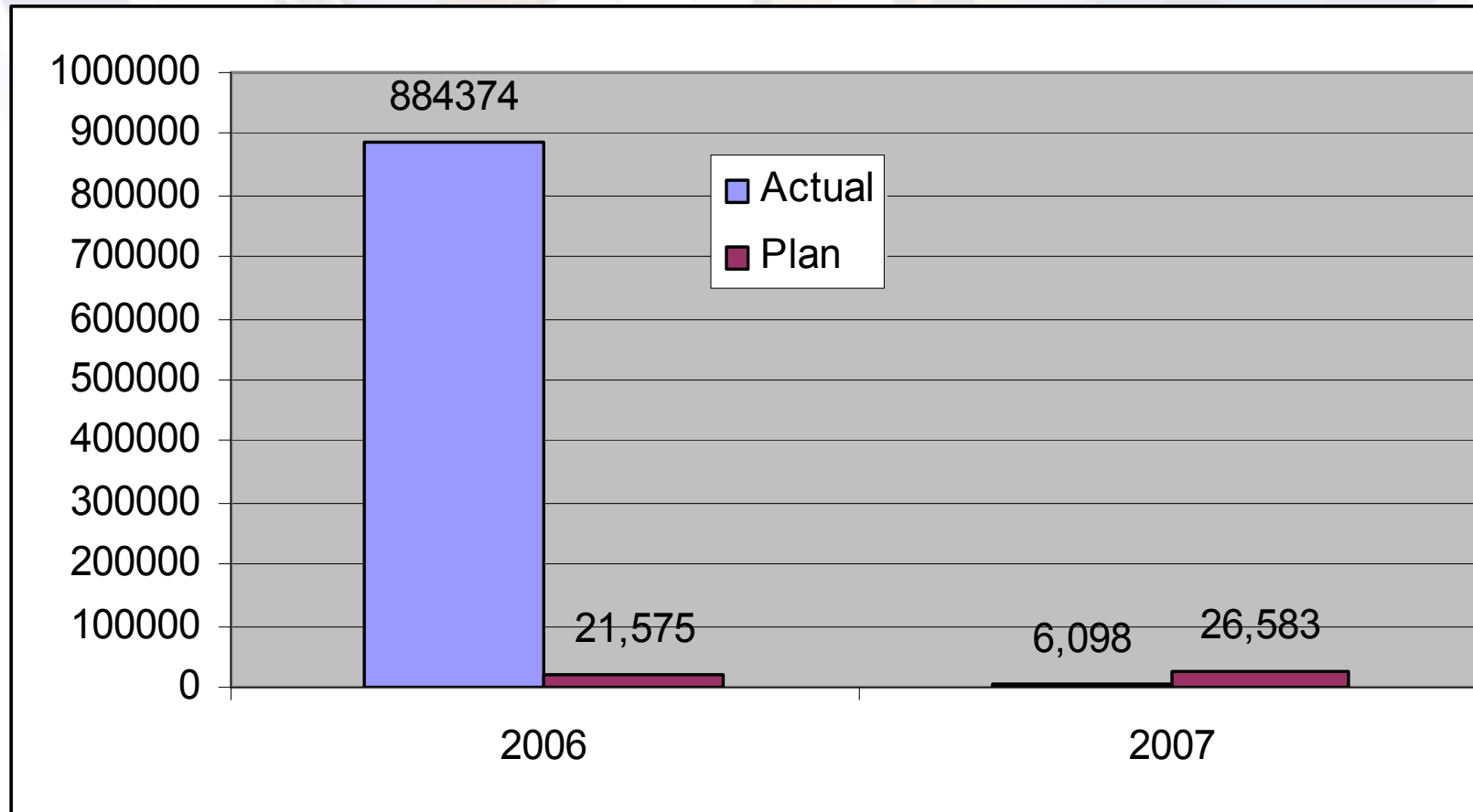
Budget execution

- Training spending



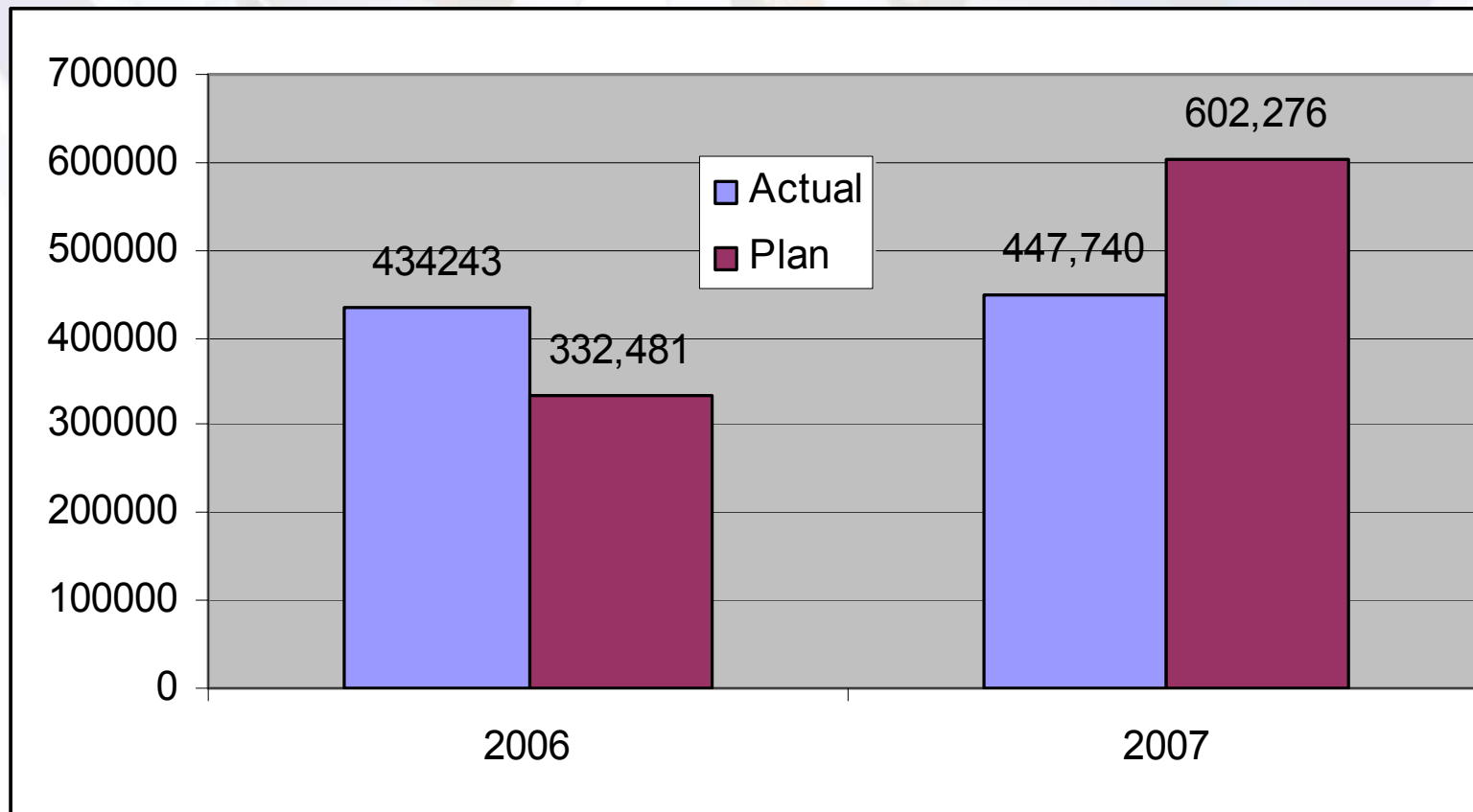
Budget execution

- Maintenance spending



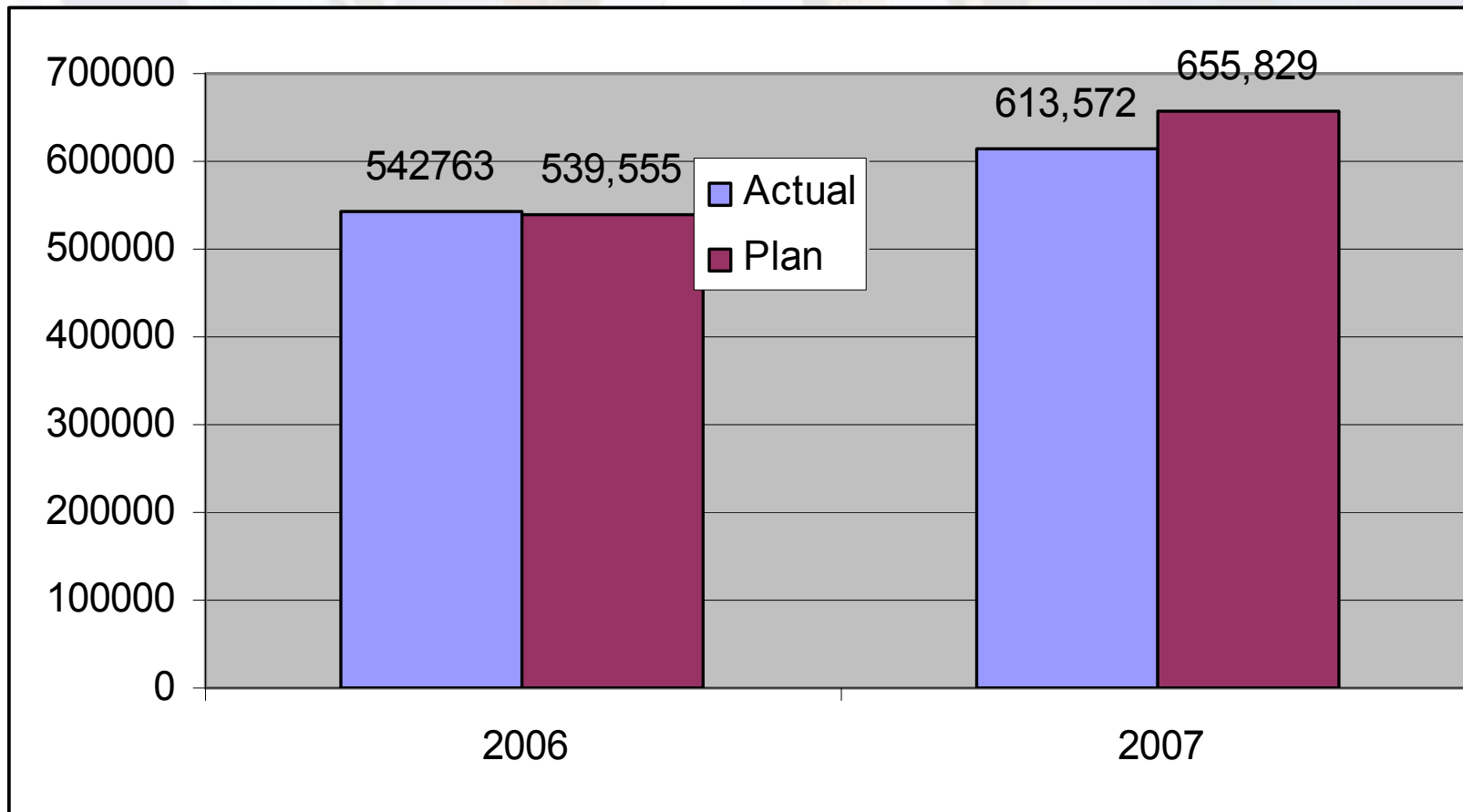
Budget execution

- Executing capital budget



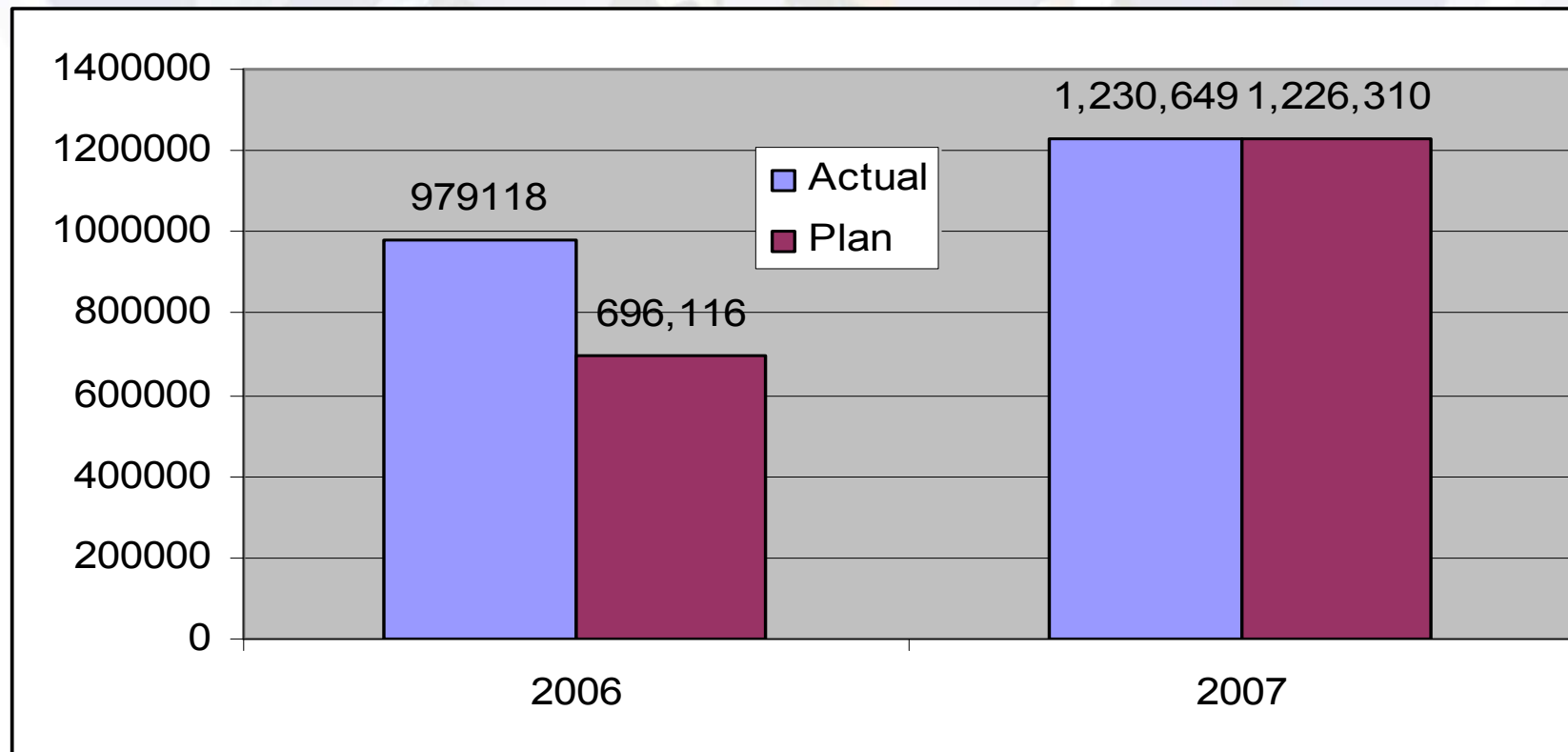
Budget execution

- Implementing COE budget



Budget execution

- Transfers and subsidies



STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

- Financial position at a point in time
