

Section 3

Report of the Audit Committee

We are pleased to present our report for the financial year ended 31 March 2009.

Audit Committee Members and attendance:

The Audit Committee consists of the members listed hereunder and should meet at least three times per annum as per its approved terms of reference. During the current year seven meetings were held.

Name of Member	Number of meetings attended
Ms. MM Mahlabe (Chairperson), appointed 23 May 2008	5
Mr. NK Mlamla	6
Mr. K Buthelezi	4
Mr. TS Mageza, appointed 23 May 2008	3

Audit Committee Responsibility

We report that we have adopted appropriate formal terms of reference in our charter in line with the requirements of Section 38(1)(a) of the Public Finance Management Act, No 1 of 1999 and Treasury Regulation 3.1. We further report that we conducted our affairs in compliance with this charter.

Effectiveness of internal control

Department of Labour

The system of internal control was not entirely effective for the year under review. During the year under review, several deficiencies in the system of internal control and deviations were reported by the internal auditors and the Auditor-General of South Africa. In certain instances, the matters reported previously have not been satisfactorily addressed.

National Skills Fund

The system of internal control was not entirely effective for the year under review. During the year under review, several deficiencies in the system of internal control and deviations were reported by the internal auditors and the Auditor-General of South Africa.

Sheltered Employment Factories

The system of internal control was not entirely effective for the year under review. During the year under review, minor deficiencies in the system of internal control and deviations were reported by the internal auditors and the Auditor-General of South Africa.

The quality of in year management and monthly/quarterly reports submitted in terms of the PFMA

We are satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Acting Accounting Officer of the Department during the year under review.

Evaluation of Financial Statements

We have:

- Reviewed and discussed the audited Annual Financial Statements to be included in the annual report with the Auditor-General of South Africa and the Acting Accounting Officer
- Reviewed the Auditor-General of South Africa's management report and management's response thereto
- Reviewed changes in accounting policies and practices
- Reviewed the Department's compliance with legal and regulatory provisions
- Reviewed significant adjustments resulting from the audit.

We concur with and accept the Auditor-General of South Africa 's report on the Annual Financial Statements and are of the opinion that the audited Annual Financial Statements should be accepted, read together with the report of the Auditor-General of South Africa.

Internal Audit

We are satisfied that the internal audit function has addressed the risks pertinent to the Department in its audits.

We have however noted that due the loss of staff, only 73% of the approved annual internal audit plan could be executed.

We are still concerned regarding the lack of capacity to perform Information Technology audits and the many positions where there are people acting and the lack of staff capacity.

Auditor-General of South Africa

We have met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Additional comments

The Audit Committee has noted with concern the issues raised in the report of the Auditor-General. The Audit Committee has tasked management to prepare a comprehensive plan to indicate how the Department will address the issues and report progress regularly to the Committee. Management has embarked on the process of addressing these issues with immediate effect and these include among others:

- Verification of performance information against the Department's Business Plan and Branch Business Plans
- Physical verification of assets against the asset register.

The delays in receiving management's comments on internal and external audit reports have been noted by the Audit Committee and management has made a commitment to address these shortcomings.



Chairperson of the Audit Committee

Date: 20/08/09

Section 4

Annual Financial Statements

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Annual Financial Statements for the year ended 31 March 2009

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REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF VOTE NO. 15: DEPARTMENT OF LABOUR FOR THE YEAR ENDED 31 MARCH 2009

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Department of Labour which comprise the appropriation statement, the statement of financial position as at 31 March 2009, and the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, and the accounting officer's report, as set out on pages 88 to 162.

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting determined by the National Treasury as set out in accounting policy note 1.1 and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing read with General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for qualified opinion

Capital assets

7. The Department established an Asset Management Unit in March 2008 to address the deficiencies identified and reported in the prior year audit report. However, the audit still revealed amongst others the following significant shortcomings in the management and control of these assets and the asset register.
 - A number of assets on the asset register were included at incorrect values.

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- The asset register was not adequately maintained in accordance with the requirements of the National Treasury Regulations.
- The reconciliation of the prior year balance of R106 million (2007: 123.3 million) as disclosed in note 30 and note 29 to the financial statements with the asset registers for the financial years ending 31 March 2007 and 2008 is still outstanding.

Due to the discrepancies noted above, I was unable to verify the valuation, existence, completeness, rights and obligation of the property, plant and equipment amounting to R110, 5 million as per note 28 to the financial statement.

Public Private Partnership (PPP) assets

8. The Department does not maintain an adequate asset register in accordance with the requirements of National Treasury, which resulted in the following significant shortcomings:
 - Sufficient and appropriate audit evidence for the adjustments to the prior year closing balance amounting to R14, 0 million as disclosed in note 26 to the financial statements could not be submitted for audit.
 - Not all current year's additions to the PPP assets were accounted for in the asset register.

Consequently, I was unable to obtain adequate assurance relating to valuation, existence and completeness of the PPP assets amounting to R134,9 million as disclosed in note 26 to the financial statement.

Qualified opinion

9. In my opinion, except for the possible effects of the matters described in the Basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the department of Labour as at 31 March 2009 and its financial performance and its cash flows for the year then ended, in accordance with the modified cash basis of accounting and in the manner required by the PFMA.

Basis of accounting

10. The Department of Labour's policy is to prepare financial statements on a modified cash basis of accounting determined by the National Treasury, as set out in accounting policy note 1.1 to the financial statements.

Other matters

I draw attention to the following matters that are related to my responsibilities in the audit of the financial statements:

Subsequent events

11. Following the State of the Nation address in Parliament by the President where he announced his intention to perform a macro reorganisation of functions within Government, the current structure of the Department of Labour will change to the extent that the skills development function will shift to the Department of Higher Education and Training.

Non-compliance with applicable legislation

12. The following instances of non-compliance occurred during the year under review:

Public Finance Management Act

- The Department did not maintain an effective, efficient and transparent system of financial and risk management and internal control as required by section 38 (1)(a)(i) of the PFMA, as transfer payments were made to entities without a service level agreement in place.
- The accounting officer of the Department did not ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate theft, losses, wastage and misuse as required by section 38(1) (d) of the PFMA.
- The accounting officer did not take effective and appropriate steps to prevent irregular expenditure disclosed in note 23 to the financial statements as is required by section 38(1) (c) of the PFMA.

