

Department of Mineral Resources



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Department:
Mineral Resources
REPUBLIC OF SOUTH AFRICA



PRESENTATION TO SELECT COMMITTEE ON ECONOMIC DEVELOPMENT OF 2009 / 10 ANNUAL REPORT

26 OCTOBER 2010



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Presentation Outline

1. Introduction

2. Financial performance

- An overview of the audit report
- An overview of the Audit Committee report
- Annual Financial Statements, including notes thereto
- State of Financial Management systems

Report on Financial misconduct and measures taken

Efficiency savings and productivity gains.

Supply chain management.

Information Technology – Making better use of technology

3. Non Financial Performance Information

- Programme 1: Administration
- Programme 2: Mine Health & Safety
- Programme 3: Mineral Regulation
- Programme 4: Mineral Policy & Promotion

4. Closure / Discussion



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An overview of the audit report

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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An overview of the audit report

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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An overview of the audit report

Emphasis of matter

- This 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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An overview of the audit report

- **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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An overview of the audit report

- **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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An overview of the audit report

- **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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An overview of the audit report

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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Overview of the Audit Committee

- The Audit Committee comprised of 3 independent members
- The Committee met 6 times during the period under review (required minimum is 4 meetings)
- The Committee approved its reviewed charter in terms of the PFMA and Treasury Regulations
- The work of the Audit Committee was conducted in line with the approved charter and covered
 - Review of the effectiveness of Internal controls
 - Evaluation of Financial Statements
 - Effectiveness of the Internal Audit function
- A process of appointing the members of the DMR Audit Committee following the split has been finalised



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APPROPRIATION STATEMENT FOR 2009/10



PRGRAMME	2009/10 Final Budget R'000			
		2009/10 Actual R'000	Variance R'000	2008/9 Actual R'000
1. Admin	250,216	249,253	963	226,023
2. MHS	138,717	138,543	174	118,822
3. MR	158,164	150,596	7,568	125,180
4. MPP	73,776	73,724	52	58,318
5. HCEP	56,973	56,925	48	44,199
6. ENCE	338,936	334,070	4,866	262,575
7. Associated	3,665,222	3,541,605	123,617	2,894,889
Total	4,682,004	4,544,716	137,288	3,730,006



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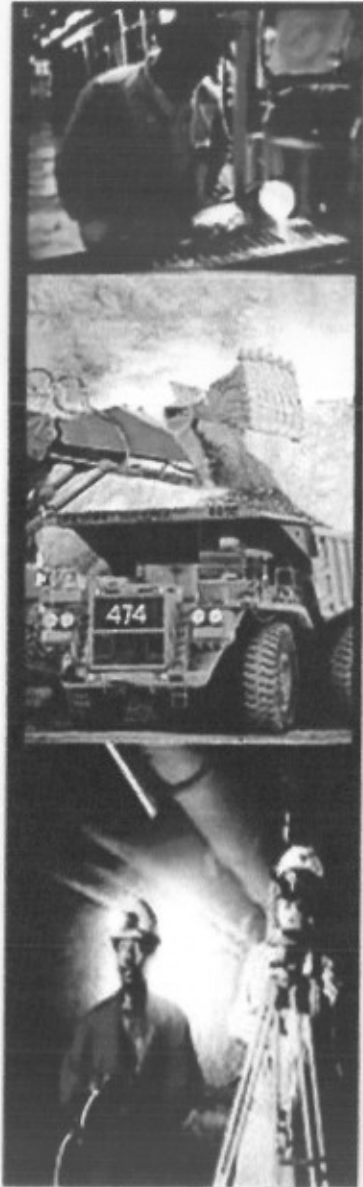
Analysis of variances

- The overall under spending by the Department was R137,288 million which is 2.9 % of the budget.
- The main reason for the under spending was the delay in finalising contracts for the non-grid electrification programme – roll over approved in this regard
- An under-spending of 0.4% under programme 1 relates to outstanding lease payments and accommodation charges payable to the Department of Public works.



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Analysis of variances

- Mine Health and Safety branch reflected an under-spending of 0.1% which is due to vacancies within the branch.
- The under-spending of R7.5 million under Mineral Regulation branch is attributable to delays in contracts and subsequent payments for projects aimed at rehabilitating ownerless and derelict mines of which R5 million was approved for roll over.
- The under spending on Electricity and Nuclear branch can be attributed to payments that were not disbursed due to delays in finalising agreements



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TREND ON UTILISATION OF FUNDS

Economic classification	2009/10	2008/09	2006/07	2005/06
Compensation of Employees	403,323	330,089	290,561	246,154
Goods and services	263,475	269,408	277,222	254,665
Payment for capex	48,690	18,855	7,470	6,804
Transfer and subs	3,828,303	3,111,061	2,366,512	2,099,917
Theft and losses	924	593	5,602	135
Unspent	137,288	56,235	27,570	27,425
TOTALS (BUDGET)	4,682,004	3,786,241	2,974,937	2,635,100
% Under Spending	2.9%	1.48%	0.93%	1.04%



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