- Assets
- Liabilities
- Net Assets
- Current vs Non Current
- Creditors - receivables
- Debtors - payables

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

- Unauthorised and fruitless and wasteful expenditure for recovery
- Property, Plant & Equipment
- Cash and cash equivalents
- Receivables – disclosure note
- Amounts owing by other departments

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

- Payables
- Overdraft
- Recoverable Revenue
- Borrowings

Statement of financial position

	<i>Note</i>	2006/07 R'000	2005/06 R'000
ASSETS			
Current assets		493,783	811,808
Unauthorised expenditure	10.	345,474	345,474
Fruitless and wasteful expenditure	11.	37,980	46,310
Cash and cash equivalents	12.	182	325
Prepayments and advances	13.	4,715	6,219
Receivables	14.	105,432	413,480
TOTAL ASSETS		<u>493,783</u>	<u>811,808</u>
LIABILITIES			
Current liabilities		493,783	811,808
Voted funds to be surrendered to the Revenue Fund	15.	90,974	9,366
Departmental revenue to be surrendered to the Revenue Fund	16.	9,710	16,660
Bank overdraft	17.	230,325	663,620
Payables	18.	162,774	119,400
Local and foreign aid assistance unutilised	3.	—	2,762
TOTAL LIABILITIES		<u>493,783</u>	<u>811,808</u>

HUMAN RESOURCE MANAGEMENT

General

- Regulation III J 3 of the Public Service Regulations;
- High level information on key human resource issues;
- Information must tie back to the annual financial statements; and
- Statistics and numbers must make sense.