Treasury Regulations

- The Department did not have an approved Fraud Prevention Plan as required by sections 3.2.1 and 27.2.1 Treasury Regulation.
- The accounting officer did not take reasonable steps to recover debt before debts owed to the State were written off as irrecoverable debts as required by Treasury Regulations 11(4) (a)
- The Department of Labour did not perform regular assessment of Supply Chain management performance to identify whether the system is functioning as is required by Treasury Regulations 16A3.2.
- The performance contract of the chief financial officer was not signed by the chief financial officer and the accounting officer as acceptance of his responsibilities as is required by Treasury Regulations 2.1.3.

Skills Development Levies Act

- Department of Labour does not have approved controls in place to verify the accuracy and completeness of levies, interest and penalties transferred to the SETAs and National Skills Fund as is required by practice note 1 of 2008 of the SDL Act.

Governance framework

13. The governance principles that impact on the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management and are reflected in the internal control deficiencies and key governance responsibilities addressed below:

Internal control deficiencies

14. Section 38(1)(a)(i) of the PFMA states that the accounting officer must ensure that the Department of Labour has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root cause that gave rise to deficiencies in the system of internal control which led to the qualified opinion. The root causes are categorised according to the five components of an effective system of internal control. (The number listed per component can be followed with the legend below the table.) In some instances deficiencies exist in more than one internal control component.

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Par. no.	Basis for qualified opinion	CE	RA	CA	IC	M
7	Capital assets	1, 5	1, 2, 5	3, 4	3	1
8	Public, Private Partnership assets	1, 5	1, 2, 5	3, 4	3	1

Overall conclusion on financial management based on the root causes

15. Based on the above basis for qualification, the Department of Labour does not have an adequate control environment in place to ensure that assets in the assets register are complete, accurate, do exist and belong to the Department. Furthermore, the Department did not have capacity to implement corrective action relating to previous year's findings on assets.

Legend	
CE = Control environment	
The organisational structure does not address areas of responsibility and lines of reporting to support effective control over financial reporting.	1
Management and staff are not assigned appropriate levels of authority and responsibility to facilitate control over financial reporting.	2
Human resource policies do not facilitate effective recruitment and training, disciplining and supervision of personnel.	3
Integrity and ethical values have not been developed and are not understood to set the standard for financial reporting.	4
The accounting officer/accounting authority does not exercise oversight responsibility over financial reporting and internal control.	5
Management's philosophy and operating style do not promote effective control over financial reporting.	6
The entity does not have individuals competent in financial reporting and related matters.	7
RA = Risk assessment	
Management has not specified financial reporting objectives to enable the identification of risks to reliable financial reporting.	1
The entity does not identify risks to the achievement of financial reporting objectives.	2
The entity does not analyse the likelihood and impact of the risks identified.	3
The entity does not determine a risk strategy/action plan to manage identified risks.	4
The potential for material misstatement due to fraud is not considered.	5

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CA = Control activities	
There is inadequate segregation of duties to prevent fraudulent data and asset misappropriation.	1
General information technology controls have not been designed to maintain the integrity of the information system and the security of the data.	2
Manual or automated controls are not designed to ensure that the transactions have occurred, are authorized, and are completely and accurately processed.	3
Actions are not taken to address risks to the achievement of financial reporting objectives.	4
Control activities are not selected and developed to mitigate risks over financial reporting.	5
Policies and procedures related to financial reporting are not established and communicated.	6
Realistic targets are not set for financial performance measures, which are in turn not linked to an effective reward system.	7
IC = Information and communication	
Pertinent information is not identified and captured in a form and time frame to support financial reporting.	1
Information required to implement internal control is not available to personnel to enable internal control responsibilities.	2
Communications do not enable and support the understanding and execution of internal control processes and responsibilities by personnel.	3
M = Monitoring	
Ongoing monitoring and supervision are not undertaken to enable an assessment of the effectiveness of internal control over financial reporting.	1
Neither reviews by internal audit or the audit committee nor self -assessments are evident.	2
Internal control deficiencies are not identified and communicated in a timely manner to allow for corrective action to be taken.	3

Key governance responsibilities

16. The PFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.		✓
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.		✓

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No.	Matter	Y	N
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.	✓	
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines section 40/55 of the PFMA	✓	
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.	✓	
Development and compliance with risk management, effective internal control and governance practices			
6.	Audit committee		
	• The Department of Labour had an audit committee in operation throughout the financial year.	✓	
	• The audit committee operates in accordance with approved, written terms of reference.	✓	
	• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 77 of the PFMA and Treasury Regulation 3.1.10/27.1.8	✓	
7.	Internal audit		
	• The Department of Labour had an internal audit function in operation throughout the financial year.	✓	
	• The internal audit function operates in terms of an approved internal audit plan.	✓	
	• The internal audit function substantially fulfilled its responsibilities for the year, as set out in Treasury Regulation 3.2/27.2		✓
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.		✓
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.		✓
10.	The information systems were appropriate to facilitate the preparation of the financial statements.		✓
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in Treasury Regulation 3.2/27.2		✓
12.	Delegation of responsibilities are in place, as set out in section 44/56 of the PFMA.	✓	
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.		✓
14.	SCOPA resolutions have been substantially implemented.		✓

No.	Matter	Y	N
Issues relating to the reporting of performance information			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		✓
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		✓
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the Department of Labour against its mandate, predetermined objectives, outputs, indicators and targets Treasury Regulations 5.1, 5.2 and 6.1		✓
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	✓	

17. The Department does not have sufficient capacity to implement controls to manage and monitor the assets of the Department and carry out the internal audit responsibilities.

Investigations

18. Investigations were conducted during the period under review relating to fraudulent activities with regard to unauthorised payments. At the time of this report, further investigations were still underway.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

19. I have reviewed the performance information as set out on pages 26 to 76.

The accounting officer's responsibility for the performance information

20. The accounting officer has additional responsibilities as required by section 40(3)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the Department of Labour.

The Auditor-General's responsibility

21. I conducted my engagement in accordance with section 13 of the PAA read with General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008.

22. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

23. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Findings on performance information

Non-compliance with regulatory requirements

Content of strategic plan

24. The strategic plan of the Department of Labour did not include the measurable objectives, expected outcomes, programme outputs, indicators (measures) and targets of the entity's

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programmes, as required by Treasury Regulation 5.2.3(d).

