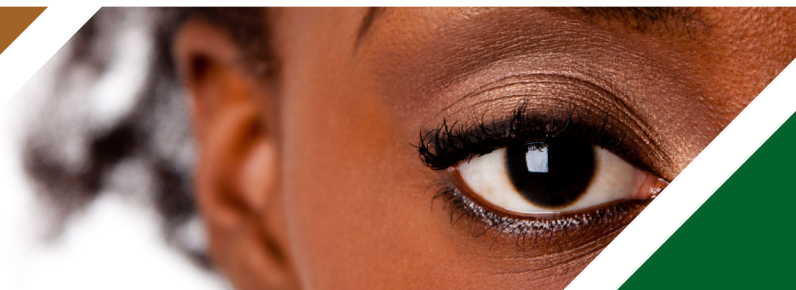


SMALL BUSINESS
IS BIG BUSINESS



ANNUAL REPORT
VOTE 31

2015
2016



small business
development

Department:
Small Business Development
REPUBLIC OF SOUTH AFRICA

A graphic featuring the years 2015 and 2016. The numbers are large and white, set against a background of diagonal stripes in various shades of green, yellow, and brown. The stripes are arranged in a way that creates a sense of movement and depth.

2015
2016

SMALL BUSINESS
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PART A: GENERAL INFORMATION

I. DEPARTMENT GENERAL INFORMATION

PHYSICAL ADDRESS:

77 Meintjies Street Sunnyside
Pretoria
0001

POSTAL ADDRESS:

Private Bag X672
Pretoria
0001

TELEPHONE:

0861 843 384
(select Option 2)

EMAIL:

sbinfo@dsbd.gov.za

WEBSITE:

www.dsbd.gov.za

2. LIST OF ABBREVIATIONS/ACRONYMS

AHI	Afrikaanse Handelsinstituut	MoU	Memorandum of Understanding
APP	Annual Performance Plan	MP	Member of Parliament
ARC	Agricultural Research Council	MPSA	Minister of Public Service and Administration
BAC	Bid Adjudication Committee	MTSF	Medium-Term Strategic Framework
BBC	Black Business Council	NAFCOC	National African Federated Chamber of Commerce
BEC	Bid Evaluation Committee	NCEDA	Northern Cape Economic Development Agency
BSC	Bid Specifications Committee	NEDLAC	National Economic Development and Labour Council
BBSDP	Black Business Supplier Development Programme	NDP	National Development Plan
CCDI	Cape Craft Design Institute	NGP	New Growth Path
CIS	Cooperatives Incentive Scheme	NIBUS	National Informal Business Upliftment Strategy
DDG	Deputy Director-General	PALAMA	Public Administration Leadership and Management Academy
DG	Director-General	PFMA	Public Finance Management Act, 1999 (Act 1 of 1999)
DPME	Department of Planning, Monitoring and Evaluation	PoA	Programme of Action
DPSA	Department of Public Service and Administration	PSCBC	Public Service Co-ordinating Bargaining Council
DSBD	Department of Small Business Development	SALGA	South African Local Government Association
ECDC	Eastern Cape Development Corporation	SALH	South African Lifestyle Hub
EDD	Economic Development Department	SATA	South African Spaza and Tuck-Shop Association
EEDP	Emerging Enterprise Development Programme	Seda	Small Enterprise Development Agency
EIS	Enterprise Incubation Support	Sefa	Small Enterprise Finance Agency
EXCO	Executive Committee	Seif	Shared Economic Infrastructure Facility
FDC	Free State Development Corporation	SMME	Small, Micro and Medium Enterprise
GDP	Gross Domestic Product	SMS	Senior Management Service
GTA	Gauteng Tourism Agency	SOE	State Owned Enterprise
IBUF	Informal Business Upliftment Facility	TBDSA	Township Business Development South Africa
IDC	Industrial Development Corporation	the dti	Department of Trade and Industry
ILO	International Labour Organisation	TVET	Technical and Vocational Education Training Colleges
IMEDP	Informal and Micro-Enterprise Development Programme	UK	United Kingdom
ISP	Incubation Support Programme	UNCTAD	United Nations Conference on Trade and Development
ITUP	Informal Trader Upliftment Programme	USA	United States of America
LED	Local Economic Development	WBDS	Women Business Development Scheme
M&E	Monitoring and Evaluation	WIPO	World Intellectual Property Organisation
MinMEC	Ministers and Members of Executive Council	YBSDP	Youth Black Business Supplier Development Programme



MINISTER'S FOREWORD

Lindiwe Zulu
Minister of Small Business Development

3. FOREWORD BY THE MINISTER

I am pleased to present the first independent annual report compiled by the Department of Small Business Development (DSBD) since its establishment in 2014.

The economic challenges of the past year, influenced by a slow-down in economies worldwide, heightened expectations of the department to help create a more inclusive and transformed economy in which small, micro and medium-enterprises (SMMEs) can contribute more significantly towards the country's GDP. The mandate and work of the department has found traction in both the public and private sectors, where there is a willingness to support and partner with the DSBD to achieve its goals and objectives.

During the 2015 State of the Nation Address, President Jacob Zuma outlined the government-wide Nine-Point Plan to propel the South African economy onto a new growth trajectory. The 'Unlocking the Potential of SMMEs, Cooperatives, Township and Rural Enterprises' pillar of this plan creates a framework for the work of the DSBD to contribute to the country's economic development objectives. This includes advocating for provincial and local government support to implement a number of interventions across all spheres of government.

Since its establishment in 2014, the department has implemented a strategic plan with a budget, structure and programmes adopted from the Department of Trade and Industry (**the dti**) while the Macro Reorganisation of the State (ENMOS) process, which includes a new structure, budget and systems, was underway. Although these circumstances created a challenging business environment for the DSBD, it also provided an opportunity to engage with government structures and the business community in the development of a new strategy.

During the reporting year, the DSBD comprehensively reviewed the programmes transferred from **the dti** and its agencies, the Small Enterprise Development Agency (Seda) and Small Enterprise Finance Agency (Sefa). The findings contributed to developing a strategic service delivery model and high-impact programmes, as well as adopting programmes that have already made a difference and have the potential to enhance the development of small businesses and cooperatives. This work will be refined further during the year ahead.

Despite its challenging business circumstances, the DSBD has made good progress since its inception in 2012. This includes an increase in Sefa's funding approvals to R3.6 billion, with more than R3.2 billion disbursed to over 200 000 small businesses. During the 2015/16 financial year

alone, Sefa approved R1.1 billion in loan facilities and disbursed R1.1 billion.

Seda also progressed well with its capacity building and technology-related programmes through a national office network. Informal business support has found traction, with some provincial governments having developed strategies or programmes to support the small business segment.

During the review period, the DSBD provided 61 youth-owned enterprises with R17.9 million in funding through the Cooperatives Incentive Scheme, while R35.9 million was disbursed to 117 women-owned enterprises. The Black Business Supplier Development Programme provided 325 women-owned enterprises with funding of R45.2 million.

The department also launched and adopted three flagship programmes. The New Generation Cooperatives Programme was launched during the visit of Mr Mark Rutte, the Prime Minister of the Netherlands to South Africa in October 2015; the National Gazelles Programme was launched in September 2015 with 40 enterprises selected as participants; and the online portal, FinFind, facilitated enterprise finance and related mentorship support within three months after its launch in October 2015.

Going forward, the broad focus of the department's new five-year strategy includes policy and strategy development, continuous support to the small business sector and new and innovative programmes. A strategic focus on financial and non-financial support to informal, township and rural enterprises will emphasise the mainstreaming of women, youth and people with disabilities.

Giving effect to this mandate requires stakeholder support. The DSBD is building strong partnerships through transversal agreements with other government departments and private sector organisations. I am confident that with the

tangible support of our partners, the DSBD will achieve its strategic outcome-orientated goals and objectives.

I would like to acknowledge my office, the Deputy Minister, the Director-General and officials in the department, my Cabinet colleagues, small business formations and individuals in the private sector who supported the DSBD during the past year. Their support has strengthened our commitment to radically transforming the participation of SMMEs and cooperatives in the mainstream economy.

We hereby present the Annual Report of the Department of Small Business Development for the 2015/16 financial year.



Ms Lindiwe Zulu, MP
Minister, Small Business Development
31 July 2016



4. REPORT OF THE ACCOUNTING OFFICER

4.1 Overview of the operations

This is the first annual report of the Department of Small Business Development (DSBD) since its proclamation on 7 July 2014. The 2014/15 annual report was presented as a section of **the dti** annual report since, at the time, the departments shared the same budget vote.

The DSBD was established through the migration of the small business and cooperative enterprise development functions from **the dti's** Broadening Participation Division to the department. Following the finalisation of the migration administrative processes, the DSBD reviewed and aligned **the dti**-inherited programmes with its mandate and prioritised those that respond to the challenges confronting small businesses.

Recommendations from the programmes review included improving the value of potentially high-impact initiatives; mainstreaming programmes that can be delivered with existing resources; discontinuing those with minimal impact and not aligned with our mandate; and transferring the implementation of relevant programmes to our agencies that will review the programmes before transfer. The DSBD and its agencies interrogated the implications of the programmes review report and will start implementing the recommendations in the new financial year (2016/17).

The DSBD continued to implement **the dti**-transferred programmes during the 2015/16 financial year in tandem with the programmes review process. As a result, 238 cooperative enterprises and 620 SMMEs received financial support and 1 037 informal businesses in partnership with the Wholesale and Retail Seta received training and equipment.

During the review period, 81 municipalities also participated in the roll-out of the DSBD's red-tape reduction guidelines programme. We partnered with the International Labour Organisation (ILO) to assess the implementation of the guidelines in four municipalities in Kwa-Zulu Natal and the Free State. Our goal is to ease and ultimately reduce the cost of doing business.

The department entered into a Memorandum of Understanding (MoU) with the Netherlands government to collaboratively develop and improve the production efficiency and economic viability of cooperatives. Implementation began with the launch of the New Generation Cooperative, a unique concept that incorporates members across the value-chain to fast-track growth and development.

The DSBD also launched the National Gazelles Programme, a flagship to identify and nurture high-performing small businesses. The programme will help to create employment and provide black-owned, value-adding and manufacturing-focused enterprises with managerial skills, access to markets and general



Edith Vries
Accounting Officer

production capacity. The first 40 National Gazelles and remaining 160 were from 507 qualifying entrants from key sectors such as manufacturing, ICT, energy, health, bio-sciences and the green economy. Customised growth strategies will be developed for all 40 Gazelles and implemented over a three-year intensive business support period. The remaining 160 Gazelle applicants were allocated to Seda business advisors for non-financial support and to prepare their applications for selection as one of the next 40 Gazelles. Seda requested the list of the 160 Gazelle applicants to consider their funding requirements within the available instruments.

Finfind, an online portal that is providing small business entrepreneurs with a much-needed resource through which to access finance, is another flagship programme that was launched during the past financial year. The need for this resource was evident from the 11 665 users who accessed the portal during the first five months after its launch in October 2015.

The DSBD also entered into agreements with public and private sector partners to assist small businesses and cooperatives to market their products and services and/or access market opportunities. During the period under review, SAB Miller, a key private sector partner, opened its supply chain to 18 women-owned cooperatives. We expect participation in this initiative to increase to 5 000 in the next five years. Our public sector agreements with the Departments of Public Enterprises, Tourism and Social Development are aimed mainly at assisting SMMEs and cooperatives to access business opportunities from government departments and their agencies. As such, our cooperation with the National Department of Tourism (NDT) and Department of Social Development (DSD), specifically, will provide small businesses and cooperatives with an integrated business development services offering.

Seda continues to demonstrate remarkable success in assisting potential and existing small enterprises and cooperatives. The agency's long-term and outcomes-orientated client journey model has assisted 74% of its clients to increase turnover, while 51% now

employ more people. Seda partners with numerous organisations that offer complementary financial and non-financial services, which enables the agency to provide comprehensive support to small enterprises and cooperatives.

During the past financial year, 10 679 clients benefitted from Seda interventions, while the agency's cooperatives, community and public/private partnership programmes supported 166 primary and 40 secondary cooperatives. This growing pool of existing and new entrepreneurs is contributing meaningfully to the country's socio-economic growth.

A significant event during the past financial year was the joint DSBD/Seda hosting of the inaugural Southern African Business Incubation Conference at which the Deputy President, His Excellency Mr Cyril Ramaphosa, delivered the keynote address. Seda's main objective with this initiative was to lead a dialogue on aligning the incubation ecosystem in the country.

During the 2015/16 financial year, the 57 Seda-supported incubators housed 2 492 small enterprises and created 2 331 permanent jobs, mainly in the labour-intensive agricultural, construction and manufacturing sectors. Seda is remodelling some of its high-technology incubators, such as in the ICT, chemical, bioscience and renewable energy sectors, to create a balance between high-technology, innovation-focused and job-creating incubators.

The Seda SMME payment assistance hotline assisted small businesses to collect outstanding payments for the delivery of services or products. The hotline handled 1 105 calls and facilitated R18 million in payments during the past financial year. Since its establishment in September 2009, the hotline has helped to secure more than R480 million in outstanding payments.

The Small Enterprise Finance Agency (Sefa) officially migrated from the Department of Economic Development (EDD) to the DSBD on 1 April 2015. During the period under review, the agency approved R1.1 billion in loan facilities and disbursed R1.1 billion to 45 263 SMMEs and cooperatives through its various loan distribution channels.

Going forward, township and rural enterprise development will be a focus area and we will explore a number of assistance options, including the promotion of micro-franchising to move entrepreneurs from marginalised areas into the mainstream economy.

In conclusion, our mandate requires us to create an enabling environment for the development of small businesses and work with all spheres of government to ensure that small enterprises play a critical role in driving radical economic transformation in the country. The private sector is also essential to enterprise development and we will collaborate closely with this sector to ensure that well-developed SMMEs and cooperatives are integrated into the value-chains of big corporates.

4.2 Overview of the financial results

The department's mandate is to promote the development of small businesses and cooperatives that contribute to inclusive growth and job creation. We provide grants and incentives to clients who qualify as beneficiaries, many of whom are from historically disadvantaged backgrounds.

The department is not a revenue-generating entity and only collects parking fees and commission from third parties. The R121 000 collected was R59 000 less than

the estimated R180 000 for the year under review. The parking fees are related to the number of filled posts and officials using the parking facilities provided by the department.

As at 31 March 2016, the DSBD spent R1.1 billion or 97.5% of the total adjusted budget of R1.1 billion, which was an under-expenditure of R28.6 million or 2.5%.

Employee compensation expenditure came to R93.1 million, which was an under-spending of 16.5%. This was attributable mainly to vacant positions during the

reporting period and the decision not to fill posts until the findings and recommendations of a programmes review had been received, discussed and signed-off. As at 31 March 2016, 29 (16.3%) of the 177 funded positions remained vacant.

Transfer payments expenditure was R958.2 million of the adjusted allocated budget of R958.3 million, which constituted an under-spending of R142 000 (0.01%). The remaining funds could not be disbursed as the claims on hand at the end of the financial year were more than the remaining budget.

Table 1: Programme over/under-expenditure for the 2015/16 financial year

Programme name	2015/2016			2014/2015		
	Final appropriation R'000	Actual expenditure R'000	(Over)/ Under expenditure R'000	Final appropriation R'000	Actual expenditure R'000	(Over)/Under expenditure R'000
Administration	80 857	66 447	14 410	-	-	-
Cooperatives Development	12 241	11 692	549	-	-	-
Enterprise Development and Entrepreneurship	1 034 422	1 020 752	13 670	-	-	-
Total	1 127 520	1 098 891	28 629	-	-	-

Goods and services expenditure was R44.3 million of the adjusted allocated budget of R53.3 million, which constituted an under-spending of 17%. The under-spending was due mainly to the under-achievement in deliverables such as the Incubation Support Programme and Shared Economic Infrastructure Facility, where the provision for the travel and subsistence was not utilised.

The implementation of cost containment measures on travel, in line with National Treasury instructions (Note 1 of 2013/14) also contributed to the under-spending.

Programme 1: Administration

Expenditure for Programme 1 was R66.4 million, or 82.2% of the adjusted budget of R80.8 million, resulting in an under-expenditure of R14.4 million (17.8%). The under-expenditure was due mainly to vacancies during the financial year, which amounted to R9.4 million, as well as the non-procurement of machinery and equipment for the new office space before the move could be completed.

Programme 2: Cooperatives Development

Expenditure for Programme 2 was R11.7 million or 95.5% of the adjusted budget of R12.2 million, resulting in an under-expenditure of R549 000 (4.5%). There were no material variances to explain.

Programme 3: Enterprise Development and Entrepreneurship

Expenditure for Programme 3 was R1.021 billion or 98.7% of the adjusted budget of R1.034 billion, resulting in an under-expenditure of R13.6 million (1.3%).

The under-expenditure was due mainly to vacancies during the financial year, which amounted to R8.7 million, and non-utilised travel and subsistence funds due to the under-achievement of deliverables such as the Incubation Support Programme and Shared Economic Infrastructure Facility as indicated above.

