

PERFORMANCE PER PROVINCE INEP ALLOCATIONS TO MUNICIPALITIES

PROVINCE	ALLOCATIONS (R'000)	YTD ACTUAL EXPENDITURE (R'000)	VARIANCE (R'000)	% VARIANCE
Eastern Cape	234,300	234,300	0	0%
Free State	88,456	87,988	468	1%
Gauteng	82,580	75,740	6,840	9%
Kwazulu Natal	123,303	123,303	0	0%
Limpopo	139,761	134,681	5,080	4%
Mpumalanga	98,436	98,436	0	0%
Northern Cape	28,675	28,675	0	0%
North West	59,122	52,967	6,155	12%
Western Cape	78,324	78,324	0	0%
Total	932,957	914,413	18,543	2%



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25

REASONS FOR UNDER SPENDING INEP

- Overall under spending for INEP is within the threshold tolerance of 5%;
- The under spending is mainly attributable to the misalignment of national and local government budgeting cycles.
 - Municipal tender processes only commence after July, once the budgets have been passed
- Procurement processes in the municipalities take too long
- Municipalities technical capacity challenges




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26

REASONS FOR VARIANCE			
PROVINCE	MUNICIPALITY NAME	AMOUNT SCHEDULED	REASON
LIMPOPO – R5,08M	Musina	R343,000.00	Poor performance by the municipality; measures to rectify the situation being discussed with them
	Elias Motsoaledi	R 1,457,600	Unavailability of network capacity to electrify the other 136 houses.
	Mookgopong	R 3,280,000.00	The project was cancelled due to the fact that it already formed part of Eskom plans.
GAUTENG PROVINCE	Nokeng tsa Taemane	R 6,840,000.00	The Municipality was intending to refurbish their old network with the INEP funding at the areas where there is no Backlog.



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27


REASONS FOR VARIANCE			
PROVINCES	MUNICIPALITY NAME	AMOUNT SCHEDULED	REASON
NORTH- WEST R6.1M	Madibeng	R6,154m	Municipality currently busy with 2008/9 projects, and through regional office interactions it was discovered that the Municipality has not prepared sufficiently to be able to complete both projects for 2008/9 and 2009/10 financial years.
			Illegal occupation of houses – no certainty as to when this will be resolved.
FREE STATE	Mantsopa	R468 000	There is no readily implementable project.


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28




Analysis of 2009/10 Financial Performance




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29



FINANCIAL PERFORMANCE

- From May 2009 the Director General of Mineral Resources was the hosting Accounting Officer, and through a MOU offered financial and Human Resource support services to the Department of Energy.
- The next Financial Performance presentation includes expenditure and performance of the Department of Mineral Resources.



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30

	R'000	R'000	R'000	
Analysis of variance in Statement of Financial Performance				
Compensation of employees				
Basic salary	259,530	207,803	51,727	25
Periodic payments	1,526	2,950	(1,424)	(48)
Pension	33,503	26,771	6,732	25
Goods and services				
Venues and facilities	5,454	11,239	(5,785)	(51)
Advertising	2,829	16,009	(13,180)	(82)
Communication	19,875	17,207	2,668	15
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	R'000	R'000	R'000	
Analysis of the Statement of Financial Performance				
Travelling	67,458	79,317	(11,859)	(14)
Operating leases	34,231	19,413	14,818	76
Financial transactions in assets and liabilities	925	593	332	55
Tangible capital assets				
Buildings and other fixed structures	26,917	3,978	22,939	577
Machinery and equipment	20,467	12,565	11,133	88
Software and other intangible assets	1,306	2,312	(1,006)	(44)
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Statement of Financial Performance: Variance analysis

- The staff cost increased in relation to the increase in staff numbers (1272 vs.1169)
- The G & S cost is relatively low compared to 2008/9 owing to cost containment measures implemented during the year under review. The related costs include, travelling, venues and facilities, advertising and catering.
- Tangible capital assets increased significantly owing to acquisition of furniture and servers for new building
- Intangible capital assets decreased as only security related software were acquired during 2009/10