Lack of effective, efficient and transparent systems and internal controls regarding performance management

25. The accounting officer did not ensure that the Department of Labour has and maintains an effective, efficient and transparent system and internal controls regarding performance management, which describe and represent how the institution's processes of performance planning, monitoring, measurement, review and reporting will be conducted, organised and managed, as required in terms of section 38(1)(a)(i) and (b) of the PFMA.

Usefulness and reliability of reported information

26. The following criteria were used to assess the usefulness and reliability of the information on the Department's performance with respect to the objectives in its strategic plan:

- Consistency: Has the Department reported on its performance with regard to its objectives, indicators and targets in its approved strategic plan?
- Relevance: Is the performance information as reflected in the indicators and targets clearly linked to the predetermined objectives and mandate. Is this specific and measurable, and is the time period or deadline for delivery specified?
- Reliability: Can the reported performance information be traced back to the source data or documentation and is the reported performance information accurate and complete in relation to the source data or documentation?

The following audit findings relate to the above criteria:

Inconsistently reported information

27. The Department of Labour has not reported on its performance with regard to its objectives, indicators and targets as per the approved strategic plan. However, the Department consistently reported on its objectives, indicators and targets as per the ENE.

APPRECIATION

28. The assistance rendered by the staff of the Department of Labour during the audit is sincerely appreciated.

Auditor - General

Pretoria

2 August 2009



Report of the Accounting Officer to the Executive Authority and Parliament of the Republic of South Africa.

1. General review of the state of financial affairs

The aim of the Department of Labour is to reduce unemployment, poverty and inequality, through policies and programmes developed in consultation with social partners, which are aimed at; improved economic efficiency and productivity, skills development and employment creation; sound labour relations; eliminating inequality and discrimination in the workplace and alleviating poverty in the workplace; enhancing occupational health and safety awareness and compliance in the workplace; as well as nurturing the culture of acceptance that worker rights are human rights.

Key policy developments and legislative changes, significant events that have taken place during the year and major projects undertaken or completed during the year

The Department has prioritised the following areas over the MTEF period:

Decent work

The draft Decent Work Country Programme was developed in collaboration with the International Labour Organisation (ILO) and in consultation with social partners. The programme focuses on strengthening support for existing skills development and employment services programmes in specific areas and on formulating new initiatives to deal with labour market challenges, especially in relation to creating employment and alleviating poverty. The four pillars of the Decent Work agenda are: fundamental principles and rights at work and international labour standards, employment and income opportunities, social dialogue and tripartism (collaboration between government, trade unions and employers), and social protection and social security. These will be dealt with in the context of related government reform processes and the Department's constitutional obligations.

Occupational health and safety

The draft framework document which gives effect to the integration of occupational health and safety and compensation competencies across government was finalised in 2008. Both the draft National Occupational Health and Safety Bill and the policy were developed. The main objective of the policy is to reduce the number of work related accidents and diseases by promoting a culture of prevention. The secondary objective is to ensure equitable medical, rehabilitation and compensation benefits for victims of work-related accidents and diseases.

Skills development

The 2008 Skills Development Amendment Act will bring about a number of developments, including:

Formally establishing the Quality Council for Trades and Occupations (which will have the same status as the Council for Higher Education and the Umalusi Council for General and Further Education) under the Ministry of Labour, establishing Productivity SA, listing the National Skills Fund as a public entity, introducing additional functions to the Institute for the National Development of Learnerships, Employment Skills and Labour Assessments (INDLELA) to moderate artisan assessments; expanding the provision of employment services to work-seekers; and introducing a register of artisans. These developments will: improve the quality of training, including more effective workplace learning, improve and sustain productivity in both the private and public sectors, which will save jobs and contribute to economic growth, improve the operational efficiency of the National Skills Fund to train more unemployed people, in line with national skills development strategy targets, provide increased access to learners for trade assessment, and professionalise and promote the training of artisans in response to labour market demands.

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The Department has also proposed certain amendments to the Income Tax Act (1962), aimed at providing equitable employer tax allowances for taking on long-term learnerships.

Employment services system

The employment services system, developed in line with international best practice standards and International Labour Organisation conventions, includes an IT system to assist the Department to provide a public employment service by registering work-seekers and placement opportunities and providing job matching services for potential employers and work-seekers. The system will help government to deal with unemployment, generate useful statistics, and support social security functions by integrating social insurance services. The system will also support: registration, career guidance and counselling services, recruitment and selection services, skills development services, information services, and special services, which include services provided to special interest groups like people with disabilities, retrenched employees and ex-offenders.

It will position labour centres to improve matching supply and demand in the local labour market, and will align provincial skills development plans and interventions with provincial growth and development strategies.

Spending trends

Excluding direct charges against the National Revenue Fund, expenditure decreased at a rate of 15.46%, from R1.94 billion in 2007/08 to R1.64 billion in 2008/09. This was mainly due to a once-off allocation of R400 million to the Umsobomvu Youth Fund, which was used to facilitate youth development and employment creation.

Direct charges against the National Revenue Fund provide for the transfer of skills development levies to the Sector Education and Training Authorities and the National Skills Fund, which is expected to grow from R7.2 billion in 2008/09 to R9.1 billion in 2011/12, at an average annual rate of 8.3%. Direct charges are included under transfers and subsidies.

Expenditure in the Employment and Skills Development Services/Human Resources Development programme excluding the once-off allocation of R400 million to the Umsobomvu Youth Fund increased at an average annual rate of 15%, from R117.4 million in 2005/06 to R172.5 million in 2008/09, and is expected to increase to R572.5 million in 2011/12, over the MTEF period, due to the additional allocation of R996.4 million to the Umsobomvu Youth Fund.

Between 2005/06 and 2008/09, expenditure on the Labour Policy and Labour Market Programmes grew at an average annual rate of 10.4% due to additional allocations to:

- the Commission for Conciliation, Mediation and Arbitration subprogramme for increased capacity at the commission
- the Sheltered Employment Factories subprogramme for a provident fund for wage workers and the salary alignment of staff at the sheltered employment factories.

Spending on compensation of employees grew at an average annual rate of 8.56% between 2005/06 and 2008/09. Expenditure on goods and services is anticipated to grow at an average annual rate of 2.8%, from R575.6 million in 2008/09 to R638.6 million in 2011/12, due to cost containment measures.