Table 2: Over/under-expenditure for the 2015/16 financial year

Programme name	2015/16				
	Final appropriation R'000	Actual expenditure R'000	(Over)/Under expenditure R'000	%	%
Administration	80 857	66 447	14 410	82.2	17.8
Cooperatives Development	12 241	11 692	549	95.5	4.5
Enterprise Development and Entrepreneurship	1 034 422	1 020 752	13 670	98.7	1.3
Total	1 127 520	1 098 891	28 629	97.5	2.5

Virement/roll-over

Table 3 depicts the virement requested per programme during the period under review.

Table 3: Virement during the 2015/16 financial year

Programme	Adjusted appropriation R'000	Shifting of funds R'000	Virement R'000	Final appropriation R'000
1. Administration	81 387	-	(530)	80 857
2. Cooperatives Development	11 711	-	530	12 241
3. Enterprise Development and Entrepreneurship	1 034 422	-	-	1 034 422
Sub-total	1 127 520	-	-	1 127 520

A virement of R530 000 from Programme 1 to Programme 2 was done to augment the overspending on employee compensation in Programme 2.

In line with the MoU that expired on 31 March 2016, the DSBD relied mainly on **the dti's** SCM processes and systems to detect and prevent irregular expenditure. Since then, the DSBD established governance committees, specifically the Bid Committee and Budget Committee, to put in place SCM processes and systems to detect and prevent irregular expenditure.

Table 4: Gifts, donations and sponsorships for the 2015/16 financial year

Name of organisation	Nature of gift, donation or sponsorship	2015/16 R'000
Received in kind		
International Labour Organisation	Sponsored an expert meeting on enterprise formalisation in Italy; donated flights and accommodation for a DSBD official to attend training at the Academy on Sustainable Enterprise Development in Zambia; and provided technical support to officials in the informal business unit of the DSBD	327
United Nations Women	Tuition fees for the Women Economic Empowerment Conference in the Seychelles	27
Total		354

Future plans

The DSBD's future plans are included in the revised 2015-2019 Strategic Plan and 2016-2019 Annual Performance Plan and aligned with the government priorities and outcomes for the 2014- 2019 electoral period.

4.3 Services provision

4.3.1 Services rendered

The department is responsible mainly for formulating and implementing policies to create an environment conducive to the development and promotion of small businesses and cooperatives by providing enhanced financial and non-financial business support services. These services are also offered by the public entities that report to the DSBD, namely the Small Enterprise Development Agency (Seda) and Small Enterprise Finance Agency (Sefa).

The department improved internal controls to ensure efficient and effective service delivery. The Minister received quarterly financial reports with spending trends in terms of the PFMA, 1999, as amended. Financial performance reports were discussed during Executive Committee meetings and National Treasury received monthly expenditure compliance reports signed by the Director-General (or Acting Director-General, where applicable). Senior management also monitored and discussed the department's spending trends at their meetings.

The department gratefully acknowledges the support from small business stakeholders and willingness of the national provincial and local government departments

to collaborate in the interest of creating radical socio-economic transformation and service delivery in South Africa.



Ms Edith V Vries
Accounting Officer
31 July 2016

5. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed are consistent throughout the annual report.

The annual report is complete, accurate and free from any omissions.

The annual report was prepared in accordance with the guidelines for annual reports issued by National Treasury.

The Annual Financial Statements (Part E) were prepared in accordance with the modified cash standard and relevant frameworks and guidelines issued by National Treasury.

The Accounting Officer is responsible for the preparation of the annual financial statements and the judgements made in this information.

The Accounting Officer is responsible for establishing and implementing a system of internal control designed to provide reasonable assurance about the integrity and reliability of the performance and human resources information and annual financial statements.

The Auditor-General of South Africa expressed an independent opinion on the annual financial statements.

In my opinion, the annual report fairly reflects the operations, performance information, human resources information and financial affairs of the DSBD for the financial year ended 31 March 2016.



Ms Edith V Vries
Accounting Officer
31 July 2106

6. STRATEGIC OVERVIEW

6.1 Vision

Our vision is to achieve a radically transformed economy through the effective development and increased participation of SMMEs and cooperatives in the mainstream economy.

6.2 Mission

Our mission is to create an environment conducive to the development and growth of small businesses and cooperatives through the provision of enhanced financial and non-financial support services to:

- improve competitiveness
- increase market access
- promotion of entrepreneurship
- advancing localisation and leverage public and private procurement.

6.3 Values

The Department of Small Business Development adheres to the following values:

Customer-focused

Integrity

Honesty

Efficiency

Accessibility

Commitment



7. LEGISLATIVE AND OTHER MANDATES

A summary of key policies and legislation follows below:

7.1 Constitutional mandate

The DSBD derives its legislative mandate from the Supreme Law of the Republic, the Constitution of the Republic of South Africa, 1996 (No. 108 of 1996), within the purport of Section 22.

7.1.1 Section 22 enshrines freedom of trade, occupation and profession and states that “Every citizen has the right to choose their trade, occupation or profession freely. The practice of a trade, occupation or profession may be regulated by law.”

7.2 Legislative mandate

Table 5: Legislation and responsibilities

Legislation	Purpose
7.1.1 National Small Business Act, 1996-(Act 102 of 1996, as amended in 2004) and thereafter referred to as the National Small Business Amendment Act, 2004 (Act 29 of 2004)	To provide for the establishment of the National Small Business Advisory Council and Small Enterprise Development Agency and provide guidelines for organs of state to promote small business in the Republic and related matters.
7.1.2 Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000)	To ensure that government's preferential procurement procedures are aligned with the aims of the Broad-Based Black Economic Empowerment Act, 2003 and the associated Codes of Good Practice.
7.1.3 Cooperatives Act, 2005 (Act 14 of 2005)	To provide for the formation and registration of cooperatives; establish a Cooperatives Advisory Board; wind up of cooperatives; repeal Act 91 of 1981; and related matters.
7.1.4 Broad-Based Black Economic Empowerment Act, 2003 (Act 53 of 2003)	To establish a legislative framework for the promotion of black economic empowerment; empower the Minister to issue Codes of Good Practice and publish transformation charters; establish the Black Economic Empowerment Advisory Council; and provide for related matters.
7.1.5 Public Finance Management Act, 1999 (Act 1 of 1999)	To regulate financial management in the national and provincial governments and ensure that government resources are managed efficiently and effectively.
7.1.6 Public Service Act, 1994, as amended (Act 103 of 1994)	To provide for the organisation and administration of the public service and regulation of the conditions of employment, terms of office, discipline, retirement and discharge of members of the public service.

7.3 Policy mandate

While the supreme development goals of South Africa are enshrined in the Constitution of the Republic of South Africa, 1996, the NDP 2030 provides a bold and long-term development outlook that defines a desired destination for all South Africans and identifies the roles for the different sectors of society to reach that goal.

The NDP was developed to create an economy in South Africa that is more inclusive and dynamic and in

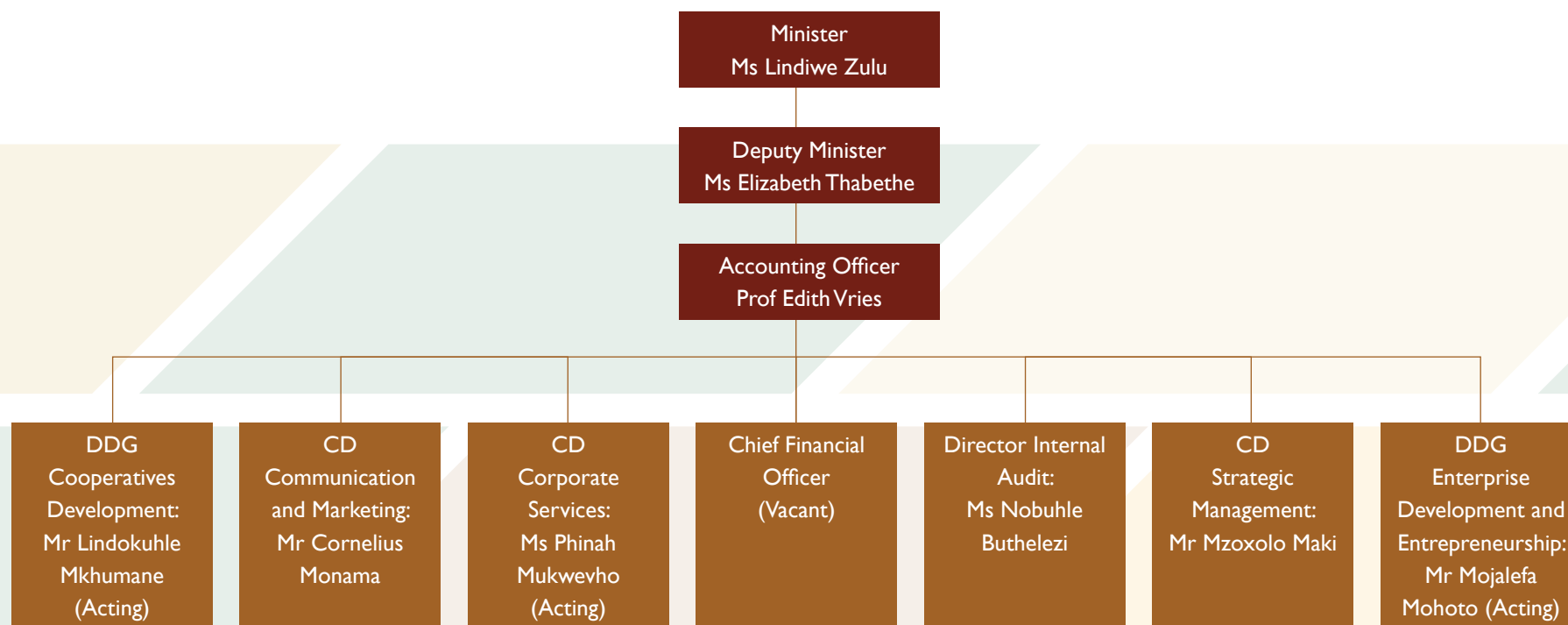
which the fruits of growth are shared more equitably. The plan envisions an economy that provides full employment by 2030 and serves the needs of all South Africans from different racial, social and economic backgrounds. As such, the economy will be more inclusive, grow faster, eliminate poverty and reduce inequality.

The DSBD plays a major and direct role in implementing Chapters 3 and 6 of the NDP that, respectively, deal with the economy and employment, and inclusive rural growth. The department's goals

and objectives are set to increase the participation of small businesses and cooperatives in the mainstream economy and contribute to employment and economic growth. These include creating an enabling environment for competitive small businesses and cooperatives to stimulate jobs and wealth creation, providing business support services to the small business and cooperatives sectors and targeted support to informal businesses, small businesses and cooperatives in townships and rural areas.



8. ORGANISATIONAL STRUCTURE



9. ENTITIES REPORTING TO THE MINISTER

Two public entities report to the Minister of Small Business Development.

Table 6: Public entities that report to the Minister of Small Business Development

Name of entity	Legislative mandate	Financial relationship	Nature of operations
9.1 Small Enterprise Development Agency (Seda)	National Small Enterprise Act, 1996 (No. 102 of 1996), as amended in 2004	Transfer payment	Seda provides non-financial business development and support services to small enterprises in partnership with other role players in the small business development environment. Seda's mission is to develop, support and promote small enterprises to ensure their growth and sustainability.
9.2 Small Enterprise Finance Agency (Sefa)	Section 3(d) of the Industrial Development Corporation Act, 1940 (No. 22 of 1940) (IDC Act)	None	Sefa provides access to developmental finance to survivalist, micro, small and medium businesses throughout South Africa.

PART B: PERFORMANCE INFORMATION

I. AUDITOR GENERAL'S REPORT ON PREDETERMINED OBJECTIVES

The Auditor-General of South Africa (AGSA) currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report.

Refer to paragraphs I.9 to I.30 contained in the Report of the Auditor-General on pages 86 to 89.

2. OVERVIEW OF DEPARTMENTAL PERFORMANCE

2.1 Service delivery environment

Globally, small, medium and micro enterprises (SMMEs) are key drivers of growth and job creation in the better performing and more stable economies, such as in Germany, India, Malaysia, the People's Republic of China and Taiwan, where small businesses represent over 95% of the total business sector and employ between 60% and 85% of the total work force (refer to the Table 8).

Table 7: Comparative analysis of the contribution of small businesses

Country	Representation	Employment	Economic value
United Kingdom	99% of businesses	60% of employees	Gross value-add: 49.8% of the UK economy
Australia	96% of businesses	63% of all workers employed, of whom 93.5 % are employed by micro enterprises	33% contribution to GDP
Taiwan	1,3 million or 97.6 % of businesses	78.3% of employed persons	31.5% of total sales
Latin America	99% of businesses	67% of all employees	30% of total exports
People's Republic of China	99% of businesses	84% of the workforce	74% of sales
South Africa	98% of businesses	47% of the workforce	42% contribution to GDP

Locally, however, the small business contribution to and participation in the South African economy is far below its potential. According to the 2014 GEMS and Q2 2015 Stats SA Quarterly Labour Force Survey Data, small businesses represent 98% of the registered businesses and employ 47% of the total workforce in South Africa.

The South African perspective

There has been a growing awareness of the significant role that SMMEs can play in economic growth and transformation in South Africa and the greater capacity of small businesses, as opposed to big business, to stimulate the economy. According to Colin Coleman, "South Africa can achieve 5%

*growth over the next five years if Government and the private sector together invest R12 billion in 300 000 new small businesses every year in the next five years."*¹

The New Growth Path is a broad framework that sets out a vision of creating five million jobs and reducing the country's unemployment level, one of the highest in emerging market countries in the world, from 25% to 15% over ten years. The ethos of the NGP is similar to that of the MTSF, namely policy coherence through partnerships among key societal players, business and government.

While seemingly a daunting task, Government initiatives are ensuring that the value of SMMEs is acknowledged and that they take up their rightful place within the South African economy.

As the voice for the cause and aspirations of SMMEs, the DSBD identified their challenges and is mobilising all spheres of government and the private sector to address these decisively and redefine the policy, legislative and regulatory environment in which small business can exist alongside big business. Small enterprise development contributes to matching technical support to available financial support, which increases SMME access to markets and funding opportunities and improves their understanding of the economy in which they function.

¹ Colin Coleman is the Head of Goldman Sachs, sub-Saharan Africa.

Research suggests that growth in the SMME sector is impeded mainly by its regulatory framework, as well as a lack of business acumen and understanding how the economy works. Government's commitment to legislative reform will simplify the SMME regulatory environment and guarantee improved access to the public procurement system. The legislative reform includes the revision of the Small Business Act, 2015 and the Preferential Procurement Policy Framework Act, 2000 (PPPFA).

In 2015, a review of supply chain procurement in the public sector confirmed that in the 2013/14 financial year, government had spent R500 billion on the procurement of goods, services and construction. Even a portion of that money directed to SMMEs would contribute significantly to their sustainability. In addition to amending the PPPFA, which will be led by National Treasury, the DSBD will develop guidelines and a Monitoring and Reporting Framework for departments involved in this important matter.

Government's Nine-point Plan includes the intention to "Unlock the Potential of SMMEs, Cooperatives, Township and Rural Enterprises" and thereby achieve a radical economic transformation. This may need the introduction of new models, as the old way of addressing the concerns of SMMEs did not deliver the required results.

There is consensus about the need to leverage the interventions of other government departments,

agencies and the private sector in small business development to achieve the desired state of a well-functioning and successful small business eco-system.

Our mandate, *to lead an integrated approach to the promotion and development of small businesses and cooperatives through a focus on the economic and legislative drivers that stimulate entrepreneurship to contribute to radical and economic transformation*, puts the DSBD at the forefront of leading and co-ordinating small business development. To do this, the department's structure reflects its strategic outcome-orientated goals and medium-term strategic objectives.

2.2 Service Delivery Improvement Plan

The department will finalise its Service Delivery Improvement Plan in the 2016/17 financial year.

2.3 Organisational environment

The department performed well in the implementation of its Human Resources Plan during the 2015/16 financial year. A number of targets, prioritised to assist with resourcing, were achieved or where not achieved, were improved when considering quarter-on-quarter performance. The targets included reducing staff vacancies from 23% to 16.3% through aggressive recruitment and decreasing staff turnover from 14% at the end of quarter 1 to 9.0% at the end of quarter 4 through effective monitoring and retention interventions.

The department's consideration of employment equity targets during its recruitment and selection processes is evident in its representative workforce of 50.1% vs. 49.9% in favour of women in SMS. This is significantly higher than the 45% target for the 2015/16 financial year and exceeds the national target of 50%. While the department did not achieve its disability target of 3.2% for 2015/16, the achievement of 2.7% is still significantly above the 2.0% target set by government.

A number of policies and supporting guidelines were developed and approved to implement management and development practices and processes that are consistent throughout the organisation and comply with public service prescripts. These policies and guidelines also direct the department's optimum use of ICT, financial and human resources in achieving its targets in the forthcoming financial year.