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33



Statement of Financial Performance: Variance analysis


Item	2009/10 R'000	2008/09 R'000	Variance R'000	%variance
Current Assets				
Cash and cash equivalents	192,279	127,225	65,054	34
Prepayments and Advances	5,902	19,133	(13,231)	(224)
Receivables	14,580	29,674	(15,094)	(104)
Current Liabilities				
Voted Funds to be surrendered	137,288	54,105	83,183	61
Revenue to be surrendered	74,344	115,158	(40,814)	(55)



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34




Analysis of variances: Statement of Financial Position

Item	2009/10 R'000	2008/09 R'000	Variance R'000	%variance
Net Assets				
Recoverable				
Revenue	1062	844	218	21


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35




Analysis of major variances : Statement of Financial Position

- The asset base increased by 24% from last year attributable to bank balance (R158m) for payments projected to disburse at year end , late revenue payments (R33m)
- Prepayments and advances went down by 224% due to rehabilitation of ownerless and derelict mines projects that were concluded during the 2009/10 financial year.
- Recoverable expenditure (R7.6m fraud and approximately R1. 9m – land for IPP project).
- Notable decrease in long outstanding staff debt (R2.2m vs. R2.7m)

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36




Analysis of major variances : Statement of Financial Position

- Total liabilities of R201m(also 24% increase) include R 74 m revenue and R137m of voted funds for surrender
- Net assets of R3.2 m include the capitalization reserve (R2.2m) and R1m recoverable revenue

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37



Analysis of variances: Cash Flow Statement

Item	2009/10 R'000	2008/09 R'000	Variance R'000	%variance
Receipts	4,899,148	4,068,731	830,417	17
Net cash flow available from operating activities	113,526	27,808	85,718	76
Net cash flow available from financing activities	218	(17)	235	108
Cash and cash equivalents	192,279	127,225	65,054	34

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38

Analysis of major variances: Cash Flow Statement

- The increase in net cash flow available from operating activities is attributable to the increase in unspent funds by 60%. (as explained under unspent funds)
- The significant increase in net cash flow from investing activities is due to acquisition of furniture and servers for the new building as well as the improvements made to the new building



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39

Analysis of variances: Disclosure notes


Items	2009/10 R'000	2008/09 R'000	Variance R'000	%variance
Contingent liabilities and contingent assets	367,474	273,800	93,674	25
Commitments	99,002	87,526	11,476	12
Accruals	40,525	13,358	27,167	67
Employee Benefits	42,201	30,241	11,960	28
Lease commitments	368,526	359,464	9,062	2
Receivable for Departmental Revenue	25,567	10,437	15,130	59
Irregular Expenditure	4,203	-	4,203	100
Related Party Transactions	17,600	58,349	(40,749)	(232)



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40




Analysis of variances: Disclosure notes

Items	2009/10 R'000	2008/09 R'000	Variance R'000	%variance
Key Management Personnel	33,377	24,738	8,639	26
Provisions	10,559	7,847	2,712	26


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41

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- ### Analysis of variances: Disclosure notes
- Contingent Liabilities is made out of legal claims against the department, guarantees issues and interdepartmental payables (unconfirmed balances).
 - Accruals increased by 67% as a result of R20.4m due to Public works, invoice of which is still awaited
 - Increase on employees benefits is as a result of leave and performance bonuses due.
 - Receivables increased as a result of uncollected monies due to the department.
 - Irregular expenditure incurred in the current financial year was due to officials not following the departmental financial delegations.
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- 42

Details of Transfers and Subsidies

Recipient	2009/10 Actual transfer	Purpose of transfer or subsidy
Assistance to Mines	31,100	Assistance to marginal mines in the form of pumping subsidies and research to prevent ingress of water into underground holdings (CGS:R17.6m and Mining companies R13.5 m)
Council for Geoscience	132,677	Core funding in terms of establishing act
Council for Mineral Technology Research	161,108	Core funding in terms of establishing act
South African Diamond and Precious Metals Regulator	39,412	Core funding in terms of establishing act
Mine Health and Safety Council	5,118	Core funding in terms of establishing act