Over the MTEF period, expenditure on payments for capital assets is expected to increase, from R12.1 million in 2008/09 to R15.9 million in 2011/12, because projects at INDLELA have been suspended as a result of ongoing concerns about the dolomite ground structure in the area. The project will start again, pending an investigation by the Department of Public Works.

The 2009 Budget provides additional allocations over the MTEF period of R320.7 million (2009/10), R358.4 million (2010/11) and R375.4 million (2011/12), mainly for:

- the Umsobomvu Youth Fund (R303 million, R342 million and R356.4 million)
- personnel inflation adjustments (R18.9 million, R17 million and R17.5 million)
- capital inflation adjustments (R1.8 million, 1.4 million and R1.5 million).

Savings and reprioritisation

The Department has identified efficiency savings and cost containment initiatives totalling R204 million over the MTEF period, across all programmes in the following items:

- R14.6 million in compensation of employees due to savings on funded vacancies
- R150.1 million in goods and services, including travel and subsistence, contractors, inventory, food and food supplies, computer services and consultants
- R27.2 million in departmental agencies and accounts, specifically the allocation to the Compensation Fund
- R12.1 million in machinery and equipment due to the suspension of projects at INDLELA.

Infrastructure spending

Infrastructure spending grew at an average annual rate of 70.6% between 2005/06 and 2008/09, rising from R5.5 million to R27.3 million, due to the construction of labour centres and provincial offices at Bochum, Jane Furse, Taung, Temba, Bronkhorstspuit, Garankuwa, Rustenburg, Mount Ayliff, Mamelodi, Mdantsane, Durban and Lusikisiki. These projects were registered at the Department of Public Works and are in various stages of development.

Funding over the MTEF period for projects in the design and tender recommendation stages amounts to R2.6 million in 2009/10, R3.8 million in 2010/11 and R4 million in 2011/12. The new projects arise because lease contracts have expired and no accommodation that meets Department of Public Works requirements is available. Several renovation and maintenance programmes for provincial offices and labour centres were registered by the Department of Public Works, with funding for these amounting to R25.5 million in 2010/11 and R26.8 million in 2011/12.

Virement:

Programme 1

- R3 million virement approved by National treasury to programme 4 for Strengthening of Civil Society which is a Transfer Payment (Departmental Agencies and Accounts), from that of Goods and Services under Programme: Administration for the 2008/09 financial year. Refer to the notes of the Appropriation Statement.

Programme 3

- R27.960 million was shifted to Programme 4; Sheltered Employment Factories, broken down as follows:
 - R10.96 million from Compensation of Employees, because not all vacant posts could be filled as planned. Therefore these funds will be taken to Repairs and Maintenance programmes (RAMP) at Sheltered Employment Factories in Programme 4
 - Due to vacancy of some posts, utilisation of the Goods and Services budget has been lower than expected, therefore R9 million was shifted from Goods and Services
 - R8 million was shifted from Payment for Capital Assets due to the Machinery and Equipment budget that could not be exhausted due to the delays in procurement processed by the Department of Public Works (DPW), has been shifted to Sheltered Employment Factories (SEF) in Programme 4 to defray R14 million required to resolve liquidity issues.

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- R13 million virement was made to Productivity SA from the Department's allocation. A turnaround plan was developed to reduce the deficit incurred in the 2007/08 financial year. National Treasury proposed that the Department consider the approval of a cash injection as one of the options to address this situation. Application for this cash injection was then drawn up by the Department and was approved by the National Treasury. The turnaround plan reflected a shortfall of R4.1 million, towards off-setting the envisaged deficit. However, as agreed in deliberations with the National Treasury, it was essential that the Entity should have a reserve fund, hence the request for an additional R9 million. The ESDS and HRD Branch projected R8 million under-expenditure on Goods and Services due to delays in the QCTO establishment as well as in contracting of consultants for services at INDLELA. An amount of R3.5 million was then sourced from the projected under-expenditure on compensation of employees, brought about by the delays in filling vacant posts resulting from staff turnover, and R1.5 million from the CAPEX saving due to procurement delays by the DPW. The total amount of R13 million was then made available for transfer to Productivity SA.

Programme 4

Total funding required by Programme 4 was R37.593 million. Please note that this was approved by National Treasury in the Appropriation Statement.

Virement applied

- R14 million required to address critical liquidity facing Sheltered Employment Factories (SEF) was shifted from Programme 3
- R6.4 million required to address Provident and Wage issues, was taken from savings under goods and services within the Programme
- R17.193 million was required for Repairs and Maintenance programmes (RAMP) at SEF; of these R13.96 million was sourced from Programme 3 and R3.233 million was reprioritised within Programme 4.

Reasons for under-spending

The Department has recorded expenditure to the value of R 1 642 841 245.55 against its final allocation of R1 747 606 000.00. This calculates to an under-spending of R104 764 754.45 or 5.99%.

In respect of current payments, the under-spending can mainly be attributed to unfilled vacancies and the concomitant under-spending on goods and services.

Any other material matter

Irregular expenditure of R716 000.00 has been incurred as disclosed in note 23 of the 2008/09 Annual Financial Statements.

2. Services rendered by the Department**2.1 List of services rendered:****Programme 1: Administration**

Conduct the overall management of the Department and provide strategic support and advisory services.

Programme 2: Service Delivery

Implement and monitor Department's policies and programmes at provincial offices and labour centres.

Programme 3: Employment and Skills Development Services/Human Resource Development

Contribute to employment creation and skills development by promoting and monitoring the achievement of the objectives of the National Skills Development Strategy and the National Human Resource Development Strategy.

Programme 4: Labour Policy and Labour Market Programmes

Establish an equitable and sound labour relations environment and promote South Africa's interests in international labour matters through research, analysing and evaluating labour policy, and providing statistical data on the labour market, including providing support to the institutions that promote social dialogue.

Programme 5: Social Insurance

Provide for administrative and other support services to the Unemployment Insurance Fund (UIF) and the Compensation Fund (CF), and manage government's contribution to the activities of these Funds.

2.2 Tariff policy:

Tariffs for services rendered at INDLELA were approved by National Treasury.

2.3 Inventories:

The total inventories on hand at year-end amounts to R6 319 395.98.

3. Capacity constraints

Vacancies in the Department placed a strain on its capacity to effectively deliver its services. The Department noted that control procedures need to be implemented to improve recruitment processes. The vacancy rate is 17.23% as at 31 March 2009. The reasons why staff leave the Department (including the National Skills Fund) are established through exit interviews and in most cases, these are related to better remuneration elsewhere. As previously reported, the Department adopted a policy on career management and retention in an attempt to curb the high turnover rate of staff.