The department secured and occupied new accommodation in Block G on **the dti** campus. In addition to using **the dti** ICT network infrastructure, our new offices are equipped with, *inter alia*, Microsoft Active Directory and Exchange, video conferencing and printing facilities to increase our independence, establish our identity and enable operational excellence.

The DSBD will embark on a change management project to implement the recommendations of the programmes review during the 2016/17 financial

year. A Change Management Committee will drive the project with change agents from all branches to oversee the delivery of seven work streams. An independent change management specialist will be appointed to ensure objectivity, as outlined in the Terms of Reference. In the interim, we engaged all members of staff in focus sessions to allay any anxiety and uncertainty in this regard. We aim to achieve Phase I of this multi-year project by 30 September 2016. The department also implemented an interim structure to underpin delivery against the 2016/17 Annual Performance Plan while the proposed structure for the DSBD is being approved.

The purpose of the independent programmes review process was to align the programmes and other interventions with the DSBD mandate. The key programme evaluation criteria addressed were:

- 1.1 The strategic relevance and alignment of the programmes and interventions with the mandate of the department.
- 1.2 The programme design and efficient use of resources.
- 1.3 The impact and opportunity cost of the programme.

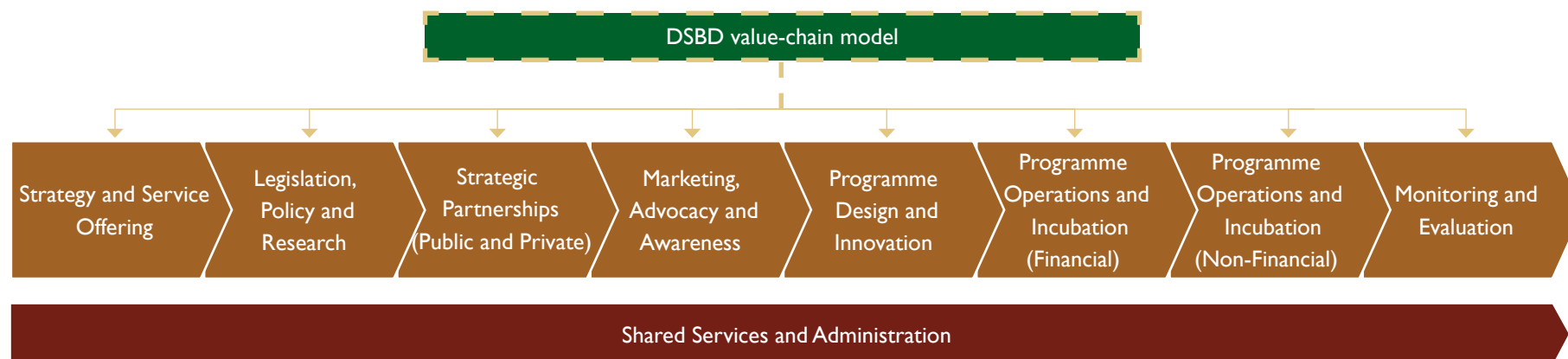
The review findings and recommendations require that the DSBD:

- 2.1 Rationalise and refocus programme activity on high-impact areas.
- 2.2 Clearly delineate responsibility between the DSBD and the agencies.
- 2.3 Invest in comprehensive policy, research, monitoring and evaluation capabilities.
- 2.4 Package the DSBD, Seda and Sefa services in a 'single entry point' offering for SMMEs.

- 2.5 Strengthen interaction with other areas of government and the private sector.
- 2.6 Consolidate the mandate for cooperatives to improve focus.
- 2.7 And importantly, conduct proper change management.

The recommendations included the adoption of a value-chain product and services architecture to address sector deficiencies and position the department as the overall custodian of performance in the small business sector. This model will enable the department to be customer-centric, reduce complexity and invoke accountability for each executive and segment through simple, yet powerful, performance measures.

Figure 1: The ideal DSBD value-chain model.



According to the programmes review findings, the department currently has a “deep execution focus” that veers towards programme management and implementation. There is a need to capacitate the other DSBD value-chain components to deliver an “end-to-end” coordination and facilitation service. This requires people and processes throughout the department to move from a focus on implementation to a “customer and partner interaction approach” to deliver a more outward-looking service.

The implementation of the recommendations and value-chain model are underway and are reflected in the department’s organisational structure, revised Strategic Plan and 2016/17 Annual Performance Plan.

2.4 Key policy developments and legislative changes

During the 2015/16 financial year, the department did not formulate any external policies to support SMMEs and cooperatives, nor make changes to any legislation.

3. STRATEGIC OUTCOMES-ORIENTED GOALS

During the 2015/16 reporting period, the DSBD adopted the following strategic outcomes-oriented goals:

1. To facilitate the development and growth of small businesses and cooperatives to contribute to inclusive and shared economic growth and job creation through public and private sector procurement.
2. To facilitate radical economic transformation through the increased participation of small businesses and cooperatives in the mainstream economy.
3. To advocate for a regulatory environment conducive to providing small businesses and cooperatives with access to finance, investment, trade and markets in an equitable and sustainable manner.
4. To facilitate partnerships within all spheres of government and the private sector to create mutual co-operation that benefits small businesses and cooperatives.

In addition to the 2015/16 strategic outcomes-oriented goals, the department reported against the following MTSF priorities:

Outcome 4: Decent employment through inclusive economic growth, which is led by the dti.

Outcome 7: Comprehensive rural development, which is led by the Department of Rural Development and Land Reform.

4. PERFORMANCE INFORMATION BY PROGRAMME

The DSBD was established to represent the voice of small businesses and cooperatives, respond to the challenges in these sectors and lead an integrated approach to promoting and developing small businesses and cooperatives in response to the directives of government's NDP 2030, MTSF 2015-2019 and 2015/16 Programme of Action.

The MTSF identifies key interventions to increase the demand for the products and services of small businesses and cooperatives, as well as their participation in the economy; improve the quality of business infrastructure for informal traders; and monitor progress against measurable indicators for developing and promoting small business and cooperatives.

Departmental reporting is based on the performance of its programmes against the goals and targets articulated in key strategic documents. The performance of programmes reported on in this section relates to creating a support environment for small businesses and cooperatives through financial and non-financial services resourced through Budget Vote 31.

It should be noted, however, that although the DSBD 2015-2019 Strategic Plan and 2015/16 Annual Performance Plan respond to the NDP framework in achieving radical economic transformation, the independent review of the programmes inherited from the dti during the 2014/15 financial

year prevented the department from aligning implementation with well-defined annual outcomes of the strategic and performance plans.

4.1 PROGRAMME I:ADMINISTRATION

4.1.1 Purpose

The purpose of the Administration Programme is to provide strategic leadership to the department and its entities to ensure that the department fulfils its mandate through sustainable and integrated resource solutions and customised services.

4.1.2 Sub-programmes

The Ministry of Small Business Development; Office of the Director-General; Strategic Management and Executive Support.; Corporate Services; Financial Management; Communication and Marketing.

4.1.3 Programme strategic objective

The objective of Programme I is to facilitate radical economic transformation through the increased participation of small businesses and cooperatives in the mainstream economy.

4.1.4 Programme overview

The Programme contributes to the development and promotion of small businesses and cooperatives through effective leadership, policy directives,

executive support and management. Priorities are vacancy management, human resources (HR) development and performance management interventions to support capacity-building and development to fulfil the DSBD mandate.

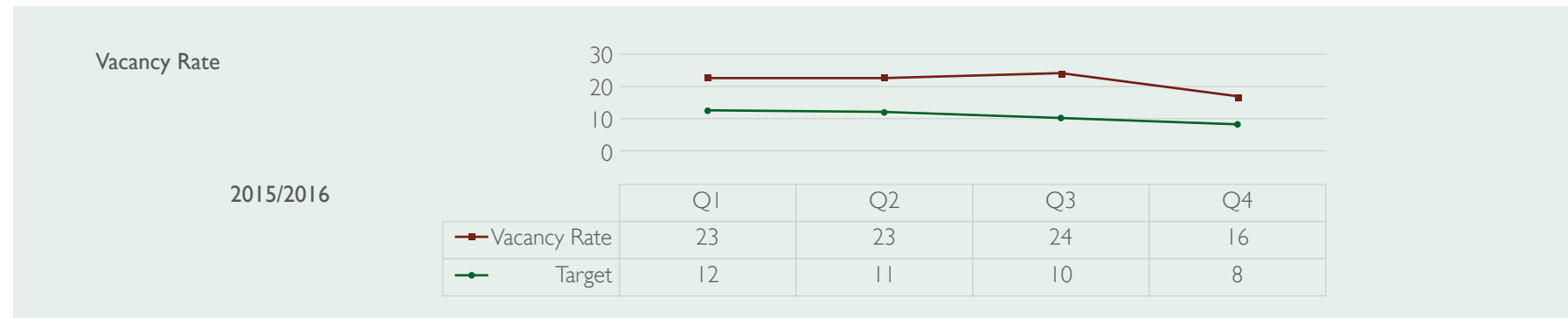
4.1.5 Programme summary and performance information

4.1.5.1 CORPORATE SERVICES

a. Human Resource Management and Development

During the 2015/16 financial year, the department implemented its start-up structure designed with DPSA support. The initial transfer of staff to the DSBD in 2014 did not consist of a full staff complement for the department, which resulted in an initial high vacancy rate of 23%. This was reduced considerably to 16.3% by the end of the 2015/16 financial year.

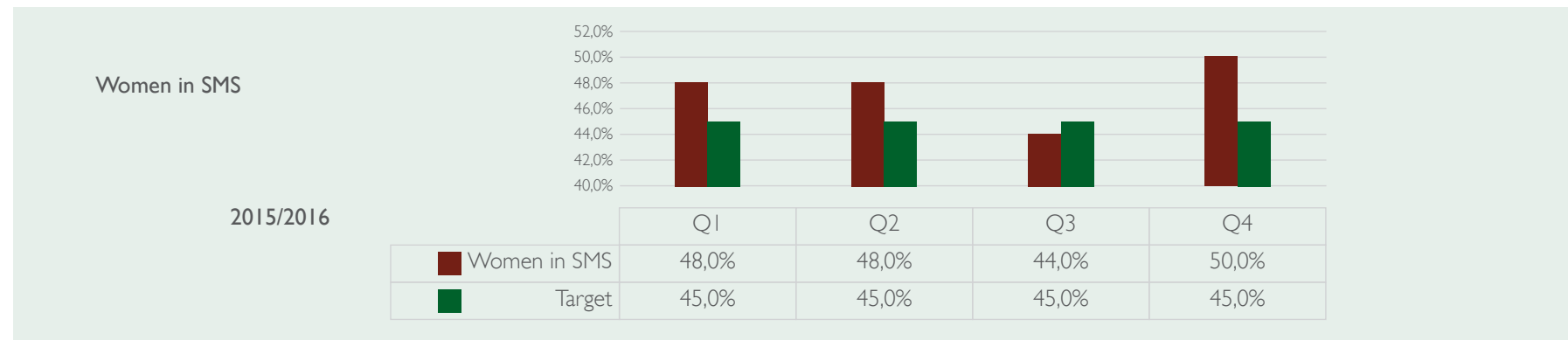
Figure 2: Vacancy rate for the 2015/16 financial year.



The senior management posts filled during the 2015/16 financial year included the Head of Department; Special Advisor; Head of Office: Cape Town; Chief Director: Cluster Oversight and Strategic Planning; Director: Financial Management Accounting and Administration; Director: Internal Audit; and Director: Human Resources Management. The recruitment processes for the Chief Director: Corporate Services and Chief Financial Officer were also finalised and the managers joined the department on 1 April 2016.

The staff turnover within the department was due mainly to transfers to **the dti** during the first quarter, while staff turnover decreased significantly during the remaining quarters of the 2015/16 financial year.

Figure 3: Women in Senior Management Service (SMS).



The DSBD started with the implementation of its MTEF 2015-2018 Human Resource Plan during the past year and will submit the first report during the first quarter of the 2016/2017 financial year. The report will outline the department's progress towards, inter alia, addressing employment equity and diversity. During the reporting period, the department achieved a 50% representation of women in senior management positions and exceeded the 2% representation of people with a disability with 0.7%. The Director-General also approved 22 human resource management and development (HRM&D) policies to guide implementation of HRM&D practices.

Employee training during the 2015/16 financial year included the Compulsory Induction Programme, managed by the Public Administration Leadership and Management Academy (PALAMA), under which 12 employees benefitted from management/leadership training and 35 employees attended other transversal and functional training courses.

The main objective of the department's bursary programme is to provide employees who want to pursue their studies with financial aid to access formal study opportunities that will equip them with the knowledge and skills to perform current and future duties. The department supports five (5) bursary holders, of whom two (2) are employees who were transferred to the DSBD from other departments.

4.1.5.2 LEGAL AND LEGISLATIVE SERVICES

The Legal and Legislative Services Unit is responsible for providing the Minister, Deputy Minister, Director-General and all directorates in the department with legal advice; manage all litigation against the department; scrutinise and draft contracts; scrutinise policies, guidelines and norms and standards; and draft legislation.

The legal advisory function ensures that the Minister and the department receive sound and well-researched legal advice on all legal matters. These are categorised into areas of litigious matters; Transversal Agreements concluded with other government departments and state-owned entities (SOEs); Memoranda of Agreement (MoA) with private and public sector companies and agencies; regulating services provided to the department; the regulation of projects implemented in partnership and collaboration with other parties; and Memoranda of Understanding (MoU) that regulate international collaboration between states and counterpart institutes or companies in a foreign jurisdiction.

During the 2015/16 financial year, the Minister received counsel from the Legal and Legislative Services Unit on matters relating to small business and cooperatives concerns and dissatisfaction, as well as enquiries about the DSBD, Seda and Sefa. These were addressed adequately and to the satisfaction of the parties concerned.

The Unit also scrutinised 58 MoAs, MoUs, Confidentiality and Non-Disclosure Agreements,

Service Level Agreements, an international Implementation Protocol and Memorandum of Agreement, Partnership and Collaboration Agreements and Project Disbursement Agreements.

No litigious matters were instituted on behalf of or against the DSBD during the period under review.

The Unit also provided legal opinions on 28 human resource and employee relations-related matters, potentially litigious matters, the payment of third parties and service providers, the renewal and termination of contracts, the legal status of entities and programmes within the DSBD and recommendations from forensic investigations.

4.1.5.3 INTERNAL AUDIT AND RISK MANAGEMENT

During the 2015/16 financial year, the Internal Audit Activity (IAA) experienced constraints in the execution of the Annual Coverage Plan. The Unit operated with one staff member and did not have a budget for outsourcing. The Chief Audit Executive was appointed in March 2016.

Risk management activities commenced during the financial year to develop risk-based plans and the dti assisted with conducting forensic audit investigations. The Audit Committee approved the three-year rolling plan and annual coverage plan after its establishment in December 2015. The following internal audit reports were completed during the 2015/16 financial year:

- 2015/16 annual coverage plan – five (5) audits completed.
- 2015/16 ad hoc assignment – one (1) assignment completed.
- 2015/16 forensic investigations – three (3) investigations completed.

Risk management

Due to human resource constraints, the department did not have a Risk Management Unit and developed an interim risk register with the assistance of National Treasury. A Risk Manager will be appointed in the 2016/17 financial year.

4.1.5.4 MINISTERIAL ENGAGEMENTS

Minister Lindiwe Zulu, MP, met with the Ministers of a number of national departments to consider transversal agreements in partnering to develop SMMEs and cooperatives and also with experts in the small business sector and the private sector.

The Minister also attended various award and graduation ceremonies to celebrate SMME and cooperatives successes. These included the DSBD Informal Traders Upliftment Programme (ITUP) through which over 1 000 informal traders nationally have graduated and the Portfolio Committee oversight programmes in Gauteng and Limpopo where she engaged with SMMEs and cooperatives.

In October 2015, the Minister launched FinFind, an online platform for SMMEs and cooperatives to easily access financial solutions available through

government institutions and agencies and convened the 2nd National Small Business Colloquium where she addressed SMMEs, cooperatives and provincial and local government departments.

International engagements

During the past financial year, Minister Zulu participated in a number of international engagements. These included:

March 2015: Led a South African delegation to the Global Entrepreneurship Congress in Milan, Italy where South Africa's City of Johannesburg received the rights to host the 2017 Global Entrepreneurship Summit in Johannesburg.

March 2015: Attended the first Bi-National Commission between South Africa and Zimbabwe followed by bilateral discussions with the Hon Sithembiso Nyoni, Zimbabwean Minister of Small Business and Cooperatives Development. These interactions were aimed at strengthening bilateral trade and investment in SMME and cooperatives development and creating market access.

April 2015: Attended the 52nd Zimbabwe International Trade Fair.

September 2015: Co-hosted with Minister Susan Shabangu of the Ministry of Women in the Presidency, the South Africa-Zimbabwe Women's Joint Trade Fair in Musina, Limpopo.