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43

Transfers and Subsidies

Recipient	2009/10 Actual transfer	Purpose of transfer or subsidy
South African Nuclear Energy Corporation	564,144	Core funding in terms of establishing act
National Nuclear Regulator	23,793	Core funding in terms of establishing act
Electricity Distribution Industry Holdings	72,214	Core funding in terms of establishing act
Eskom	1,616,315	Electrification programme
Industrial Development Corporation of SA (Small scale mining)	25,058	Small scale mining projects
State Diamond Trader	1,000	Bail out during recession



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44



An overview of the audit report and the report of the Audit Committee

Audit opinion

- Qualified audit opinion issued

Basis for qualified opinion

- Completeness of receivables for departmental revenue (R25m) could not be verified
- This is related to disclosure note 26 (page 189)
- Although the department prepares AFS on modified cash basis, such disclosure notes are necessary as part of the preparation for migration into accrual basis of accounting



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45



An overview of the audit report and the report of the Audit Committee

Root Cause

- Lack of a comprehensive debtors system
- Skills gaps

Management action plan


- New debtors system to be developed as part of the new system – BAS to be used in the interim
- Monthly workshops with regional offices to review registers
- Additional staff with Financial background to be appointed in all regional offices



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46




An overview of the audit report and the report of the Audit Committee

Emphasis of matter

- These matters are not a qualification but are intended to draw the readers attention to such matters due to their importance.


Matters reported are:

- **Basis of reporting** - this is a standard paragraph for all national departments – No further action is required in this regard.



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47



An overview of the audit report and the report of the Audit Committee

Matters reported are:

- **Irregular Expenditure** –
 - expenditure that was incurred without adhering to the internal delegation of authority, e.g. services rendered prior to approval by the relevant authority
 - These were picked up the internal controls established by the department
 - All cases were evaluated and condoned by the Accounting Officer during the year



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48



An overview of the audit report and the report of the Audit Committee

Matters reported are:

- **Restatement of previous financial year figures.**
- Changes effected on prior year's reported figures
- These changes were either made as a result of a query from the AG or initiated by Management
- The intention is to align prior year's figures to the current for comparability.
- One of the major causes for these adjustments is change in reporting framework, e.g. disclosure of minor assets.



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49



An overview of the audit report and the report of the Audit Committee

Matters reported are:


- **Material under-spending of budget**
 - Although the amount appears significant it only represents 2,9 percent of the total budget – which is below the materiality threshold set by National Treasury
 - The under spending was primarily caused by delays in finalising contracts for non-grid service. These contracts were signed towards the end of the financial year
 - Approval was granted by National Treasury for the roll over of the funding to the 2010/11



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50



An overview of the audit report and the report of the Audit Committee


Matters reported are:

- **Potential unauthorised expenditure due to accruals exceeding saving**
 - Of the R22.2 m accruals disclosed, R20.4 m relates to the DPW disputed invoices.
 - There was no deliberate intention to withhold invoices
 - At year end DPW had not submitted a revised invoice on the confirmed amount



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51



State of Financial Management systems

Report on Financial Misconduct

- 4 cases of financial misconduct were reported during the year.
- Outcomes of the hearing are: 2 were found guilty, 1 is in progress while the other 1 has already left the Department.
- Further action taken - 2 of the cases were reported to the police while the other one was suspended without pay for 3 months and the 4th one is still in progress



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52

State of Financial Management systems

Supply Chain Management Issues:

- The SCM component has been fully restructured and aligned with the SCM Framework requirements. This enables effective implementation of all functionalities and improves productivity.
- All SCM Committees as required by law have been constituted and fully operational. This enhances internal control measures within the SCM environment
- Departmental Internal control systems in place are able to pick up irregular expenditure effectively



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53

CONCLUSION

- Although a significant amount of effort was directed at reorganization and implementation of the structures of the new departments minor deviations to the initial business plan were experienced.
- As of the 1st of April we successfully implemented the two new departments with independent organizational structures, budgets and dedicated personnel.



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54