4. Utilisation of donor funds

The Department, mainly ESDS and Employment Services, received Technical Assistance from the German Technical Co-operation Assistance programme overseen by the National Treasury.

5. Public entities

The following public entities listed in Schedule 3 of the Public Finance Management Act, No. 1 of 1999 reported to the Minister of Labour, and separate Annual Reports and Financial Statements are published independently:

- Commission for Conciliation, Mediation and Arbitration (CCMA)
- Compensation Fund (CF)
- National Economic Development and Labour Council (NEDLAC)
- Productivity South Africa (PSA)
- Sectoral Education and Training Authorities (SETAs)
- Unemployment Insurance Fund (UIF)

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- Umsobomvu Youth Fund (UYF).

Commission for Conciliation, Mediation and Arbitration (CCMA)

The CCMA was established in terms of section 112 of the Labour Relations Act, 1995 (LRA). The Commission's functions are to:

- Attempt to resolve disputes through conciliation and arbitration
- Assist in the establishment of workplace forums
- Compile and publish information and statistics about its activities
- Advise a party on the procedure to follow in respect of a dispute in terms of the Act
- Assist a party to obtain legal advice, assistance or representation in respect of a dispute
- Offer to resolve a dispute that has not been referred to the Commission through conciliation
- Conduct, oversee or scrutinise any election or ballot of a registered trade union or registered employers' organisation if requested to do so
- Publish guidelines in relation to any matter dealt with in this Act
- Conduct and publish research into matters relevant to its functions
- Provide, upon request, workers, employers, registered trade unions, registered employers' organisations or councils with advice on training relating to the primary objectives of the LRA
- Perform any other duties imposed, and exercise any other powers conferred on it by or in terms of the LRA and perform any other function entrusted to it by any other law.

Compensation Fund (CF)

The CF was established in terms of the Compensation for Occupational Injuries and Diseases Act, 1993 (COIDA). The functions of the Fund are to provide compensation resulting from:

- Occupational injuries
- Diseases
- Death of workers in the course of their employment.

National Economic, Development and Labour Council (NEDLAC)

The NEDLAC was established under section 2 of the National Economic Development and Labour Council Act, 1994 (NEDLAC Act). The functions of the Council are to:

- Strive to promote the goals of economic growth, participation in economic decision-making and social equity
- Seek to reach consensus and conclude agreements on matters pertaining to social and economic policy
- Consider all proposed labour legislation relating to labour market policy before it is introduced in Parliament
- Consider all significant changes to social and economic policy before it is implemented or introduced in Parliament
- Encourage and promote the formulation of coordinated policy on social and economic matters.

Furthermore, and to achieve the above, the Council:

- May investigate as it may consider necessary and shall continually survey and analyse social and economic affairs
- Shall keep abreast of international developments in social and economic policy
- Shall continually evaluate the effectiveness of legislation and policy affecting social and economic policy
- May conduct research into social and economic policy
- Shall work in close cooperation with government departments, statutory bodies, programmes and

other forums and non-governmental agencies engaged in the formulation and the implementation of social and economic policy.

Productivity South Africa (PSA)

The PSA is a section 21 Company (Incorporated association without gain), established under the Companies Act, 1973, with the following functions:

- To promote a culture of productivity in workplaces
- To develop relevant productivity competencies
- To facilitate and evaluate productivity improvement and competitiveness in workplaces
- To measure and evaluate productivity in the workplace
- To maintain a data-base of productivity and competitiveness systems and publicising these systems
- To undertake productivity-related research
- To support initiatives aimed at preventing job losses.

Sectoral Education and Training Authorities (SETAs)

A total of 23 SETAs were established for a period of 60 months in terms of section 9 of the Skills Development Act, 1998 and may apply to be re-certified for another period of 60 months or for a period as will be determined by the Minister.

The list of SETAs for the 2005-2010 period are:

- Banking Sector Education and Training Authority
- Chemical Industries Education and Training Authority
- Clothing, Textiles, Footwear and Leather Sector Education and Training Authority
- Construction Education and Training Authority
- Safety and Security Sector Education and Training
- Education, Training and Development Practices Sector Education and Training Authority
- Energy Sector Education and Training Authority
- Financial and Accounting Services Training Authority
- Food and Beverages Manufacturing Industry Sector Education and Training Authority
- Forest Industries Sector Education and Training Authority
- Health and Welfare Sector Education and Training Authority
- Information Systems, Electronics and Telecommunications Technologies Training Authority
- Insurance Sector Education and Training Authority
- Local Government, Water and Related Services Sector Education and Training Authority
- Manufacturing, Engineering and Related Services Sector Education and Training Authority
- Media, Advertising, Publishing, Printing and Packaging Training Authority
- Mining Sector Education and Training Authority
- Agriculture Sector Education and Training Authority
- Public Sector Education and Training Authority
- Services Sector Education and Training Authority
- Tourism and Hospitality Education and Training Authority
- Transport Education and Training Authority
- Wholesale and Retail Sector Education and Training Authority.

The functions of the SETAs are regulated in terms of the Skills Development Act, 1998, Skills Development Levies Act, 1999, Public Finance Management Act, 1999, and include among others the following:

- Develop sector skills plans within the framework of the National Skills Development Strategy
- Implement sector skills plans through establishing learnerships

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- Approve workplace skills plans
- Allocate grants in the prescribed manner to employers, workers, and education and training providers
- Monitor education and training in the sector
- Promote learnerships by identifying workplaces for practical work experience and registering learnerships
- Any other functions as required in terms of their approved constitution.

Unemployment Insurance Fund (UIF)

The UIF was established under section 4 of the Unemployment Insurance Act, No. 63 of 2001, administered by the Director-General of Labour, to provide for the payment from the Fund of unemployment benefits to certain employees, and for the payment of illness, maternity, adoption and dependants' benefits related to the unemployment of such employees.

The UIF collects and receives revenue contributions under the Unemployment Insurance Contributions Act, 2002, administered by the Commissioner of the South African Revenue Service.

The UIF strives to contribute to the alleviation of poverty in South Africa by providing effective short-term unemployment insurance to all workers who qualify for unemployment and related benefits.