October 2015: Addressed the Women's Forum Global Meeting in Deauville, France, on South Africa's strategic approach towards women entrepreneurs.

October 2015: Participated in the 11th South Africa-UK Bilateral Forum in London, United Kingdom where she encouraged trade and investment and cooperation in the development of SMMEs and cooperatives, met with her UK counterpart and the South African High Commission and Brand SA and engaged South African SMMEs operating in the UK.

November 2015: Accompanied President Jacob Zuma on a state visit to Germany and participated in the Youth Development and Employment Symposium to highlight South Africa's experience in youth enterprise development and secure collaboration in technical and vocational training and skills development in high-impact sectors.

November 2015: Visited Switzerland to meet South African and Swiss SMMEs investing in South Africa and Switzerland and leaders at the United Nations Conference on Trade and Development (UNCTAD), International Labour Office (ILO) and World Intellectual Property Organization (WIPO) for strategic discussions on collaboration to strengthen SMMEs and cooperatives in South Africa.

Strategic engagements

During the review period, the Minister regularly met stakeholders to create strategic alliances and working relationships with institutions responsible for the growth and development of SMMEs and cooperatives. Regular engagements with various sectors of society, including civil society, business groups and other government departments included, among others:

1. The Franchising Association of South Africa to establish a working relationship with the department.
2. The Black Business Council (BBC), Afrikaanse Handelsinstituut (AHI) and National African Federated Chamber of Commerce (NAFCOC).
3. Proudly SA - the Minister promoted the “buy local” campaign at the Proudly SA Summit and a number of other local initiatives to encourage localisation.
4. National Smart Procurement Summit, where Minister Zulu addressed the inclusion of SMMEs and cooperatives in supply chain management processes to benefit from procurement processes.
5. Incubation support from the department and Seda, highlighting the importance of incubation support for SMMEs in strategic sectors.
6. Universities and think-tanks to determine partnerships in researching aspects of the department's work.

7. Entrepreneurs, specifically at women-led and youth-led SMMEs and cooperatives, as well as those with disabilities, to address their operational challenges.
8. Private sector institutions, including banks and those in the manufacturing and arts and crafts sectors, among others.

Minister Zulu also participated in the National Economic Development and Labour Council (NEDLAC) Committee of Principles which, among others, considers the effect of labour issues on SMMEs, especially the impact of the national minimum wage on SMMEs and cooperatives. NEDLAC established the SMME and Cooperatives Task Team to include the issues affecting SMMEs and cooperatives in its agenda.

The Minister further led provincial SMME and cooperatives summits in KwaZulu-Natal, Mpumalanga and the Eastern Cape with the provincial departments of Economic Development to align programmes and projects between the national and provincial tiers of government. These summits will be replicated in other provinces. In addition, she participated in the Economic MinMEC to coordinate the work of national and provincial government departments with SMMEs and cooperatives.

The Minister witnessed the signing ceremony of the MoU between the South African Spaza and Tuck-shop Association (SATA) – Township Business

Development South Africa (TBDSA) as a way of supporting the informal sector.

The Minister further promoted the interests of SMMEs and cooperatives by attending Inter-Ministerial Committee meetings, including those on migration, investment, the oceans economy and revitalisation of mining towns, which are aligned with the department's strategic approach in these sectors.

In January 2016, Minister Zulu established the National Task Team on Violent Incidents associated with local and foreign-owned informal and small businesses to address the issues affecting this sector.

The Minister remained visible and available by regularly visiting SMMEs and cooperatives around the country to discuss their challenges and assistance from the department.

4.1.5.6 INTERNATIONAL PARTNERSHIPS

During the year under review, the department signed a MoA with the Netherlands to collaborate in the area of Cooperative Societies.

The objectives of the MoU are to:

- (i) promote the development and growth of New Generation Cooperatives in South Africa with special reference to technical assistance in structuring cooperative models and capacity building.

- (ii) cooperate and co-create interventions to fast-track the establishment and sustainability for South African cooperatives, as well as small and medium-sized enterprises.
- (iii) collaborate in stimulating high-impact investments to improve the production, processing and marketing efficiencies of cooperatives.
- (iv) share expertise and provide support to strengthen institutional and agency mechanisms that address the triple challenges of unemployment, poverty and inequality through improved efficiencies, implementation and job creation.
- (v) provide technical assistance and promote joint ventures to support the development of infrastructure and logistical support to improve market efficiencies.
- (vi) promote trade and joint ventures between cooperatives and businesses locally and in the Netherlands to grow market access.
- (vii) assist with capacity building and the technical training of cooperative members, managers and officials aimed at improving the development of good governance and management of cooperatives through collaboration in developing manuals, curricula and exchange programmes.

4.1.5.7 MEDIA LIAISON AND COMMUNICATIONS

The Communications and Marketing Unit produced the following key policy and strategic documents during the period under review:

- Communication Strategy
- Communication Policy
- Framework for Stakeholder Relations
- Language Policy

The Language Policy of the department was published in the Government Gazette. These crucial policy and strategy documents are intended to provide guidelines and framework for the effective execution of the department's communication programmes.

Media engagement

The DSBD focused on a proactive media relations engagement approach which ensured that the work of the department and Minister was effectively and positively covered in the national, provincial and local media. The quality of the media statements and advisories also ensured that the work of the department was among the most-covered government information.

A number of media interviews were arranged for the Minister, spokesperson and senior officials and three cluster media briefings conducted to convey DSBD messages.

Since its establishment, media interest in the DSBD has remained robust. This can be attributed to the publicity of and advocacy work by the Minister and Deputy Minister, supported by the department, to communicate about its financial and non-financial support programmes that promote the small business sector.

Publications

The Communications and Marketing Unit produced booklets and brochures to raise public awareness about the mandate and offerings of the department. These provided information on, inter alia, the Cooperatives Incentive Scheme, Black Business Supplier Development Programme and the National Informal Business Upliftment Strategy.

The Unit initiated an internal online publication called StaffPress to promote internal communication. The publication covers hard and soft news about developments within the department, as well interesting news about staff members.

The Unit also established a Facebook account, which attracted more than 9 000 likes (followers). This account is used as a platform to highlight the department's activities among client beneficiaries.

Speeches and forewords

The Unit drafted over 24 speeches and numerous forewords for the Minister. These included Budget Vote speeches for the National Assembly and the National Council of Provinces (NCOP).

Events, branding and exhibitions

The department participated in over 20 events and exhibitions to reach out to its constituency and potential beneficiaries and partnered with municipalities and provincial governments in executing these events in keeping with the spirit of intergovernmental relations and cooperative governance.

General performance under Communications and Marketing

The media engagements, outreach programmes and exhibitions of the Chief Directorate effectively raised public awareness about the mandate of the department, its programmes and agencies and support for small businesses and cooperatives.

4.1.5.8 STRATEGIC PLANNING, MONITORING AND EVALUATION

a. Planning and Reporting

The DSBD met its reporting, planning, monitoring and evaluation obligations for the period under

review in compliance with government's outcomes-based approach.

i. Planning

The department produced a revised five-year Strategic Plan for 2015/16-2018/19 and Annual Performance Plan for 2016/17 and tabled these in Parliament on 10 March 2016.

The Planning Unit also analysed and provided feedback on the Seda and Sefa plans regarding their performance in relation to their legal obligations and the DSBD mandate.

The DSBD developed a Performance Information Management Policy that was approved by the Minister before the end of the 2015/16 financial year.

Given that the functions, programmes and organisational structure of the department were finalised/approved only at the end of the 2015/16 financial year, we used the functions of **the dti** for the greater part of the year. The DSBD will develop the Service Delivery Improvement Plan (SDIP) in the 2016/17 financial year for Ministerial approval.

ii. Reporting

The department received, compiled and edited Quarterly Performance Reports for all four quarters of the past financial year from the different branches

and verified and consolidated the evidence. The reports were submitted on time to the Department of Planning, Monitoring and Evaluation (DPME) and National Treasury.

Presentations on the performance reports for quarters 1, 2, 3 and 4 were presented to the Portfolio Committee on Small Business Development.

Reports on Outcome 4 and Outcome 7, the Forum of South African Directors-General (FOSAD) and the State of the Nation Address (SONA) were compiled and submitted timeously. The department also reported on government's MTSF-based PoA. A framework will be provided to branches during the 2016/17 financial year to produce an MTSF-specific plan to strengthen MTSF programmatic reporting at national level.

4.1.5.9 CONDITIONAL AND DONOR GRANTS

The DSBD did not coordinate conditional and donor grants during the period under review.

The following table depicts the performance information of Programme 1 against strategic objectives, performance indicators, planned targets and actual achievements.

Table 8: Performance against strategic objectives for the 2015/16 financial year

a) STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS						
PROGRAMME ONE: ADMINISTRATION						
Strategic objectives	Programme performance indicator	Actual achievement 2014/15	Planned target 2015/16	Actual achievement 2015/16	Deviation from planned target 2015/16	Comment on variances
To facilitate radical economic transformation through increased participation of small businesses and cooperatives in the mainstream economy	Vacancy rate	N/A	10%	16.3% - The department prioritised the filling of vacant critical positions in the finance, internal audit and HR units	6.3%	The department continues to prioritise the appointment of critical positions through implementing the Human Resources Plan
	Staff turnover rate	N/A	12%	9.0%	Exceeded the target by 3%	The department managed to retain the current staff, and had fewer resignations during the period under review
	People with disabilities	N/A	3.2%	2.7% - The department achieved the national target of 2.0%.	0.5%	The department set a higher target than the national target of 2%
	Women employed at SMS level	N/A	45%	50.1%	Exceeded the target by 5.1%	During the year under review, the department put emphasis on recruiting suitable women candidates in vacant positions
	Eligible creditors payments processed within the legal requirements	N/A	Payments to eligible creditors processed within 30 days	100% payment to eligible creditors	None	The department led by example and complied with the public sector "30-Day Payment" policy, processing payments to all the eligible creditors within 30 days
	Number of multi-media awareness campaigns	N/A	15	16	1 more multi-media awareness campaign was conducted	None
	Number of events, outreach programmes and exhibitions	N/A	8 events	25 events	17 more events were hosted	The department participated in more events as a result of invitations

a) STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS						
PROGRAMME ONE: ADMINISTRATION						
Strategic objectives	Programme performance indicator	Actual achievement 2014/15	Planned target 2015/16	Actual achievement 2015/16	Deviation from planned target 2015/16	Comment on variances
			15 outreach programmes	22 outreach programmes	7 more outreach programmes	The department collaborated with other departments for outreach and exhibitions events
			8 exhibitions	25 exhibitions	17 exhibitions	The department collaborated with other departments for outreach and exhibitions events due to a higher demand

b) Strategy to overcome underperformance

The implementation of the DSBD human resources plan will fill vacant positions during the 2016/17 financial period. The target for recruiting people with disabilities during the past year was 3.2%, compared with the national target of 2%. This target has been aligned with the national target for the forthcoming financial year.

c) Changes to planned targets

None.

d) Linking performance with budgets

Table 9: Appropriation and expenditure for the 2015/16 financial year

Sub- programme name	2015/16			2014/15		
	Final appropriation R'000	Actual expenditure R'000	(Over)/Under expenditure R'000	Final appropriation R'000	Actual expenditure R'000	(Over)/Under expenditure R'000
Ministry	31 848	29 897	1 950	-	-	-
Departmental Management	19 763	15 232	4 531	-	-	-
Corporate Services	29 246	21 317	7 929	-	-	-
Total	80 857	66 447	14 410	-	-	-

The under expenditure was due mainly to the number of vacant positions carried during the financial year, which amounted to the R9.4 million under Programme 1, as well as the non-procurement of machinery and equipment for the new office space since the move had not been completed.

4.2. PROGRAMME 2: COOPERATIVES DEVELOPMENT

4.2.1 Purpose

The purpose of Programme 2 is to create an enabling environment for the growth and development of cooperatives by developing and reviewing policy and legislation and providing enhanced financial and non-financial support services through improved institutional arrangements.

4.2.2 List of sub-programmes

Programme Management: Policy and Incubation Support Programme.

4.2.3 Strategic objectives

To facilitate radical economic transformation through the increased participation of small businesses and cooperatives in the mainstream economy.

4.2.4 Programme overview

The Programme: Cooperatives Development is the primary vehicle for ensuring that cooperatives are developed and supported.

4.2.5 Programme summary and performance information

4.2.5.1 COOPERATIVES RECEIVING TRAINING, FUNDING AND ACCESS TO MARKET VALUE-CHAINS

Under the Cooperatives Development Programme, the department linked 23 cooperatives to critical market value-chains. In collaboration with the Agricultural Research Council (ARC), 20 cooperatives in Limpopo and KwaZulu-Natal were assisted to provide maize, dried beans, butternuts, green beans and sweet potatoes to various markets during the first quarter of the 2015/16 financial year. Eight of these cooperatives were selected to participate in the South African Breweries 'Women in Maize' pilot programme in Gauteng and Mpumalanga.

4.2.5.2 PRIMARY COOPERATIVES SUPPORTED

The DSBD provided funding and training support to 473 primary cooperatives, funded 246 primary cooperatives through the Cooperatives Incentive Scheme (CIS) and trained 227 primary cooperatives through a partnership with the German Cooperative & Raiffeisen Confederation (DGRV).

4.2.5.3 INCUBATION SUPPORT PROGRAMME

The Incubation Support Programme encourages partnerships between small and big business, where large businesses assist their smaller counterparts with skills transfer, enterprise and supplier development and marketing opportunities.

The activities of the programme are integral to strengthening economic development by graduating SMMEs into the mainstream economy to increase their contribution to economic growth.

During the 2015/16 financial year, the programme remained under **the dti** budget vote with no influence or control over the adjudication of applications. As a result, the programme did not achieve its annual target.

4.2.5.4 IMPLEMENTATION OF THE NATIONAL SMME AND COOPERATIVES DEVELOPMENT FRAMEWORK

The National SMME and Cooperatives Development Framework is coordinated through the Ministers and Members of the Executive Council (MinMEC) Task Team comprised of the Department of Small Business Development, Economic Development Department (EDD), **the dti**, Provincial Departments of Economic Development and National Small Business Agencies.

The framework was developed to coordinate, integrate and align the small business and cooperatives strategies of national and provincial governments.

During the 2015/16 financial year, three (3) quarterly meetings were held and the following items were reported and discussed:

1. The development of provincial indicators facilitated by the Presidency, Department of Planning, Monitoring and Evaluation (DPME) and Economic Development Department (EDD)
2. The establishment of provincial foreign nationals task teams
3. Setting aside 30% for the procurement programme
4. National Informal Business Upliftment Strategy
5. Concept document for the Business Rescue Strategy
6. Cooperatives Development Model
7. Centres for Entrepreneurship

Table 10: Performance against strategic objectives for the 2015/16 financial year

a) STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS						
PROGRAMME TWO: COOPERATIVES DEVELOPMENT						
Strategic objectives	Programme performance indicator	Actual achievement 2014/15	Planned target 2015/16	Actual achievement 2015/16	Deviation from planned target for 2015/16	Comment on variances
To facilitate radical economic transformation through increased participation of small businesses and cooperatives in the mainstream economy	An increase in the establishment of Cooperatives linked to market value-chains	N/A	3 cooperatives linked to market value-chains (manufacturing, agro-processing, energy, construction clothing and textile)	23 cooperatives were identified across the country and linked to the market value-chains	20 additional cooperatives were linked to market value-chains	The department collaborated with various partners, mostly in the agricultural sector; to link cooperatives in rural areas with market value-chains
	An increase in the number of incubators supporting cooperatives	N/A	9 incubators to support cooperatives	The department could not deliver on the target as the delivery tools were outside the department's control	The department could not deliver on the target as the delivery tools were out of the department's control	The Incubation Support Programme (ISP) remained under the budget vote of the dti

a) STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS						
PROGRAMME TWO: COOPERATIVES DEVELOPMENT						
Strategic objectives	Programme performance indicator	Actual achievement 2014/15	Planned target 2015/16	Actual achievement 2015/16	Deviation from planned target for 2015/16	Comment on variances
To facilitate radical economic transformation through increased participation of small businesses and cooperatives in the mainstream economy	Development of amendments to the National Small Business Act	N/A	Consultation and tabling of proposed amendments	The department conducted stakeholder consultations about the amendments to the National Small Business Act as amended in 2004 but the proposed amendments were not tabled in Parliament as planned	The proposed amendments were not tabled in Parliament as planned	The stakeholder consultation process took longer than planned and delayed the consolidation and tabling of the proposed amendments to the National Small Business Act
	Number of primary cooperatives receiving funding, training and access to markets	N/A	214 primary cooperatives receiving funding, training and access to markets	473 primary cooperatives received funding and training support. 246 primary cooperatives received funding and 227 primary cooperatives received training	An additional 259 primary cooperatives were supported	Due to a higher demand for support services, the department assisted more cooperatives nationally with training, funding and access to markets. The higher demand for support services, resulted in a motivation for and conceptualisation of the Enterprise Incubation Programme to cater for access to markets in the 2016/17 FY and beyond
	Number of secondary cooperatives funded	N/A	1 secondary cooperative receiving funding, training and access to markets	1 secondary cooperative received funding and 2 secondary cooperatives received training support	The department did not provide secondary cooperatives with access to markets	The department partially achieved this target and could not provide secondary cooperatives with access to markets. The department motivated for and conceptualised the Enterprise Incubation Programme to cater for access to markets in the 2016/17 FY and beyond.

a) STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS						
PROGRAMME TWO: COOPERATIVES DEVELOPMENT						
Strategic objectives	Programme performance indicator	Actual achievement 2014/15	Planned target 2015/16	Actual achievement 2015/16	Deviation from planned target for 2015/16	Comment on variances
	Implementation of the National SMME and Cooperatives Development Framework	N/A	Quarterly coordination and reporting on the framework activities	3 quarterly meetings between the department and provincial governments were held during the period under review Reports on the outcomes and recommendations of the meeting were compiled	The Q2 2015/16 quarterly meeting did not take place. As part of the pre-meeting process, however, a report for Q2 2015/16 was compiled	The department was in the process of linking the integrated National SMME and Cooperatives Development Framework and the Presidential Nine Point Plan priority under "Unlocking the potential of SMMEs and cooperatives, township and rural enterprises" for the provincial departments of economic development to align their plans and indicators to the national targets

b) Strategies to overcome areas of under-performance

The DSBD received R150.7 million in additional funding over the MTEF 2016-2019 to implement the Enterprise Incubation Programme, instead of utilising the Incubation Support Programme under **the dti** budget vote.

