




Portfolio Committee: Water and  
Environmental Affairs

Branch: Finance

Ms ONV Fundakubi  
Chief Financial Officer





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Background Information

- The Finance Branch is part of the Administration Programme of the Department and its purpose is to ensure sound financial management practices based on the implementation of accountability and governance framework underpinning the Public Finance Management Act, (Act No. 1 of 1999) for Main Account.




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2

## Branch objective

- Supply Chain and Asset Management ensure the provision of an effective and efficient financial service to DWA which includes procurement support, asset management and inventory management.
- Financial Management focuses on the management of the financial activities that relate to policy development, oversight etc, that are funded from the exchequer account. These financial transactions must comply with Generally Recognised Accounting Practice (GRAP).



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3

## Overview: branch structure

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graph TD
    CFO[CFO ONV Fundakubi] --- SS[Director: Strategic Support - R Pillay]
    CFO --- CD1[CD: Financial management Vacant]
    CFO --- CD2[CD: Supply Chain and Asset Management Vacant]
    CD1 --- DA[Director: Financial Accounting Vacant]
    CD1 --- DMA[Director: Management Accounting C Kleynhans]
    CD2 --- DSCM[Director: Supply Chain Management N Mbeki]
    CD2 --- DAM[Director: Asset Management M Madhzie]
        
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Chief Director: Financial management, Chief Director : Supply Chain and Asset Management and Director: Financial Accounting have been re-advertised.




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4

Structure: per chief directorate	
Purpose: CD- Financial Management focuses on the management of the financial activities that relate to policy development, oversight etc, that are funded from the exchequer account. These financial transactions must comply with Generally Recognised Accounting Practice (GRAP).	
DIRECTORATE	PURPOSE
Financial Accounting	The purpose of Financial Accounting and Reporting is to execute all expenditure based activities for the branch. These activities ensure the efficient management of daily financial operations, which include the classification, recording and reporting on financial accounting activities in accordance with Generally Recognised Accounting Practices (GRAP).
Management Accounting	The purpose of the Management Accounting function is to perform financial planning and implement costing models to enhance overall financial performance. The roles and responsibilities of the Management Accounting function are to manage the compilation of the budget, and to reconcile budget inputs. Management Accounting is also required to manage and monitor the budget, to prevent overspending, as well as managing cost accounting and information systems. Preparation of reports for non-routine decisions making
	Linking of annual budgets to strategic priorities approved by cabinet Use performance budgeting to guide allocation of the budget to KFA Use measurable outputs to prepare budgets Aligning organizational processes to measurable outputs Provision of timely, accurate and adequate financial and other operational information for strategic decision making purposes Preparation of reports concerning utilization of savings

5

Structure: per chief directorate	
Purpose: CD- The role of the Supply Chain Management function is to effectively manage the Supply Chain Management system, and assets as required by the PFMA.	
DIRECTORATE	PURPOSE
Supply Chain Management	The responsibilities of the SCM Main Account include building and maintaining relationships with Professional Service Providers (PSP's), developing and executing supply chain strategies, i.e. for Asset Management, Demand Planning, Acquisition Management, Logistics Management and Disposal/Loss Control, as well as complying to Supply Chain Management policies and procedures, managing the departmental tendering processes, the assets of the Department, and the disposal process of assets.
Asset Management	
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6



**OVERVIEW: BRANCH PERFORMANCE PLAN FOR  
2011/12**

p1


PERFORMANCE INFO IS PROVIDED AS AT 31 DECEMBER 2011 AS PER LATEST REPORT  
AVAILABLE






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7



**Strategic objective: Improve financial management**  
Output: Effective asset management (complete and accurate)

PERFORMANCE INDICATOR	TARGET FOR 2011/12	PROGRESS IN 2011/12	TARGET FOR 2012/13
100% complete and accurate asset register	100%	95% – Mpumalanga and EC have consistently reported late due to staff challenges on assets and leases, while Limpopo has been reporting late on leases.	100% reliable asset register (Reliable and Complete)





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8

**Slide 7**

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**p1** 2011/12

Performance info is provided as at 31 December 2011 as per latest report available.  
pillayr2, 2012/04/04

Strategic objective: <b>Improve financial management</b> Output: Compliance with supply chain management policies and procedures			
PERFORMANCE INDICATOR	TARGET FOR 2011/12	PROGRESS IN 2011/12	TARGET FOR 2012/13
Number of irregular expenditure cases reported	0	63	Full compliance to SCM policies and procedures
Reduction in the value of irregular expenditure reported	R 0	R 22 489 144	
<p>Reasons - Some of the cases refer to the previous financial year hence this steep increase.</p> <p>Recovery plan - Increased in non-compliance to SCM prescripts had increased the value of irregular expenditure incurred.</p> <p>The above total does not include cases that are still under investigation.</p>			

9

Strategic objective: <b>Improve financial management</b> Output: Effective implementation of the revised/updated financial management improvement plan			
PERFORMANCE INDICATOR	TARGET FOR 2011/12	PROGRESS IN 2011/12	TARGET FOR 2012/13
Effective implementation of the revised/updated financial management improvement plan	Unqualified audit	<p>100% of the revised/updated financial management improvement plan was implemented in 2011/12. The Department of Water Affairs and Forestry (DWAF) has implemented the revised/updated financial management improvement plan in 2011/12. The Department of Water Affairs and Forestry (DWAF) has implemented the revised/updated financial management improvement plan in 2011/12.</p>	Full compliance with accounting standards, PFMA and Treasury Regulations

10

Risks vs mitigating measures	
Risks	Mitigating measures
1. Lack of contract management system	Streamline the process by BPR initiatives by acquiring contract management system and recruit suitable candidates to a contract management unit
2. Non-compliance to legislative requirements, especially Supply Chain Management	Enforce accountability to all managers
3. High vacancy rate in Finance	Split main account and WTE - BPR initiatives. Fast-track the filling of vacant posts
4. Misalignment of functions (e.g. transport function)	Proper restructuring of Finance function via intervention by HR - BPR initiatives
5. No clear reporting methodology between Head office and regional finance teams	Streamline the reporting system - BPR initiatives

11

## Controls applied

- Circular on irregular expenditure( see attached annexure) which provided staff members with more clarity on irregular expenditure and the implications of transgressing the procurement processes
- Circular on use of PSP in the department (see attached annexure)
- The circular states clearly who approves the outsourcing of the PSP in an effort to manage the outsourcing of PSPs in the department



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## Controls applied...cont

- Procurement function is centralised at Supply Chain to ensure adherence to procurement procedures and accountability
- All purchases above R5000. 00 in the Department have an order number to ensure compliance and control
- Briefing session/ training on SCM procedures is conducted for chief user clerk and Regions.
- Identify all exceptional cases paid by sundry payments
- Review of the catering policy



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## Plan to mitigate the challenges

- Training of Chief Users (SMS) and Project Managers on SCM processes to be conducted
- Fully functional Contract Management and SCM performance monitoring units to be established
- Contract Management system to be acquired
- Streamlined Supplier Database based on commodity expertise
- Review departmental SCM policy in line with the new developments in an SCM environment
- Proposed an introduction of financial misconduct committee to deal with all irregular expenditure incurred



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