The central purpose and role of the Unemployment Insurance Fund is defined as:

- Rendering an effective and accessible service to all stakeholders
- Being a sustainable organisation with sufficient reserves
- Administering the Fund professionally.

Umsobomvu Youth Fund (UYF)

The UYF was established in 2001 to implement development programmes that would enhance young people's ability to access employment and self-employment opportunities. In addition, UYF programmes seek to engage young people in community development through volunteerism. To this end, the UYF developed products and services which were responsive to the needs of young people. UYF's choice of products and services were informed by key national priorities such as the Accelerated Shared Growth Initiative of South Africa (ASGI-SA), the National Youth Development Policy and Framework, the Expanded Public Works Programme (EPWP), the Human Resources Development Strategy (HRDS), the National Skills Development Strategy (NSDS), the South African Qualifications Act (SAQA Act) and the Black Economic Empowerment Act.

To assist young people that are unemployed to a stage where they can access sustainable livelihoods, the UYF developed certain forms of interventions which informed its strategy, as well as the products and services. These products fell within the following categories: provision of information and advice, provision of skills, training and community service, business development support and access to finance.

Other entities

National Skills Fund (NSF)

The NSF was established in 1999 in terms of the Skills Development Act, 1998. The revenue sources for the Fund are:

- A total of 20% of the skills development levies as determined in the Skills Development Levies Act
- The skills development levies collected and transferred to the Fund, in terms of the Skills Development Levies Act, in respect of those employers or sectors for which there are no SETAs

- Funds appropriated by Parliament for the Fund
- Interest earned on investments
 - Donations to the Fund
 - Funds received from any other source.

The primary objective of the NSF is stipulated in the Skills Development Act, namely that the money in the NSF may be used only for the projects identified in the National Skills Development Strategy (NSDS) as national priorities or for such other projects related to the achievement of the purposes of the Act as the Director-General of the Department of Labour determines. Given the commitment of government to act in a more concerted fashion, the flexibility given to the Director-General in the latter part of the afore mentioned clause of the Act, allows the Department to take into account other government policy/priority imperatives in the allocation of these funds. These might include the HRD Strategy, growth, employment and investment strategies and social development priorities.

Sheltered Employment Factories (SEF)

The SEFs were established in 1943 to provide employment for war veterans. During 1953 people with mental and physical disabilities that prevented them from entering the open labour market due to the nature of their afflictions, were included. Of the 1 040 factory workers currently employed, some 80% are mentally challenged. The factories have operated without enabling legislation since inception, except for a Cabinet Memorandum, written in 1956. There are currently 12 factories across the country in seven provinces. Income for the factories is generated from sales of manufactured goods ranging from wood and metal furniture, hospital commodities, linen, bedding, protective clothing, garments, upholstery, bookbinding and screen printing.

6. Organisations to whom transfer payments have been made – (See Annexure 1 of the Financial Statements)

7. Public/private partnerships (PPP)

See disclosure note 26 to Financial Statements for details in this regard.

The Information Technology Public/Private, Partnership Agreement (IT PPP) was concluded and implemented on 1 December 2002, aimed at providing an IT enablement to the Department as well as the Unemployment Insurance Fund and Compensation Fund, for a period of 10 years.

8. Corporate governance arrangements

Governance structures and responsibilities

The following governance structures have been put in place to assist with ensuring good governance within the Department:

- The Minister is the Executive Authority of the Department
- In terms of the Public Finance Management Act, the Head of the Department (Director-General) is the Accounting Officer of the Department
- The Accounting Officer is individually and personally accountable for achieving good value for money, safeguarding and maintenance of assets, regularity and propriety in the administration of the Department. Programme performance as well as asset management information is disclosed in Section B of the Annual Report
- Management Committee – the Committee consists of the Minister, the Director-General, the Deputy Directors-General and the Chief Financial Officer. The Committee deals with strategic and administrative matters of the Department

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- Management Team - consists of the Director-General and the Deputy Directors-General and oversees the implementation of decisions and coordination of activities between the Management Committee and the Departmental Executive Committee
- The Budget Advisory Committee – determines the total budget for the Department, allocation of funds to Programmes and provinces, monitoring and reporting on the expenditure levels of Programmes
- Departmental Executive Committee (DEXCOM) – the Committee consists of the Director-General, the Deputy Directors-General, all Senior Executive Managers, the Chief Information Officer, the Chief Financial Officer, the Commissioners of the two Funds and the Provincial Executive Managers
- Audit Committees – these function at the Department, the Compensation Fund and Unemployment Insurance Fund levels.

The following structures were established in terms of the following Acts.

Structure	Act
UIF Board	Unemployment Insurance Act, 2001
Compensation Board	Compensation for Occupational Injuries and Diseases Act, 1993
National Skills Authority (NSA)	Skills Development Act, 1998
Commission for Employment Equity (CEE)	Employment Equity Act, 1998
Employment Conditions Commission (ECC)	Basic Conditions of Employment Act, 1997
SETAs	Skills Development Act, 1998
Productivity SA (Formerly the NPI)	This is a section 21 Company (Incorporated association without gain), established under the Companies Act, 1973
National Economic Development and Labour Council (NEDLAC)	NEDLAC Act, 1994
Advisory Council for Occupational Health and Safety	Occupational Health and Safety Act, 1993

The Department's Strategic Plan sets out the objectives and actions that must be taken to ensure the achievement of government's labour market objectives. These objectives and actions then translate into the roles and responsibilities of the Department in achievement of the strategic plan.

The 10 strategic objectives for 2008 to 2011 are:

1. Employment creation.
2. Skills development.
3. Protection of vulnerable workers.
4. Equity in the labour market.
5. Strengthening multilateral and bilateral relations.
6. Strengthening the capacity of labour market institutions.
7. Strengthening social protection.
8. Sound labour relations.
9. Monitoring the impact of legislation on broad government policy.
10. Strengthening the Department's institutional capacity to improve service delivery.

Organisational structures within the Department's programmes support the achievement of programmes' objectives, which are in alignment with the Department's objectives.

Organisational structures support the reporting of fraud, corruption or mal-administration, and the protection of the person disclosing bona fide information.

Governance committees

There are numerous committees and project teams that have been put in place by the Department to ensure that its objectives are met. Some of these are specific to the different programmes in the Department and the different areas of responsibility.