The department extended the period to review the performance indicators and targets for amending the National Small Business Development Act, as amended in 2004, and undertook to review the Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises.

c) Changes to planned targets

None.

d) Linking performance to budgets

Table 11: Programme 2 expenditure for the 2015/16 financial year

Sub- programme	2015/2016			2014/2015		
	Final appropriation R'000	Actual expenditure R'000	(Over)/ Under expenditure R'000	Final appropriation R'000	Actual expenditure R'000	(Over)/ Under expenditure R'000
Cooperatives Development	12 241	11 692	549	-	-	-
Total	12 241	11 692	549	-	-	-

4.3 PROGRAMME 3: ENTERPRISE DEVELOPMENT AND ENTREPRENEURSHIP

4.3.1 Purpose

The purpose of Programme 3 is to create an enabling environment for the development and growth of sustainable small businesses.

4.3.2 List of sub-programmes

Programme Management: Enterprise Development, Entrepreneurship and Franchising, Incentives, Grants and Soft Loans, Regional Industrial Special Projects, Gender, Youth and People with Disabilities and National Informal Business Upliftment Strategy.

4.3.3 Strategic objectives

1. To facilitate the development and growth of small businesses and cooperatives to contribute to inclusive and shared economic growth and

job creation through public and private sector procurement.

2. To facilitate radical economic transformation through the increased participation of small businesses and cooperatives in the mainstream economy.
3. To advocate for a regulatory environment conducive to enabling small businesses and cooperatives to access finance, investment, trade and markets in an equitable and sustainable manner.
4. To facilitate partnerships within all spheres of government and the private sector to ensure mutual co-operation that will benefit small businesses and cooperatives.

4.3.4 Programme overview

Enterprise Development is responsible for the establishment of new and productive enterprises, as well as the sustainability and growth of existing enterprises. Entrepreneurship and Franchising aims to identify

and provide potential entrepreneurs with business skills and to identify SMMEs and cooperatives with the potential to franchise.

Incentives, Grants and Soft Loans aims to provide incentive programmes that promote the broader participation of small businesses and cooperatives owned by individuals from historically disadvantaged communities and marginalised regions in the mainstream economy.

Regional Industrial Special Projects aims to promote spatially-balanced economic development and improve productivity through policies, strategies and programmes that focus on small businesses and cooperatives in underdeveloped regions.

Gender, Youth and People with Disabilities aims to increase the establishment, sustainability and participation of existing women-owned SMMEs and cooperatives and those run by people with disabilities, as well as youth enterprises, in the mainstream economy.

National Informal Business Upliftment Strategy aims to create an environment conducive to the growth of informal businesses and provide adequate skills and infrastructure to support these businesses.

4.3.5 Programme performance information

4.3.5.1 ACHIEVEMENT SUMMARY

a) Co-location points with national and provincial agencies

- i. Ensure that Seda and Sefa deliver integrated complimentary services to increase the availability of small business support services in areas where they are needed most, such as townships and rural areas.
- ii. Bring together small business development support services offered by the agencies of national and provincial departments to increase access to government services related to small business development, particularly in the rural and historically disadvantaged communities.
- iii. The DSBD exceeded its 25 co-location points target by establishing 29 co-location points across the country with Seda, Sefa and other partners.

b) Centres for Entrepreneurship

- i. In recognition of the need to promote entrepreneurship within the education system, business sector and society at large, the DSBD is establishing Centres for Entrepreneurship at Technical and Vocational Education Training Colleges (TVET) to provide learners with the entrepreneurial skills needed to create employment for themselves and others after the TVET training.
- ii. During the 2015/16 financial year, the department established five Centres for Entrepreneurship at the following five (5) TVET colleges
- iii. Each institution incubates 30 learners each year, with a total of 150 beneficiaries annually.
- iv. In addition to learner interventions, entrepreneurship workshops were held at institutions that reach a larger number of beneficiaries and communities.

c) Informal traders trained

- i. During the 2015/16 financial year, the DSBD created visibility in the informal business sector by partnering with the Wholesale and Retail Seta to provide 1 037 informal businesses with training and equipment.

d) Five (5) MoAs with implementing agencies

- i. During the 2015/16 financial year, the department evaluated and approved five (5) Craft Customised Sector Programme business plans for joint implementation by the Cape Craft and Design Institute (CCDI), Eastern Cape Development Corporation (ECDC), Free State Development Corporation (FDC), Northern Cape Economic Development Agency (NCEDA) and Gauteng Tourism Agency (GTA). We secured approval for the Industrial Development Corporation (IDC) to contract and dispense funding and communicated this to the IDC.
- ii. During the first quarter of the 2015/16 financial year, 120 Craft and Visual Arts Enterprises benefitted from the department's market access support programmes. Nineteen (19) of these were approved for participation at Santa Fe and 40 at Decorex, while 60 will be showcased at the South African Lifestyle Hub (SALH) at America Smart in Atlanta, USA.
- iii. A major breakthrough in market access during the first quarter of the past financial year was the successful conclusion of procurement agreements between Disney and two enterprises, namely Angelina Masuku who makes Zulu Baskets from Hlabisa in KwaZulu-Natal

and Limpopo Ceramics. Both enterprises secured regular orders from Disney, which is a major SALH achievement since it introduced Disney buyers to the South African craft and design enterprises.

- iv. During the second quarter of the 2015/16 financial year, seven (7) craft enterprises participated successfully at the Santa Fe International Folk Art Market in New Mexico, USA with sales of R900 000 over the two-day event, while 14 visual artists participated successfully for the first time at the Santa Fe Visual Art Fair with sales of R200 000 over the three days of the fair.
- v. During the third quarter, the Deputy Minister, Ms Elizabeth Thabethe, led the participation of 28 craft enterprises from various provinces in South Africa in the 35th India International Trade Fair, held at Pragati Maidan in New Delhi from 14 to 27 November 2015. The South African pavilion won a Special Honour Gold Award for the best pavilion design and products. The award was presented by India's Minister of Finance, Shri Arun Jaitley and Minister of Commerce, Nirmala Sitharaman. One of the South African enterprises secured a large order on the first day of the show from the Crazy Daisy Stores in India. The buyer is exploring the opening of a joint venture

retail outlet with Julia K Ceramics in the USA.

- vi. The Cape Craft and Design Institute (the Western Cape Craft Hub) concluded their Jobs Fund project, which assisted 45 craft and design enterprises to access R11.6 million from the Jobs Fund. The addition of their 20% contribution of R2.9million resulted in the creation of 464 new permanent jobs and an average net profit of 5.88% across the various enterprises.
- vii. In total, 776 enterprises benefited from product and enterprise development support and training offered through the five (5) approved craft hubs and provincial agencies during the 2015/16 financial year.

4.3.5.2 NON-ACHIEVEMENT PERFORMANCE SUMMARY

The DSBD targets for the 2015/16 financial year were set to respond to the NDP and address the triple challenge of poverty, unemployment and inequality by creating programmes that enable small businesses and cooperatives to create jobs and stimulate economic growth. During the strategic planning session, special attention was given to the youth and women entrepreneurs as the groups that are the hardest hit by unemployment, poverty and inequality.

a) Enterprise Development Fund

The DSBD planned to develop a business case during the 2015/16 financial year to disburse funding and lobby the private sector for investment in the Enterprise Development Fund with the intention to launch the fund during the final quarter of 2015/16. The Executive Committee approved the draft guidelines for the Enterprise Development Fund and by the third quarter of 2015/16, the DSBD had met with several potential private sector partners. The Executive Committee recommended that the fund be transferred to Sefa for refinement and implementation, which meant that the department did not launch the fund as planned.

b) Franchising Programme

The DSBD intended to identify and package five (5) SMME and cooperative franchisors during the 2015/16 financial year but this required more time than the budget allowed. The process of appointing a Bid Adjudication Committee (BAC) and a credible service provider requires more than two financial quarters. By the third quarter, when the concept note for identifying and packaging the franchisors had not been finalised and the service provider not appointed, it was clear that the department would not achieve the annual target.

c) The Red-tape Reduction Programme

- i. Following the dti study about reducing red tape and the subsequent roll-out of the Red-Tape Reduction guidelines to municipalities in 2014/15, the department continued to provide municipalities with the guidelines in collaboration with the Department of Cooperative Governance and South African Local Government Association.
- ii. The successful implementation of the Red-Tape Reduction guidelines to 81 municipalities during the 2015/16 financial year included application workshops and the incorporation of Red-Tape Reduction targets in the performance agreements of municipal managers.
- iii. The department also established a partnership with the International Labour Organisation (ILO) to assess the implementation of the guidelines in four municipalities in KwaZulu-Natal and the Free State.
- iv. In addition to providing municipalities with the Red-Tape Reduction guidelines, the department intended to conduct a provincial Red-Tape Reduction study and introduce a guideline monitoring framework at local government level. Due to the DSBD programmes review recommendations in the second quarter of the 2015/16 financial year, the study

was deferred to the 2016/17 financial year with the intention to broaden the scope by considering the regulatory challenges that small businesses and cooperatives face at all three tiers of government.

d) Shared Economic Infrastructure Facility (Seif)

- i. The informal sector is a thriving sub-sector in the small business sector with the potential to grow and contribute to local economic growth and employment. Following the 2014/15 stakeholder consultations and approval at the February 2015 Cabinet Lekgotla of the Nine Point Plan priority measures to, inter alia, “unlock the potential of SMMEs, Cooperatives, Township and Rural Enterprises”, the department undertook to support the municipal local economic development departments to deliver and facilitate access to improved infrastructure through the Shared Economic Infrastructure Facility under the National Informal Business Upliftment Strategy (NIBUS).
- ii. The Seif programme is a 50-50 cost-sharing incentive that covers the funding of a common infrastructure that is new, upgraded or maintained and shared by a number of informal businesses, SMMEs and cooperatives.

- iii. The intention was to pilot the Seif programme in the Eastern Cape – Mdantsane, Fort Jackson; Gauteng – Kwa-Mai-Mai; Western Cape – Drakenstein; Limpopo – Tshakhuma and Modimolle; and Mpumalanga – Bombela and Libombo border post.
- iv. During the 2015/16 financial year, the DSBD conducted several workshops to discuss the Seif instrument, application process and requirements with the selected municipalities.
- v. Despite the overwhelming interest from municipalities in the Seif instrument, they could not raise the funds to match the department's contribution.
- vi. In October 2015, the DSBD visited the Makhado Municipality's Tshakhuma Fruit Market and Makhado Recreational Project to determine the funding viability and collaboration of the two projects. The department continues to engage with the municipality regarding the Tshakhuma Fruit Market and expects a proper application by the Fruit Market during the first quarter of the 2016/17 financial year.
- vii. Due to the lack of commitment from the municipalities, despite the interest shown, the DSBD revised the Seif guidelines to include more partners, also from the private sector, as well as seek

project expertise from the Development Bank of Southern Africa (DBSA) and align its approach with the economic development plan of each municipality.

e) Bavumile Skills Development Scheme

- i. The Bavumile Skills Development Scheme aims to empowering women entrepreneurs with technical skills, working machinery, business registration and management. The department targeted to support 300 women entrepreneurs during the 2015/16 financial reporting period.
- ii. By the end of fourth quarter of the 2015/16 financial year, 249 women entrepreneurs had benefitted from technical skills, working machinery, business registration and management through the programme. The short-fall was due mainly to a lack of sufficient funds in the third quarter to reach the planned

target, which led to the shift of funds from other programmes to the Bavumile Skills Development Programme.

f) Mass Youth Enterprise Creation Programme

- i. During the 2015/16 financial year, the Mass Youth Enterprise Creation Programme aimed to empower 50 beneficiaries under the Youth Black Business Supplier Development Programme and train 100 youth under the New Venture Creation Programme.
- ii. The programme, however, was not conceptualised and implemented during the review period due to a lack of budget in the first quarter of the 2015/16 financial year and the programmes review recommendations in the following quarters.

g) Youth Black Business Supplier Development Programme

(YBBSDP) aimed to support 50 young beneficiaries. However, the Emerging Enterprise Development Programme (EEDP) guidelines required to implement the YBBSDP had not been approved by the time the programmes review recommendations suggested the mainstreaming of youth and women programmes into existing departmental programmes.

h) Women Business Development Scheme

(WBDS) aimed to support 82 women entrepreneurs. The Emerging Enterprise Development Programme (EEDP) guidelines required to implement the WBDS, however, had not been approved by the time the programmes review recommendations suggested the mainstreaming of youth and women programmes into existing departmental programmes.

Table 12: Performance against strategic objectives for the 2015/16 financial year

a) STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS						
PROGRAMME THREE: ENTERPRISE DEVELOPMENT AND ENTREPRENEURSHIP						
Strategic objectives	Programme performance indicator	Actual achievement 2014/15	Planned target 2015/16	Actual achievement 2015/16	Deviation from planned target for 2015/16	Comment on variances
To facilitate radical economic transformation through increased participation of small businesses and cooperatives in the mainstream economy	Increased number of SMMEs and cooperatives that have been financed through the Fund	N/A	Develop a business case for disbursing the funding and lobby the private sector to contribute to the Fund	A business case for disbursing the funding was developed, the department transferred the implementation of the fund to Sefa	Efforts by the department to lobby the private sector to contribute to the Fund did not materialise and the Fund was transferred to Sefa	Sefa waits to be granted a BEE Facilitator status by the dti
	Accelerated identification and packaging of SMMEs and cooperatives into franchisors	N/A	Identification and packaging of 5 SMMEs and cooperatives as franchisors	No (0) SMMEs and cooperatives were identified and packaged as franchisors	5 SMMEs and cooperatives were not identified and packaged as franchisors	The department established a Bid Specific Committee and Bid Adjudication Committee during the 2015/16 financial year and is in the process of appointing a service provider to identify and package the SMMEs and cooperatives
Facilitate partnerships with all spheres of government, as well as the private sector, to ensure mutual co-operation that will benefit small businesses and cooperatives	Signing of MoAs and establishment of Centres for Entrepreneurship with hosting academic institutions	N/A	3 Centres for Entrepreneurship established	5 Centres for Entrepreneurship have been established	2 more Centres for Entrepreneurship were established	The department received and approved more proposals which met the criteria quality
	Capacity building and co-location for SEDA Branches	N/A	25 co-location points established	29 co-location points established	4 co-location points were established	The department collaborated with Seda and Sefa and other partners to establish more co-location points

a) STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS						
PROGRAMME THREE: ENTERPRISE DEVELOPMENT AND ENTREPRENEURSHIP						
Strategic objectives	Programme performance indicator	Actual achievement 2014/15	Planned target 2015/16	Actual achievement 2015/16	Deviation from planned target for 2015/16	Comment on variances
Facilitate partnerships with all spheres of government, as well as the private sector, to ensure mutual co-operation that will benefit small businesses and cooperatives	Establishment and upgrading of infrastructure through partnership agreements with provincial and local government	N/A	Establishment of new and upgrading of existing infrastructure in 5 identified municipalities commenced and completed	The department developed the guidelines for the Shared Economic Infrastructure Facility incentive and engaged various municipalities to mobilise resources	The department did not manage to establish new or upgrade existing informal business infrastructure as planned	The department revised the guidelines of the incentive to open it up to more potential partners, including the private sector; engaging the project expertise of the DBSA and aligning our approach to each Municipality's development plans
To advocate for a conducive regulatory environment for small businesses and cooperatives to enable access to finance, investment, trade and market access in an equitable and sustainable manner	Increased number of youth enterprises funded through the Youth Black Business Supplier Development Programme (YBBSDP)	N/A	50 beneficiaries to the Youth Black Business Supplier Development Programme	No (0) beneficiaries to the Youth Black Business Supplier Development Programme	The department could not support the planned (50 youth beneficiaries) target	The Emerging Enterprise Development Programme (EEDP) guidelines required to implement the YBBSDP were not approved as at the time the department was undergoing a Programmes Review, which recommended that the youth and women programmes be mainstreamed into existing departmental programmes

a) STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS						
PROGRAMME THREE: ENTERPRISE DEVELOPMENT AND ENTREPRENEURSHIP						
Strategic objectives	Programme performance indicator	Actual achievement 2014/15	Planned target 2015/16	Actual achievement 2015/16	Deviation from planned target for 2015/16	Comment on variances
To advocate for a conducive regulatory environment for small businesses and cooperatives to enable access to finance, investment, trade and market access in an equitable and sustainable manner	Increased creation of youth-owned enterprises	N/A	100 youth trained in New Venture Creation programme	No (0) youth trained in New Venture Creation programme	The department could not achieve the planned (100 youth beneficiaries trained) target	The programme was never established for implementation due to insufficient budget during the initial planning and conceptualisation phase for the 2015/16 programmes, and the recommendations of the programmes review – undertaken during the reporting period – to mainstream the youth and women programmes into the department's programmes
	Increased number of enterprises approved for the Women Business Development Scheme (WBDS)	N/A	82 women entrepreneurs supported	No (0) women entrepreneurs were supported under the Women Business Development Scheme (WBDS)	The department could not support the planned target (82 women entrepreneurs)	The Emerging Enterprise Development Programme (EEDP) guidelines required to implement the WBDS were not approved as the department was undergoing a Programmes Review at the time, which recommended the mainstreaming of youth and women programmes into the existing departmental programmes
	Number of women entrepreneurs trained through the Bavumile Skills Development Programme	N/A	300 women entrepreneurs trained	249 women entrepreneurs were trained under the Bavumile Skills Development Programme	The programme trained 51 women entrepreneurs less than the targeted number	The programme did not have enough funds to reach its target in Q3, which negatively impacted the overall performance

a) STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS						
PROGRAMME THREE: ENTERPRISE DEVELOPMENT AND ENTREPRENEURSHIP						
Strategic objectives	Programme performance indicator	Actual achievement 2014/15	Planned target 2015/16	Actual achievement 2015/16	Deviation from planned target for 2015/16	Comment on variances
To facilitate radical economic transformation through increased participation of small businesses and cooperatives in the mainstream economy	An increase in the provision of skills and infrastructure support to informal businesses through the Informal Business Upliftment Facility (IBUF)	N/A	Training and infrastructure improvement of 1 000 informal retail businesses completed	The department trained 1 037 informal traders	The programme did not provide infrastructure improvements to informal businesses	Due to the high demand for this programme, the department reached out to informal traders nationally through the new Informal Traders Upliftment Programme (ITUP); the department experienced challenges whilst implementing the ITUP, a pilot programme, particularly with providing infrastructure
To advocate for a conducive regulatory environment for small businesses and cooperatives to enable access to finance, investment, trade and market access in an equitable and sustainable manner	Local and provincial government implementation of Red-Tape Reduction Programme	N/A	Continue with roll-out of red-tape reduction guidelines at municipal level	The department continued to roll-out the red-tape reduction guidelines in municipalities	The Red-Tape Reduction study was withdrawn due to a change in focus	The scope of the Red-Tape Reduction guidelines will be broader and consider regulatory protocols across government

a) STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS						
PROGRAMME THREE: ENTERPRISE DEVELOPMENT AND ENTREPRENEURSHIP						
Strategic objectives	Programme performance indicator	Actual achievement 2014/15	Planned target 2015/16	Actual achievement 2015/16	Deviation from planned target for 2015/16	Comment on variances
To advocate for a conducive regulatory environment for small businesses and cooperatives to enable access to finance, investment, trade and market access in an equitable and sustainable manner	Local and provincial government implementation of Red-Tape Reduction Programme	N/A	Conduct a study on red-tape reduction at Provincial Level	The red-tape reduction study was not conducted at provincial level	The Red-Tape Reduction study was deferred to 2016/17 financial year	The Red-Tape Reduction study will be conducted in the 2016/17 financial year
			Introduce a monitoring framework of guidelines at local government level	Introduction of the monitoring framework of guidelines at local level was not done.	The report and guidelines were not tabled at the technical MinMEC	
			Table provincial red tape reduction report and guidelines at the technical MinMEC	Provincial red-tape reduction report and guidelines was not tabled at the technical MinMEC		

a) STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS, PLANNED TARGETS AND ACTUAL ACHIEVEMENTS						
PROGRAMME THREE: ENTERPRISE DEVELOPMENT AND ENTREPRENEURSHIP						
Strategic objectives	Programme performance indicator	Actual achievement 2014/15	Planned target 2015/16	Actual achievement 2015/16	Deviation from planned target for 2015/16	Comment on variances
To facilitate the development and growth of small businesses and cooperatives to contribute to inclusive and shared economic growth and job creation through public and private sector procurement	Government-wide implementation of set-asides programme	N/A	Issuing of the practice notes and monitoring of effective implementation of the 30 % set-asides programme	The department did not have the opportunity to perform functions as implementation tools were out of its control	The National Treasury issued interim measures to implement the 30% set-asides proposal, while the process of amending the Preferential Procurement Policy Framework Act (PPPFA) is underway	There is continuous monitoring of the measures issued and the process of amendment has commenced
	Number of enterprises and implementing agencies supported to implement the Craft Customised Sector Plan (CSP)	N/A	Sign MoUs with 5 implementing agencies and support 450 enterprises through the implementing agencies	5 MoUs were signed with five implementing agencies 776 enterprises were supported through the implementing agencies	The department supported 326 more craft enterprises during the period under review	The department expanded the Cape Craft and Design Institute; collaborated and used partner facilities; collaboration with the dti and industry through leveraging the Export Marketing and Investment Scheme Assistance (EMIA); and collaboration by provincial partners to increase programme impact

b) Strategies to overcome areas of under-performance

- 1) The DSBD revised the Seif guidelines to include additional potential partners and the private sector, seek the project expertise of the DBSA and align the department's approach with the economic development plan of each municipality.
- 2) During the 2016/17 planning cycle, the DSBD reconfigured and mainstreamed the programmes geared towards supporting enterprises owned by women and youth. The department's support for women-owned and youth-owned enterprises will be accounted for in the Black Business Supplier Development Programme.

c) Changes to planned targets

None.

d) Linking performance to budgets

Table 13: Programme expenditure for the 2015/16 financial year

Sub-programme name	2015/2016			2014/2015		
	Final appro-priation R'000	Actual expendi-ture R'000	(Over)/ Under expenditure R'000	Final appro-priation R'000	Actual expendi-ture R'000	(Over)/ Under expenditure R'000
Enterprise and Supplier Development	660 265	652 834	7 430	-	-	-
Gender, Youth and People with Disabilities Economic Empowerment	44 871	42 555	2 316	-	-	-
SMMEs Local Economic Development	4 838	3 949	889	-	-	-
Incentives, Grants and Soft Loans	324 341	321 414	2 927	-	-	-
Entrepreneurship, Intellectual Property and Indigenous Knowledge Systems	108	-	108	-	-	-
Total	1 034 422	1 020 752	13 670	-	-	-

The under-expenditure is mainly due to a high vacancy rate during the financial year which amounted to the R8.7 million under Programme 1, as well as the non-utilisation of travel and subsistence for some deliverables, such as the Incubation Support Programme and Shared Economic Infrastructure Facility.

5. TRANSFER PAYMENTS

5.1 Transfer payments to public entities

Table 14: Transfer of payments to public entities during the 2015/16 financial year

Name of Public Entity	Services rendered by the public entity	Amount transferred to the public entity R'000	Amount spent by the public entity R'000	Achievements of the public entity
Small Enterprise Development Agency	Business registration Business planning Business advice, counselling and training Facilitation of access to finance Facilitation of access to markets Cooperative support Business Incubation Targeted small enterprise training	478 183	478 183	To be provided in the Seda Annual Report 2015/16
SEDA Technology Programme	Access to technology	132 181	132 181	To be provided in the Seda Annual Report 2015/16
SEDA: Capacity building programme for Economic Development	Provided in Seda's APP 2016/17	12 471	-	Received only on 24 March 2016 – ring-fenced in Balance Sheet to spend in 2016/17

6. CONDITIONAL GRANTS

6.1 Conditional grants and earmarked funds paid

Not applicable to the DSBD.

6.2 Conditional grants and earmarked funds received

The DSBD did not receive earmarked funds structured as part of Vote 31.

7. DONOR FUNDS

Not applicable to the DSBD.

8. CAPITAL INVESTMENT

8.1 Capital investment, maintenance and asset management plan

8.1.1 The DSBD's movable asset register of R9.3 million consists of assets transferred from **the dti** of R6.1 million, new acquisitions of R3.169 million. There were no disposals and scrapping of assets during the 2015/16 financial year.

8.1.2 All transferred and newly acquired assets were tagged and uploaded into the DSBD's asset register; asset verification was done for the year and discrepancies followed up.

8.1.3 Of the transferred assets, 70% are in fair condition, 10% in bad condition and 20% in good condition.

8.1.4 No major maintenance projects were undertaken during the period under review.



PART C: GOVERNANCE

1. INTRODUCTION

The department's commitment to maintain the highest standards of governance is important to the management of public finances and resources.

In assuring the public that the department has good governance structures in place to effectively, efficiently and economically utilise the state resources, which is funded by the tax payer, below is the governance report for the period under review.

2. DECISION-MAKING STRUCTURES

The Director-General is the DSBD's Accounting Officer and is appointed through Cabinet by the Minister of Small Business Development. The Director-General provides visionary, value-based leadership and management to the department and its agencies and performs any functions in terms of the PFMA, 1999, as amended. Mr Lindokuhle Mkhumane was appointed acting Director-General for the period 1 April 2015 to 23 September 2015. Prof Edith Vries was appointed Director-General on 23 September 2015.

3. THE MINISTER AND EXECUTIVE COMMITTEE (MINEXCO)

The MinExco is the principal structure through which the Executive Authority engages with the Accounting Officer and executive management team about the department's delivery agreement with the Minister, the MTSF and its mandate, performance and interaction with the small business sector and society at large.

The MinExco held three (3) meetings during the 2015/16 financial year. The core functions of the MinExco are mainly accounting to the Executive Authority on policy generation and coordination, strategy management and the tracking of departmental priorities. These functions include, but are not limited to, deliberating on internal policies and strategies and other strategic frameworks; engaging on documents set for tabling at external platforms; deliberating on external documents (such as policies, strategies acts) that have a bearing on the DSBD; and monitoring the progress of special projects identified by the Executive Authority and Director-General.

4. THE EXECUTIVE COMMITTEE (EXCO)

The Executive Committee (Exco) meeting is chaired by the Director-General and consists of the Deputy Directors-General, Chief Directors including the Chief Financial Officer, and all the programme managers. The Exco is the highest decision making structure within the DSBD. The key functions of the Exco are to undertake strategic and business planning, report and monitor the implementation of strategic and business plans, mobilise and allocate financial and human resources and manage risk. The Exco is responsible for discussing and approving policies relating to operations.

The Minister of Small Business Development approves the Strategic Plans and Annual Performance Plans of the department that set out its mandate and performance targets.

5. RISK MANAGEMENT

The DSBD received strategic support for the risk management function from the Office of the Accountant General (National Treasury) during the 2015/16 financial year to establish the risk management function. National Treasury officials guided the department to develop a Risk Management Policy with a risk management process aligned with the principles of good corporate

governance and the PFMA, 1999 (as amended by Act 29 of 1999). The department approved the Risk Management Charter that sets out the specific and detailed roles and responsibilities of the Risk Management Committee.

The DSBD acknowledges its overall accountability for risk management and therefore incorporated the risk management process into critical processes such as planning and reporting. Strategic and operational risk reviews are conducted regularly to identify new and emerging risks for effective management.

The DSBD developed a Strategic Risk Register that is aligned with its Strategic Plan 2015-2019.

6. FRAUD AND CORRUPTION PREVENTION PLAN

The DSBD implemented fraud and corruption prevention plans as part of its MoU with **the dti**, through which the latter provided most of the corporate services functions. The department will develop its own fraud prevention policy and implementation plan in the 2016/17 financial year.

7. MANAGEMENT PROCESSES FOR MINIMISING CONFLICT OF INTEREST

All senior managers in the department are compelled to declare their financial interests to the Accounting Officer annually and during Executive Committee meetings. All senior managers sign annual performance agreements.

8. IMPLEMENTATION OF A CODE OF CONDUCT

The Code of Conduct for the Public Servants, as prescribed in Chapter 2 of the Public Service Regulations of 2001, acts as a guideline to employees about individual ethical conduct and relationship with others. The Code of Conduct was implemented through training and every official received a copy to ensure compliance.

9. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

The access control system is maintained by the Landlord (**the dti**). Permanent staff, contract workers and other workers (such as interns) are registered on the system to gain access or exit.

All matters relating to health, safety and the environment are undertaken by the Landlord.

I0.PORTFOLIO COMMITTEES

The DSBD provided progress on its performance to the Portfolio Committee as reflected in Table 15.

Table 15: Progress on performance to the Portfolio Committee

Date	Agenda
15 April 2015	Briefing by the Seda on its Strategic and Annual Performance Plans Briefing by the Sefa on its Strategic and Annual Performance Plans
29 April 2015	Briefing by Black Business Supplier Development on its Strategic and Annual Performance Plans Briefing by Isivande on its Strategic and Annual Performance Plans Briefing by SAWEN on its Strategic and Annual Performance Plans
6 May 2015	Briefing by the DSBD on its Third Quarter 2014/15 Performance Report
27 May 2015	Briefings on plans of local procurement through Public Procurement Policy by the Departments for Defence, Correctional Services and Health to ensure market access for SMMEs and cooperatives
9 September 2015	Briefing by the DSBD on its First Quarter Report
14 October 2015	Briefing by the Auditor-General and DPME on the performance of the DSBD Briefing by the DSBD on its Annual Performance Report
11 November 2015	Briefing by the DSBD on its 2015/16 Second Quarter Performance Report
17 February 2016	Briefing by the DSBD on its 2015/16 Third Quarter Performance Report.
24 February 2016	Briefing by DSBD on the results of the programmes review and proposals
25-27 February 2016	Portfolio Committee Strategic Planning Session
9 March 2016	Briefing by the Seda and Sefa on the results of the programmes review and proposals
15 March 2016	Briefing by the DSBD on its strategic and Annual Performance Report Briefing by the South African Women Entrepreneurs Network on its Strategic and Annual Performance Report
16 March 2016	Briefing by the Seda and Sefa on their Strategic and Annual Performance Plans

The Portfolio Committee focused mainly on two issues:

Firstly, the DSBD Performance Plan and processes to meet set targets.

Secondly, the DSBD review of existing departmental programmes to provide advice on aligning and augmenting existing interventions to promote and develop small businesses and cooperatives. The Portfolio

Committee specifically wanted assurance about the department's ability to address the needs of women, youth and persons with disabilities and that its interventions will redress racially-biased discrimination against rural and township areas.

With effect from 1 April 2016, the department has adopted an integrated approach in which 50% of its

interventions will be directed at women, 30% at the youth, 50% at township enterprises and 30% at rural enterprises to address these issues.

The Portfolio Committee also highlighted the fact that creating an enabling environment for SMMEs and cooperatives is a shared responsibility of government and not necessarily the sole responsibility for

the DSBD. While the Committee will monitor engagements with other departments and state-owned enterprises (SOEs), the department is coordinating government interactions with SMMEs and cooperatives through transversal agreements with other departments and SOEs to create an ecosystem for SMMEs and cooperatives to access opportunities within the government procurement system and other value-chains.

II. STANDING COMMITTEE ON PUBLIC ACCOUNTS (SCOPA) RESOLUTIONS

None.

12. PRIOR MODIFICATIONS TO AUDIT REPORTS

None.

13. INTERNAL CONTROL

The structures of internal control are aimed at giving assurance that assets are protected, and that liabilities and working capital are efficiently and effectively managed.

In accordance with the PFMA, the Internal Audit Unit, through a collection of samples, gives assurance to

the AC and management that the internal controls are proper and effective. This is accomplished using a well-established system of quarterly reporting, as well as the detection of early warning signs and proposing of augmentations to the controls and processes.

14. INTERNAL AUDIT

The objective of the Internal Audit Unit is to provide assurance about the adequacy and effectiveness of internal controls, risk management and governance processes. The Unit reports functionally to the Audit Committee and administratively to the Director-General.

During the 2015/16 financial year, the capacity of a single internal auditor in the Internal Audit Unit for most of the year, constrained the implementation of the Annual Coverage Plan. The appointment of a Chief Audit Executive and selection process for three additional staff members were completed in March 2016

During the 2015/16 period the Internal Audit Unit completed six audits as summarised below:

- 2015/16 annual coverage plan – Five (5) completed audits
- 2015/16 ad hoc assignment – one (1) completed assignment.