HR Management

- Vacancy rates (per programme)

Table 3.1 – Employment and vacancies by programme, 31 March 2007

Programme	Number of Posts	Number of Posts Filled	Vacancy Rate %	Number of Posts Filled Additional to Establishment
Programme 1 administration, Permanent	1175	919	21.8	26
Programme 2 provisioning - land & accommodation, Permanent	4385	3692	15.8	50
Programme 2 provisioning - land & accommodation, Temporary	1	1	0	0
Programme 3 national public works programme, Permanent	123	77	37.4	0
TOTAL	5684	4689	17.5	76

Table 3.2 Employment and vacancies by salary bands, 31 March 2007

Salary Band	Number of Posts	Number of Posts Filled	Vacancy Rate %	Number of Posts Filled Additional to Establishment
Lower skilled (Levels 1-2), Permanent	2312	2227	3.7	0
Skilled (Levels 3-5), Permanent	514	374	27.2	0
Skilled (Levels 3-5), Temporary	1	1	0	0
Highly skilled production (Levels 6-8), Permanent	1395	1050	24.7	0
Highly skilled supervision (Levels 9-12), Permanent	1163	782	32.8	0
Senior management (Levels 13-16), Permanent	141	97	31.2	2
Contract (Levels 1-2), Permanent	14	14	0	5
Contract (Levels 3-5), Permanent	109	109	0	68
Contract (Levels 6-8), Permanent	19	19	0	1
Contract (Levels 9-12), Permanent	11	11	0	0
Contract (Levels 13-16), Permanent	5	5	0	0
TOTAL	5684	4689	17.5	76

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HR Management

■ Vacancy rates (per profession)

Table 3.3 – Employment and vacancies by critical occupation, 31 March 2007

Occupation	Number of posts	Number of posts filled	Vacancy Rate	Turnover Rate
Architects town and traffic planners, Permanent	15	12	20	0
Civil engineering and technicians, Permanent	7	4	42.9	0
Engineering sciences related, Permanent	223	121	45.7	0
Engineers and related professionals, Permanent	106	48	54.7	0
Quantity surveyors & related professionals not class elsewhere, Permanent	80	66	17.5	0
Senior managers, Permanent	139	99	28.8	2

HR Management

- Reasons for staff leaving

Table 5.3 Reasons why staff are leaving the department

Termination Type	Number	% of total
Death	43	10.2
Resignation	148	35.4
Expiry of contract	115	27.5
Dismissal – operational changes	17	4.1
Dismissal-misconduct	9	2.2
Retirement	80	19.1
Other	5	1.2

Table 9.1 – Sick leave, 1 January 2006 to 31 December 2006

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)	8076	82.3	1215	40.2	7	1,242
Skilled (Levels 3-5)	1585	77	238	7.9	7	330
Highly skilled production (Levels 6-8)	5754	77.8	841	27.8	7	2,139
Highly skilled supervision (Levels 9-12)	3603.5	79.5	566	18.7	6	3,024
Senior management (Levels 13-16)	318	80.5	65	2.2	5	572
Contract (Levels 1-2)	10	40	3	0.1	3	1
Contract (Levels 3-5)	253	72.7	73	2.4	3	52
Contract (Levels 6-8)	36	63.9	13	0.4	3	15
Contract (Levels 9-12)	37	86.5	6	0.2	6	42
Contract (Levels 13-16)	11	63.6	1	0	11	20
Not Available	10	100	1	0	10	4
TOTAL	19693.5	79.9	3022	100	7	7,441

HR Management

■ Employment equity

Occupational Categories	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	34	8	3	16	24	1	2	7	95
Professionals	488	43	24	162	416	29	14	117	1293
Clerks	119	27	1	33	217	31	10	147	585
Service and sales workers	40	9	0	15	5	1	0	0	70
Craft and related trades workers	78	30	11	102	12	0	1	0	234
Plant and machine operators and assemblers	21	14	1	1	1	1	0	0	37
Elementary occupations	905	340	16	40	894	166	3	9	2373
TOTAL	1685	471	56	369	1569	227	30	280	4689
Employees with disabilities	6	4	0	9	1	2	0	7	29

END
Questions?