Audit Committee

The Minister in consultation with the Accounting Officer has appointed members to the Audit Committee for the Department and Audit Committees for the Unemployment Insurance Fund (UIF) and Compensation Fund (CF). The chairpersons of the two audit committees of the two Funds are members of the Audit Committee of the Department. The Audit Committee of the Department is also responsible for the oversight over the National Skills Fund and Sheltered Employment Factories.

The Department's Audit Committee consists of:

- Ms. MM Mahlabe Independent Non-executive Chairperson
- Mr. TS Mageza Independent Non-executive Member
- Mr. NK Mlamla Chairperson of the UIF Audit Committee (independent non-executive)
- Mr. K Buthelezi Chairperson of the CF Audit Committee (independent non-executive).

The following people are permanent invitees:

- Director-General
- Deputy Director-General of Corporate Services
- Deputy Director-General of Service Delivery
- Deputy Director-General of LP and LMP
- Deputy Director-General of ESDS
- Chief Financial Officer
- Unemployment Insurance Commissioner
- Compensation Commissioner
- Senior Executive Manager: National Skills Fund
- CEO of the Sheltered Employment Factories
- Head of Internal Audit
- Representatives of the Auditor-General.

Risk management approach

A Risk Management Unit within the Department has been established.

The Risk Management Unit has already commenced with the development of a Risk Management Strategy and carrying out risk assessments. Risk assessments were previously conducted by Internal Audit and reports are available. The Risk Management Unit has already conducted 75% of the strategic risk assessment. A comprehensive risk assessment will be conducted during the current financial year.

Directorate of Internal Audit

The Directorate of Internal Audit has the responsibility, as part of its strategic plan, to identify the major activity areas of the Department and to base their planning on the Department's significant risk areas. As part of the assessment of risk and during their audit fieldwork, they also take into account the risks of fraud, corruption and maladministration.

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This risk assessment combined with the existence and effective operations of internal controls, and an appropriate level of management oversight, are major factors in determining the frequency and nature of audit coverage. In general the majority of units within the Department are audited once every three years.

Internal Audit undertakes requests for special investigations received from all levels of management of the Department and the Audit Committee.

Fraud prevention policies

A separate Fraud Prevention Plan for the Department has been developed, however it was not approved.

9. Discontinued activities/activities to be discontinued

None

10. New/proposed activities

None

11. Asset management

11.1 Progress with regard to capturing assets in an asset register:

- Assets owned by the Department within all provincial offices, labour centres and visiting points are bar-coded. However, according to the findings of the Auditor-General there are still some assets not bar-coded and the Department has developed an internal strategy to resolve this problem
- The Department adopted an asset management policy for the control, accounting, maintenance and disposal of all assets.

11.2 Indication of the extent of compliance with asset management reforms (AMR) milestones:

- Asset registers are in the process of being updated in order to meet the minimum requirements as set out by National Treasury
- Disposal and asset management policies are in place and the implementation thereof will be enforced.

11.3 An Asset Management Unit was established at Head Office. National asset verification is performed on all assets at Head Office, INDLELA and provincial offices. The Integrated Asset Management Solution (IAMS) system has been rolled out to INDLELA and provincial offices. The following milestones will be achieved during the 2009/10 financial year:

- Capturing and linking assets to life cycles
- BAS reconciliation to asset register

- Clearing of the LOGIS ledger (duplicate ledgers)
- Asset acquisition plan
- Asset operations and maintenance plan.

12. Events after the reporting date

In his State of the Nation address in Parliament, the Honourable State President announced his intention to perform a macro reorganisation of functions within Government. In this regard, the current structure of the Department of Labour will be impacted upon through the shift of the skills development functions from the Department of Labour, where they currently reside, to the newly established Department of Higher Education and Training. A Presidential proclamation was due to be published in August 2009 to effect the transfer by November 2009.

13. Performance Information

Quarterly monitoring (QMR) of performance of the organisation functions as follows:

- Information on the QMR is derived from the annual work plans which link-up with the ENE performance measures (Target date, quarter and indicator)
- Progress is reported on the specific indicators within a specific quarter.

Level reporting exists as follows:

- Subdirectorates combine their reports into a Directorate Report
- Directorates combine their reports into a Programme Report
- Programme reports are combined into a Branch Report
- Branch reports are combined to form the QMR.

The above mentioned reports are discussed at senior official level and at the Mid-Term Review workshop. The Mid-Term Review workshop is attended by the Minister and the senior management of the Department and monitors the first six months of the organisation's work plan. Any needs for changes in the plan are then communicated and amendments are effected accordingly.

Annual Review and Planning Workshop

Senior Executive Managers up to the level of the Minister attend the evaluation discussion of an entire year's performance as well as the Planning Workshop. The outcome of the Annual Review and Planning Workshop is utilised as reporting information in the annual report.

14. SCOPA resolutions

Reference to previous audit report and SCOPA resolutions		
	Subject	Findings on progress
19 th SCOPA, dated 11 March 2008	1. Fixed assets	An Asset Management Unit has been established in order to address all asset related matters
19 th SCOPA, dated 11 March 2008	2. Vacancies	The vacancy rate is 17.23% as at 31 March 2009

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Reference to previous audit report and SCOPA resolutions		
	Subject	Findings on progress
19 th SCOPA, dated 11 March 2008	3. Leave entitlement	The Department implemented the following measures to deal with the administration of leave: a) Continuous performance of leave audits. b) Attendance and leave registers are reconciled on a regular basis. c) Leave forms and relevant proof are attached to files of employees. d) All leave forms are filed and captured on PERSAL. e) No sick or study leave forms are captured on PERSAL without supporting documentation. f) Leave registers for regional offices are submitted to provincial offices on a weekly basis. g) All members of staff are sensitised through circulars and other means about their obligations with regards to leave administration.
19 th SCOPA, dated 11 March 2008	4. Receivables	The Department has implemented an approved Debt Management Policy which has been developed in accordance with the relevant Treasury Regulations. Irrecoverable debts are written off in terms of this policy. <ul style="list-style-type: none"> ● The Department has written off irrecoverable debts to the value of R2 142 140.37 in terms of the 2007/08 financial year ● An amount of R2 122 563.39 has been referred to the State Attorney for collection ● As at March 2009, a total of 780 cases amounting to R6 506 682.56 have been referred to the Chief Directorate of Legal Services which could either be recovered or written off ● Legal Services has recommended that an amount of R2 217 038.77 be written off during the 2008/09 financial year ● The amount that was recovered from in-service officials from April 2008 to March 2009 is R 727 299.09. <p>Amounts are written off as recommended by Legal Services.</p>
19 th SCOPA, dated 11 March 2008	5. General a) The monitoring of the suspense account; and b) Inadequate remuneration policies	a. Suspense accounts are being monitored on an ongoing basis. b. Remuneration policies have now been included in the Financial Management Policies and Procedure Manual.
19 th SCOPA, dated 11 March 2008	6. The Committee recommends that the Accounting Officer ensures that quarterly progress reports are submitted to Parliament commencing within 60 days after the adoption of this report by the National Assembly	Reports are provided quarterly to SCOPA.

15. Prior modifications to audit reports

Audit Report 2007/08 - Progress as follows:

A) Qualification

Capital Assets:

1.1 Audit finding –The audit revealed the following significant shortcomings in the management and control of assets and asset register:

- (a) There were numerous assets with duplicate barcodes

Progress

- Duplicate barcodes were removed from the register. However, please take note that certain IT assets consist of different components (serial numbers) which will reflect similar bar-codes.
- (b) A number of assets on the assets register were included at incorrect values.

Progress

- The assets values have been re-calculated and the amounts corrected on the systems, however, the Department is still in the process to ensure that all assets are re-calculated.
- (c) The asset register was not adequately maintained in accordance with the requirements of National Treasury.

Progress

- Asset registers were maintained and implemented adequately for the reporting period. The Department will continue to ensure that the asset register are maintained according to National Treasury requirements.
- (d) The reconciliation of the prior year balance (R123,3 million – disclosure note 29) with the asset registers submitted for the period ending 31 March 2007 is still outstanding.

Progress:

- The Department provided a reconciliation to the Auditor-General. However, differences were noted by the Auditor-General and the Department will provide a comprehensive reconciliation in this regard.

1.2 Audit finding – PPP Asset Register : Due to numerous discrepancies noted, the Auditor-General was not able to obtain adequate assurance relating to the valuation, existence and completeness of assets amounting to R106.3 million disclosed in note 30 to the financial statements, and the PPP assets amounting to R124,8 million as disclosed in note 28 to the financial statements. At the time of the report the Department was in the process of seeking guidance with regard to the accounting treatment of the PPP assets.

- The Office of the Chief Information Officer (OCIO), in collaboration with the office of the Chief Financial Officer (CFO) and Siemens, compiled an action plan on how the OCIO and Siemens will assist the Asset Management Unit (AMU) in updating the IT asset register:
 - Siemens will provide the financial values of all IT assets procured since the inception of the PPP. This will enable the AMU to update the asset register
 - Siemens will provide monthly reports of all new IT assets procured, including financial information which will enable the AMU to update the asset register
 - The AMU will be informed of all movements of IT assets that are moved by the IT engineers.

Progress:

- Siemens provided the information as indicated in the action plan. AMU to verify correctness thereof and report discrepancies to the OCIO
- All information relating to new IT assets procured is provided to the AMU
- Ongoing process and has been implemented, movements of IT assets by SIEMENS are provided. Reports from the IT helpdesk are provided to the AMU on a monthly basis to verify movements.

B) Other matters

Internal controls

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Section 38(1)(a)(i) of the PFMA states that the Accounting Officer must ensure that the Department has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Non-compliance with applicable legislation**PFMA/Regulations****Audit Finding:**

- (a) Treasury regulations 3.2.1 – An inadequate risk assessment for 2007/08 was performed, and a functional risk committee has not been implemented

Progress

- The Manager of Risk Management has been appointed at the beginning of 2009. The Risk Management Unit has just been established and three assistant managers are due to start at the beginning of April 2009. The Manager has undertaken to develop the first draft risk management strategy by the end of the first quarter in the financial year 2009/10. The first draft will be the basis for the initial consultation process in the Department
- The project planning process of the Department include the identification and management of project risks. At macro organisational level, this process is, however, limited to the identified strategic priorities of the Department which constitute the Integrated Work Plan or the Business Strategy of the Department. Such risks are managed proactively through the weekly and monthly management meetings which are chaired by the Acting Director-General
- Data quality risks will be resolved by the implementation of the Information Management System that is currently under design to be fully implemented by the beginning of the 2010/11 financial year.

National Treasury practice note SCM 3 of 2004 part 6**Audit Finding:**

- (a) Although a detailed implementation plan for Supply Chain Management has been developed, only acquisition and logistics management has been implemented.
- (b) De-briefing session were not held with unsuccessful bidders.
- (c) Demand performance management has not been implemented.
- (d) No need assessment performed before each acquisition.
- (e) Performance of vendors not monitored.

Progress

Capacity challenges do not allow full implementation of this activity. Action will commence upon approval of the structure.

- (f) Monthly reporting questionnaires to National Treasury not completed and submitted by the Department on a monthly basis.

Progress

This is done electronically on National Treasury's website on a monthly basis.

Departments own enabling legislation**Audit Finding:**

- (a) The Skills Development Levies Act No. 9 of 1999 – operating procedures are not formally documented and therefore it is not clear which controls were implemented by the Department

to administer the Act.

Progress

A detailed Standard Operating Procedure with specific reference to Part III: Roles and Responsibilities of the Director-General of Labour was provided to the Auditor-General.

- (b) The Travel and Subsistence policy paragraph 6- In some instances officials on extended duty did not complete their claim forms within the prescribed period, after returning to the office.

Progress

A circular was sent to all provincial offices and programmes to emphasise the importance of adhering to this stipulation.

Other applicable legislation

Audit finding:

- The Guideline for Employees Tax – IRP 10 Volume 41 – the IRP 5 reconciliation for the financial year ending 31 March 2007 was not performed and issued to SARS within the prescribed or extended period.

Progress

- Tax reconciliation for 2006/07 was submitted to SARS on 31 July 2008 and the tax reconciliation for 2007/08 was submitted on 26 August 2008.

Performance information

Lack of systems generating performance information

For the information tested it was not possible to obtain sufficient appropriate evidence in relation to the performance information of the Department, as the system used for generating information was not adequate.

Progress

The ESSA system was rolled out to all 125 labour centres.

16. Exemptions and deviations received from the National Treasury

None

17. Other

None.

18. Approval

The Annual Financial Statements have been approved by the Accounting Officer.



Acting Director-General of Labour

Date: 31/07/2009