15. AUDIT COMMITTEE

The Audit Committee was established in terms of Section 77 of the PFMA, 1999, as amended to oversee the systems of internal control, risk management and governance. The Audit Committee was appointed in December 2015 and held its first meeting in January 2016. Prior to that, the DSBD/the dti MoU made provision for the dti Audit Committee to oversee the two departments until 31 July 2015, following the conclusion of the 2014/15 financial reporting process. During this period, two oversight meetings were held with the dti Audit Committee.

The DSBD Audit Committee consists of four independent members, who collectively are sufficiently qualified and experienced to fulfil their duties. The Accounting Officer serves as an Executive Member of the Audit Committee. During the 2015/16 financial year, the Committee held two meetings, as indicated in Table 16.

Table 16: Members and meetings of the Audit Committee for the 2015/16 financial year

Name	Qualifications	Internal or external	Date appointed	Meetings attended
Mr Ayanda Wakaba (Chairperson)	BCom (Hon), MBA	External	December 2015	2/2
Mr Justice Motha	BCom (Hon), CA(SA)	External	December 2015	2/2
Ms Veronica du Preez	BA, BCom, MBA, CIA	External	December 2015	2/2
Adv Oliver Josie	BProc, LLB, LLM, MBL	External	December 2015	2/2
Prof Edith Vries	BSc Honours, MSc	Internal	December 2015	2/2

16. AUDIT COMMITTEE REPORT

We are pleased to present our Audit Committee report for the financial year ended 31 March 2016.

Audit committee responsibilities

The Audit Committee reports that it complied with its responsibilities arising from Section 77 of the PFMA, 1999, as amended and Treasury Regulation 3.1. The Audit Committee also reports that it adopted the appropriate formal terms of reference as its Audit Committee Charter and regulated its affairs in compliance with this charter.

The Audit Committee completed the following oversight activities in respect of the 2015/16 financial reporting period:

- Approved the Internal Audit Strategic Plans
- Approved the Internal Audit Charter
- Reviewed internal audit progress reports against plans
- Approved the Audit Strategy for 2015/16
- Reviewed the quarterly financial and performance information of the department
- Reviewed the Interim Management letter from the Auditor-General and management action plans to address reported findings
- Approved the draft 2015/16 annual financial statements and annual performance report before submission to the Auditor-General.

Internal control

The Audit Committee reviewed reports presented by management and audit reports from both the internal and external audit. The Audit Committee noted the need for improvement in the systems of internal control from the activities that were covered by the audits. The areas of specific concern are the formulation of predetermined objectives and management of performance information as raised in both the internal audit and Auditor-General's reports. Other areas that notably need improvement include the implementation of risk management processes and structures and effective records management systems. The Audit Committee acknowledges that the department is new and some of the functions and systems are still being capacitated and developed. The Audit Committee reviewed management's action plans and commitments to address the identified internal control weaknesses.

Risk management

The Audit Committee provides oversight over the risk management function to ensure that the department takes a reasonable amount of risk in pursuit of its strategic objectives. The monitoring of the risk management process was delegated to a departmental Risk Management Committee. The Committee reviewed the DSBD strategic risk register and advised the Accounting Officer of its concern about the inadequacies in the current risk management process. The Committee acknowledges that the department's risk management processes

are still at an establishment phase and has taken note of the Director-General's commitment to improve the risk management processes, which will include obtaining support and expertise from the department's agencies.

Financial reporting

The Audit Committee satisfied itself with the quality of the quarterly reports submitted in terms of the PFMA, 1999, as amended and Division of Revenue Act, 2015, as tabled during its tenure.

The Audit Committee reviewed the Auditor-General's report, audited financial statements and 2015/16 performance report. The Audit Committee noted, with appreciation, the unqualified audit opinion by the Auditor General.

Appreciation

The Audit Committee expresses its sincere appreciation to the Executive Authority, Accounting Officer, AGSA, Management, and Internal Audit of their support and cooperation.



Mr Ayanda Wakaba
Chairperson: Audit Committee
31 July 2016

PART D: HUMAN RESOURCE REPORT

1. INTRODUCTION

The information contained in this part of the annual report is as prescribed by the Minister for Public Service and Administration for all departments in the public service.

2. OVERVIEW OF HUMAN RESOURCES

The DSBD was proclaimed in July 2014 and operated through a MoU with **the dti** until 31 March 2016, wherein **the dti** provided support to set up the DSBD Human Resources Directorate and certain human resource services, such as skills development. The Directorate came into effect on 1 April 2016 although some functions, including Training and Development and Health and Wellness, are still to be established.

The priorities during the past year were to reduce the vacancy rate, achieve a 50% representation

of women in senior management positions and appoint people with a disability. The department focused on filling support function posts during the programmes review process. While the ambitious target of reducing the vacancy rate to 8% was not achieved, an aggressive recruitment drive resulted in a commendable reduction in vacancies from 24.4% in Q3 to 16.3% in Q4.

The department exceeded its target of 50% women employed in senior management positions by 0.1% (50.1%), which is also attributed to a focused recruitment drive. Although we did not achieve the aggressive target of employing 3.2% persons with a disability, we exceeded government's 2.0% target by achieving 2.7% as at 31 March 2016.

The Director-General's leadership instilled a performance culture within the department with the result that the performance management process compliance were well-managed. Non-compliance was dealt with through a disciplinary process. Management emphasised the need for evidence of performance, which formed the basis for all the

performance assessments within the department. During the reporting period, the Director-General approved 22 human resource policies, while a fully-functional Departmental Bargaining Chamber was established.

During the forthcoming financial year, the department will develop a new organisational structure that is aligned with the outcomes of the programmes review process to fulfil its mandate.

3. HUMAN RESOURCES OVERSIGHT STATISTICS

3.1. Personnel-related expenditure

The following tables summarise the final audited personnel-related expenditure by programme and salary band. The tables specifically indicate the amounts spent on personnel and on salaries, overtime, homeowner's allowances and medical aid.

Table 17: Personnel expenditure by programme for the period 1 April 2015 to 31 March 2016

Programme	Total expenditure (R'000)	Personnel expenditure (R'000)	Training expenditure ² (R'000)	Professional and special services expenditure (R'000)	Personnel expenditure as a % of total expenditure	Average personnel cost per employee (R'000)
Administration	66 447	34 591	39	1 149	52.1	641
Cooperative Support and Development	11 692	9 908	0	-	84.7	708
Enterprise Development and Entrepreneurship	1 020 752	48 633	617	268	4.8	534
Total	1 098 891	93 132	656	1 417	8.5	586

Table 18: Personnel costs by salary band for the period 1 April 2015 to 31 March 2016

Salary band	Personnel expenditure (R'000)	% of total personnel cost	No. of employees	Average personnel cost per employee (R'000)
Lower-skilled (Levels 1-2)	0	0	0	0
Skilled (level 3-5)	925	1.0	5	185
Highly-skilled production (levels 6-8)	18 016	19	59	305
Highly-skilled supervision (levels 9-12)	34 276	37.5	57	601
Senior and top management (levels 13-16)	39 915	43	43	928
Total	93 132		164	559

Table 19: Salaries, overtime, homeowner's allowance and medical aid by programme for the period 1 April 2015 to 31 March 2016

Programme	Salaries		Overtime		Homeowner's allowance		Medical aid	
	Amount (R'000)	Salaries as a % of personnel costs	Amount (R'000)	Over-time as a % of personnel costs	Amount (R'000)	HOA as a % of personnel costs	Amount (R'000)	Medical aid as a % of personnel costs
Administration	31 091	33	11	0.01	183	0.20	606	0.65
Cooperative Support and Development	8 873	10	-	0	31	0.03%	193	0.21
Enterprise Development and Entrepreneurship	43 318	47	5	0.0	609	0.65	1 344	1.44
Total	83 282	89	16	0.02	823	0.88	2 143	2.3

² Includes only personnel training. The overall training was R3.738 million, which included R3.043 million training provided to cooperatives.

Table 20: Salaries, overtime, homeowner's allowance and medical aid by salary band for the period 1 April 2015 to 31 March 2016

Salary band	Salaries		Overtime		Homeowner's allowance		Medical aid	
	Amount (R'000)	Salaries as a % of personnel costs	Amount (R'000)	Overtime as a % of personnel costs	Amount (R'000)	HOA as a % of personnel costs	Amount (R'000)	Medical aid as a % of personnel costs
Skilled (levels 1-2)	0	0	0	0	0	0	0	0
Skilled (levels 3-5)	804	1	0	0.0	57	0.1	55	0
Highly skilled production (levels 6-8)	15 733	17	14	0.0	550	0.6	771	0
Highly skilled supervision (levels 9-12)	30 831	33	0	0.0	216	0.2	594	0
Senior management (levels 13-16)	35 914	39	0	0.0	0	0.0	723	0
Total	83 282		14		823		2 143	0

3.2 Employment and vacancies³

The tables in this section summarise the department's employment and vacancies position, including the number of posts at inception, number of employees, vacancy rate and any staff that are additional to the establishment.

This information is presented in terms of the three key variables of programme, salary band and critical occupations (see definition in notes below).

Departments have identified critical occupations that need to be monitored. In terms of current regulations, posts create upon the establishment of an entity can be occupied by more than one employee. The vacancy rate, therefore, reflects the percentage of posts that are not filled.

Table 21: Employment and vacancies by programme as at 31 March 2016

Programme	Number of posts on approved establishment	Number of posts filled	Vacancy rate	Number of employees additional to the establishment
Administration	72	54	25	3
Cooperative Support and Development	14	14	0	0
Enterprise Development and Entrepreneurship	104	91	12.5	7
Total	190	159	16.3	10

³ The political office bearers are included in these tables and reflected as part of Programme 1 or senior management, to align totals with financial statement information.

Table 22: Employment and vacancies by salary band as at 31 March 2016

Salary band	Number of posts on approved establishment	Number of posts filled	Vacancy rate	Number of employees additional to the establishment
Lower skilled (1-2)	0	0	0	0
Skilled(3-5)	7	5	28.7	1
Highly-skilled production (6-8)	69	59	14.5	3
Highly-skilled supervision (9-12)	65	57	12.3	3
Senior management (13-16)	49	38	22.5	3
Total	190	159	16.3	10

Table 23: Employment and vacancies by critical occupations as at 31 March 2016

Critical occupation	Number of posts on approved establishment	Number of posts filled	Vacancy rate	Number of employees additional to the establishment
Administrative-related, Permanent	29	23	20.7	3
Economists, Permanent	1	1	0	0
Finance and Economics-related, Permanent	4	2	50	0
Food Service Aids and Waiters, Permanent	2	2	0	1
Head of Department / Chief Executive Officer, Permanent	1	1	0	0
Human Resources-related, Permanent	9	5	44.5	0
Light Vehicle Drivers, Permanent	2	2	0	0
Logistical Support Personnel, Permanent	4	2	50	0
Messengers, Porters and Deliverers, Permanent	2	2	0	1
Secretaries and Other Keyboard Operating Clerks, Permanent	15	14	6.7	0
Senior Managers, Permanent	45	34	24.5	3
Trade/Industry Advisers and other related professionals, Permanent	76	71	6.6	2
Total	190	159	16.3	10

Filling of SMS posts

The tables in this section provide employment and vacancies information for SMS members by salary level, as well as information about advertising and filling SMS posts, reasons for non-compliance with prescribed timeframes and disciplinary steps taken. During the reporting period, a number of SMS members were transferred and appointed. The priorities were to accommodate SMS members within the approved start-up structure and create capacity.

The programmes review during 2015 indicated that the approved start-up structure did not support the achievement of strategic objectives and a review was recommended. The advertisement for line function posts within the senior management service was put on hold until after the review of the structure.

Table 24: SMS post information as on 31 March 2015

SMS Level	Total number of funded SMS posts ⁴	Total number of SMS posts filled	% of SMS posts filled	Total number of SMS posts vacant	% of SMS posts vacant
Director-General/ Head of Department	1	0	0	1	100
Salary Level 16	3	3	100	0	0
Salary Level 15	1	0	0	1	100
Salary Level 14	7	5	71.4	2	28.6
Salary Level 13	11	11	100	0	0
Total	23	19	82.6	4	17.4

Table 25: SMS post information as on 30 September 2015

SMS Level	Total number of funded SMS posts	Total number of SMS posts filled	% of SMS posts filled	Total number of SMS posts vacant	% of SMS posts vacant
Director-General/ Head of Department	1	1	100	0	0
Salary Level 16	1	1	100	0	0
Salary Level 15	1	0	0	1	100
Salary Level 14	13	8	61.5	5	38.5
Salary Level 13	29	23	79.3	6	20.7
Total	45	33	73.3	12	26.7

Table 26: Advertising and filling of SMS posts for the period 1 April 2015 to 31 March 2016

SMS Level	Total number of funded SMS posts	Total number of SMS posts filled	% of SMS posts filled	Total number of SMS posts vacant	% of SMS posts vacant
Director-General/ Head of Department	1	1	100	0	0
Salary Level 16	3	3	100	0	0
Salary Level 15	2	0	0	2	100
Salary Level 14	13	9	69.2	4	30.8
Salary Level 13	29	24	82.8	5	17.2
Total	48	37	77.1	11	22.9

⁴ Special Advisor Post is on level 16; however it is filled on level 14. Level 16 includes the political office bearers.

Table 27: Reasons for not having complied with the filling of funded vacant SMS - Advertised within six (6) months and filled within 12 months after becoming vacant for the period 1 April 2015 and 31 March 2016

Reasons for vacancies not advertised within six months
The DSBD embarked on a programmes review during the 2015/16 financial year that revealed significant changes to the current start-up structure. A decision was taken not to fill the Branch Manager or other line function posts until the finalisation of the approved structure. Challenges, such as posts transferred from the dti but not accommodated in the start-up structure, supported the decision.

Table 28: Disciplinary steps taken for not complying with the prescribed timeframes for filling SMS posts within 12 months for the period 1 April 2015 and 31 March 2016

Reasons for vacancies not advertised within six months
None
Reasons for vacancies not filled within six months
The DSBD embarked on a programmes review during the 2015/16 financial year, which revealed significant changes to the current approved/start-up structure. A decision was taken not to fill the Branch Manager as well as other posts within Line function until the finalisation of the approved structure. In addition, challenges experienced such as posts transferred from the dti that were not accommodated on the start-up structure supported the decision.

3.3 Job evaluation

Within a nationally determined framework, executing authorities may evaluate or re-evaluate any job in the organisation. In terms of the Public Service Regulations of 2016, all vacancies on salary levels nine (9) and higher must be evaluated before they are filled. The following table summarises the number of jobs that were evaluated during the 2015/16 financial year and provides statistics on the number of posts that were upgraded or downgraded. The department did not evaluate any posts during the reporting period given its approved start-up structure with predetermine grades approved by the Minister of Public Service and Administration (MPSA).

Table 29: Job evaluation by salary band for the period 1 April 2015 to 31 March 2016

Salary band	Number of posts on approved establishment	No. of jobs evaluated ⁵	% of posts evaluated by salary bands	Posts upgraded		Posts downgraded	
				No.	% of posts evaluated	No.	% of posts evaluated
Lower skilled (levels 1-2)	0	0	0	0	0	0	0
Skilled (levels 3-5)	7	0	0	0	0	0	0
Highly-skilled production (levels 6-8)	69	0	0	0	0	0	0
Highly-skilled supervision (levels 9-12)	65	0	0	0	0	0	0
Senior management Service Band A	30	0	0	0	0	0	0
Senior management Service Band B	14	0	0	0	0	0	0

⁵ No job evaluations were done during 2015/16 financial period. However, the department trained and appointed job evaluation panel members

Salary band	Number of posts on approved establishment	No. of jobs evaluated ⁵	% of posts evaluated by salary bands	Posts upgraded		Posts downgraded	
				No.	% of posts evaluated	No.	% of posts evaluated
Senior management Service Band C	2	0	0	0	0	0	0
Senior management Service Band D	3	0	0	0	0	0	0
Total	190	0	0	0	0	0	0

Table 30: Profile of employees whose positions were upgraded due to their posts being upgraded for the period 1 April 2015 to 31 March 2016

During the reporting period, the department operated under a start-up structure with predetermined grades. No positions were upgraded during the stated period.

Table 31: Employees with salary levels higher than those determined by job evaluation by occupation for the period 1 April 2015 to 31 March 2016

The following table summarises the number of cases where remuneration bands exceeded the grade determined by job evaluation with the reasons for deviation provided in each case. Two employees were retained on higher salary levels during the reporting period.

Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
Administrative-related, Permanent	1	12	13	Retention
Human Resources-related, Permanent	1	9	10	Retention
Total number of employees whose salaries exceeded the level determined by job evaluation				2
Percentage of total employed				1.3%

Table 32: Profile of employees with salary levels higher than those determined by job evaluation for the period 1 April 2015 and 31 March 2016

Gender	African	Asian	Coloured	White	Total
Female	1	0	0	0	1
Male	0	0	1	0	1
Total	1	0	1	0	2

Employees with a disability	0	0	0	0	0
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Total number of employees whose salaries exceeded the grades determined by job evaluation	2
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3.4 Employment changes

This section provides information on changes in employment over the financial year. The staff turnover rate is an indication of trends in the employment profile of the department. The following tables summarises the turnover rate by salary band and critical occupations. Sixteen (16) employees left the DSBD, of whom 11 were transferred back to the dti. The majority of these employees were within the highly-skilled supervisory salary band. A total of 175 employees joined the department, of whom close to 80% were transfers.

Table 33: Annual turnover rates by salary band for the period 1 April 2015 to 31 March 2016

Salary band	Number of employees at 1 April 2015 ⁶	Appointments and transfers to the department	Terminations and transfers from the department	Turnover rate %
Lower skilled (levels 1-2)	0	0	0	0
Skilled (levels 3-5)	3	0	0	0
Highly-skilled production (levels 6-8)	48	1	2	4.2
Highly-skilled supervision (levels 9-12)	51	4	1	2
Senior Management Service Bands A	18	0	0	0
Senior Management Service Bands B	5	0	0	0
Senior Management Service Bands C	0	0	0	0
Senior Management Service Bands D	0	2	0	0
Contracts	24	30	1	4.2
Total	149	37	4	2.7

Staff turnover rates indicate trends in the employment profile of the department. While 16 employees terminated their service, 175 employees were appointed or transferred of whom almost 50% were Trade/Industry Advisors.

Table 34: Annual turnover rates by critical occupation for the period 1 April 2015 to 31 March 2016

Critical occupation	Number of employees at 1 April 2015	Appointments and transfers to the department	Terminations and transfers from the department	Turnover rate %
Administrative	16	8	1	6.3
Economics	1	0	0	0
Finance and Economics-related	1	1	0	0
Food Service Aids and Waiters	1	2	0	0
Head of Department /Chief Executive Officer	0	1	0	0

⁶ The number of employees at the beginning of the period excludes additional to the establishment.

Critical occupation	Number of employees at 1 April 2015	Appointments and transfers to the department	Terminations and transfers from the department	Turnover rate %
Human Resource-related	4	0	1	25
Legal-related	1	0	0	0
Light Vehicle Drivers	2	1	0	0
Logistical Support Personnel	0	1	0	0
Messengers, Porters and Deliverers	1	0	0	0
Motor Vehicle Drivers	1	1	0	0
Secretaries and other Keyboard Operating Clerks	13	1		0
Senior Managers	31	12	4	12.9
Trade/Industry Advisors and other related professions	77	9	3	3.9
Total	149	37	16	10.7

The table below indicates that the main reason why staff left the department was transfer to the dti.

Table 35: Reasons why staff left during the period 1 April 2015 to 31 March 2016

Termination type	Number	% of total resignations
Death	0	0
Resignation	3	18.75
Expiry of contract	1	6.25
Dismissal – operational changes	0	0
Dismissal – misconduct	0	0
Dismissal – inefficiency	0	0
Discharged due to ill-health	0	0
Retirement	0	0
Transfer to other public service departments	12	75
Other	0	0
Total	16	
Total number of employees who left as a % of total employment	10.7	

Table 36: Promotions by critical occupation for the period 1 April 2015 and 31 March 2016

Occupation	Employees 1 April 2015	Promotion to another salary level	Salary level promotions as a % of employees by occupation	Progression to another notch within a salary level	Notch progression as a % of employees by occupation
Administrative-related	16	3	18.8	4	25
Economists	1	0	0	1	100
Finance and economics-related	1	0	0	2	200
Food Services Aids and Waiters	1	0	0	0	0
Human Resources-related	4	1	25	3	75
Legal-related	1	0	0	1	100
Light Vehicle Drivers	2	0	0	1	50
Logistical Support Personnel	0	1	0	0	0
Messengers, Porters and Deliverers	1	0	0	1	100
Motor vehicle drivers	1	0	0	0	0
Secretaries and other Keyboard Operating Clerks	13	1	7.7	4	30.8
Senior Managers	31	3	9.7	13	41.9
Trade/Industry Advisers and other related professionals	0	0	0	56	72.7
Total	149	9	6	86	57.7

Table 37: Promotions by salary band for the period 1 April 2015 and 31 March 2016

Salary Band	Employees 1 April 2015	Promotion to another salary level	Salary bands promotions as a % of employees by salary level	Progression to another notch within a salary level	Notch progression as a % of employees by salary bands
Lower-skilled (levels 1-2)	0	0	0	0	0
Skilled (levels 3-5)	5	0	0	2	40
Highly-skilled production (levels 6-8)	55	2	3.6	37	67.2
Highly-skilled supervision (levels 9-12)	56	2	3.6	33	58.9
Senior Management (level 13-16)	33	5	15.2	14	42.4
Total	149	9	6	86	57.7

Employment equity

Table 38: Total number of employees (including those with disabilities) in each of the following occupational categories as at 31 March 2016

Occupation category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	16	1	1	0	10	3	1	1	33
Professionals	32	1	1	0	42	1	2	2	81
Technicians and associate professionals	11	1	0	0	12	0	0	1	25
Clerks	1	1	0	0	9	2	0	1	14
Service and sales workers	0	0	0	0	0	0	0	0	0
Skilled agriculture and fishery workers	0	0	0	0	0	0	0	0	0
Craft and related trades workers	0	0	0	0	0	0	0	0	0
Plant and machine operators and assemblers	3	0	0	0	0	0	0	0	3
Elementary occupations	1	0	0	0	2	0	0	0	3
Total	64	4	2	0	75	6	3	5	159
Employees with disabilities	3	0	0	0	1	0	0	0	4

Table 39: Total number of employees (including those with disabilities) in each of the following occupational bands as on 31 March 2016

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management	0	0	0	0	2	1	0	0	3
Senior management	17	2	1	0	9	2	2	2	35
Professionally qualified and experienced specialists and mid-management	23	1	0	0	33	0	0	0	57
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	21	1	1	0	29	3	1	3	59
Semi-skilled and discretionary decision-making	3	0	0	0	2	0	0	0	5
Unskilled and defined decision-making	0	0	0	0	0	0	0	0	0
Total	64	4	2	0	75	6	3	5	159

Table 40: Recruitment for the period 1 April 2015 to 31 March 2016

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	0	0	0	0	2	1	0	0	3
Senior Management	7	0	0	0	0	1	1	1	10
Professionally qualified and experienced specialists and mid-management	6	1	0	0	3	0	0	0	10
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	4	1	0	0	6	0	0	0	14
Semi-skilled and discretionary decision-making	1	0	0	0	2	0	0	0	3
Unskilled and defined decision- making	0	0	0	0	0	0	0	0	0
Total	18	2	0	0	13	2	1	1	37
Employees with disabilities	1	0	0	0	0	0	0	0	1

Table 41: Promotions for the period 1 April 2015 to 31 March 2016

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management	1	0	0	0	0	0	0	0	1
Senior management	7	1	1	0	5	1	1	2	18
Professionally qualified and experienced specialists and mid-management	17	0	0	0	16	0	0	2	35
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	19	0	0	0	18	1	0	1	39
Semi-skilled and discretionary decision-making	2	0	0	0	0	0	0	0	2
Unskilled and defined decision-making	0	0	0	0	0	0	0	0	0
Total	46	1	0	0	39	2	10	5	95
Employees with disabilities	3	0	0	0	1	0	0	0	4

Table 42: Terminations for the period 1 April 2015 to 31 March 2016

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	0	0	0	0	0	0	0	0	0
Senior Management	0	0	0	0	0	0	0	1	0
Professionally qualified and experienced specialists and mid-management	0	0	0	0	1	0	0	0	1
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	2	0	0	0	0	0	0	0	2
Semi-skilled and discretionary decision making	0	0	0	0	0	0	0	0	0
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
Total	2	0	0	0	1	0	0	1	4
Employees with Disabilities	0	0	0	0	0	0	0	0	0

Table 43: Disciplinary action for the period 1 April 2015 to 31 March 2016

Disciplinary action	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Warning letters	5				2				7

Table 44: Skills development for the period 1 April 2015 to 31 March 2016

Occupational category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	2		1		4	1	1		9
Professionals	6				10				16
Technicians and associate professionals		1			1				2
Clerks	2				3	2		1	8
Service and sales workers									
Skilled agriculture and fishery workers									
Craft and related trades workers									
Plant and machine operators and assemblers									
Elementary occupations									
Total	10	1	1	0	18	3	1	1	35
Employees with disabilities	1								1

3.5 Signing of performance agreements by SMS members

SMS members must each sign a performance agreement within a specific timeframe. This information, reasons for non-compliance and disciplinary steps are reflected here. Six SMS members not signed their performance agreements before or on 31 May 2015.

Table 45: Signing of performance agreements by SMS members as on 31 May 2015

SMS level	Total number of funded SMS posts	Total number of SMS members	Total number of signed performance agreements	Signed performance agreements as % of total number of SMS members
Director-General/Head of Department	1	0	0	0
Salary level 16	1	1	0	0
Salary level 15	2	0	0	
Salary level 14	13	9	7	77.7
Salary level 13	29	24	22	91.7
Total	48	34	28	82.4

Table 46: Reasons for not having concluded performance agreements for all SMS members as at 31 May 2015

Reasons
1 Level 16 – Special Advisor to the Minister: No reason was provided for the non-compliance with the submission of the performance agreement. Performance agreement was submitted late.
2 x Chief Directors:
1 Chief Director did not provide a reason for the late submission – Performance Agreement was submitted late.
1 Chief Director indicated that his Job Description was not finalised yet and he could not sign a performance agreement without a Job Description – performance agreement was submitted after Job description has been finalised.
2 x Directors - No reasons were provided for the late submission (letters were sent to the employees on the non-compliance; both agreements were submitted after the target date).

Table 47: Disciplinary steps taken against SMS members for not having concluded performance agreements as at 31 March 2016

Steps taken
The Director General sent warning letters to the employees who did not comply with the submission of performance agreements.

3.6 Performance rewards

The department granted the performance rewards reflected in the table during the year under review to encourage performance. The information is presented in terms of race, gender, disability, salary bands and critical occupation (see definition in notes below). A total of 21 employees received performance-related rewards.

Table 48: Performance rewards by race, gender and disability awarded in the period 1 April 2015 to 31 March 2016

Race and gender	Beneficiary profile			Cost	
	Number of beneficiaries	Number of employees	% of total within group	Cost (R'000)	Average cost per employee
African					
Male	8	65	9.8	227	30 792
Female	11	74	14.9	483	43 885
Asian					
Male	1	2	50	12	12 237
Female	0	3	0	0	0
Coloured					
Male	0	4	0	0	0
Female	0	6	0	0	0
White					
Male	0	0	0	0	0
Female	1	5	20	36	35 927
Total	21	159	13.2	758	36 076

The following table summarises the performance rewards granted to 19 employees during the reporting period for their performance in 2014/15. The rewards were awarded according to salary band for employees below the level of senior management. More than half (50%) of the employees rewarded fall within the highly-skilled supervision salary band.

Table 49: Performance rewards by salary band awarded to personnel below SMS level in the period 1 April 2015 to 31 March 2016

Salary band	Beneficiary profile			Cost	
	Number of beneficiaries	Number of employees	% of total within salary bands	Total cost (R'000)	Average cost per employee
Lower skilled (levels 1-2)	0	0	0	0	0
Skilled (levels 3-5)	2	5	40	20	10 000
Highly-skilled production (levels 6-8)	7	59	11.9	142	20 286
Highly-skilled supervision (levels 9-12)	10	57	17.5	460	46 000
Total	19	121	15.7	622	32 737

The table below summarises the awarding of performance rewards to 21 employees according to critical occupations. The rewards were granted during the 2015/16 financial year for performance in 2014/15. More than 40% of the employees rewarded fall within the Trade/Industry Advisors group.

Table 50: Performance rewards by critical occupation awarded in the period 1 April 2015 to 31 March 2016

Critical occupation	Beneficiary profile			Cost	
	Number of beneficiaries	Number of employees	% of total within occupation	Total cost (R'000)	Average cost per employee
Administrative-related	2	23	8.7	75	37 500
Economics	0	1	0	0	0
Finance and Economics-related	1	2	50	36	36 000
Food Services Aids and Waiters	0	2	0	0	0
Head of Department/Chief Executive Officer	0	1	0	0	0
Human Resource-related	2	5	40	28	14 000
Legal-related	0	1	0	0	0
Light Vehicle Drivers	1	2	50	11	11 000
Logistical Support Personnel	0	2	0	0	0
Messengers, Porters and Deliverers	1	1	100	8	8 000
Motor Vehicle Drivers	0	1	0	0	0
Secretaries and other Keyboard Operating Clerks	3	14	21.4	52	17 333
Senior Managers	2	33	6.1	136	68 000
Trade/Industry Advisors and other related professionals	9	71	12.7	411	45 667
Total	21	159	13.2	758	36 048

The table below summarises the granting of a performance rewards to a SMS member during the 2015/16 financial year for performance in 2014/15.

Table 51: Performance-related reward (cash bonus) awarded by salary band for SMS member for the period 1 April 2015 to 31 March 2016

Salary band	Beneficiary profile			Cost	
	Number of beneficiaries	Number of employees	% of total within salary bands	Total cost (R'000)	Average cost per employee
Band A	1	25	4	79	79
Band B	0	10	0	0	0
Band C	0	0	0	0	0
Band D	0	3	0	0	0
Total	1	38	2.6	79	79

3.7 Foreign workers

No foreign nationals were utilised during the reporting period.

3.8 Leave utilisation

During the past year, employees used approximately seven (7) days sick leave as indicated in Table 52.

Table 52: Sick leave for the period 1 January 2015 to 31 December 2015

Salary band	Total days	% Days with medical certification ⁷	Number of employees using sick leave	% of total employees using sick leave	Average days per employee	Estimated cost (R'000)
Lower-skills (levels 1-2)	N/a	N/a	N/a	N/a	N/a	N/a
Skilled (levels 3-5)	41	N/a	5	3	8	12
Highly-skilled production (levels 6-8)	412	N/a	50	32	8	225
Highly-skilled supervision (levels 9 -12)	296	N/a	41	26	7	384
Top and senior management (levels 13-16)	144	N/a	27	17	5	476
Total	893	N/a	123	78	28	1 097

No disability leave was taken during the reporting period.

The following table summarises the utilisation of annual leave. The wage agreement concluded with trade unions in the Public Service Co-ordinating Bargaining Council (PSCBC) in 2000 requires the management of annual leave to prevent excessive accrued leave pay-outs upon termination of service. Employees used approximately 21 days leave per annum.

⁷ Information with regard to medical certification is not available

Table 53: Annual leave for the period 1 January 2015 to 31 December 2015

Salary band	Total days taken	Number of employees using annual leave	Average per employee
Lower-skilled (levels 1-2)	N/a	N/a	N/a
Skilled (levels 3-5)	79	6	13
Highly-skilled production (levels 6-8)	1 348	65	20
Highly-skilled supervision (levels 9-12)	1 220	55	22
Senior management (levels 13-16)	870	41	21
Total	3 517	167	76

No capped leave was used during the reporting period.

During the review period, 13 employees received pay-outs for the non-utilisation of leave while employed or upon termination of services. Eleven (11) of these employees were paid out for leave not used due to the department's workload to meet strategic objectives at a time when the required resources had not been appointed. Qualifying employees received an average of R20 000, 00.

Table 54: Leave pay-outs for the period 1 April 2015 and 31 March 2016

Reason	Total amount (R'000)	Number of employees	Average per employee (R'000)
Leave pay-out for 2015/16 due to the non-utilisation of leave for the previous cycle	227	11	20
Capped leave pay-outs on termination of service for 2015/2016	0	0	0
Current leave pay-outs on termination of service for 2015/2016	40	2	20
Total	267	13	40

3.9 HIV/AIDS and health promotion programmes

The DSBD is cognisant of the need to reduce the occupational health risk of employees. No high-risk categories for contracting HIV and related diseases were identified during the reporting period. This was due mainly to a lack of human resource capacity in this area.

The following table provides details on HIV/AIDS and health promotion programmes for the 2015/16 financial year. Since the department was capacitating its human resources unit during the reporting period, employee health and wellness could not be prioritised. This will be addressed in the forthcoming financial year.

Table 55: Details of HIV/AIDS and health and wellness programmes (tick the applicable boxes and provide the required information)

Question	Yes	No	Details, if yes
1. Has the department designated a member of the SMS to implement the provisions contained in Part VI E of Chapter I of the Public Service Regulations, 2001? If so, provide her/his name and position.		x	
2. Does the department have a dedicated unit or has it designated specific staff members to promote the health and well-being of your employees? If so, indicate the number of employees who are involved in this task and the annual budget that is available for this purpose.	x		The DSBD has a post for a Health and Wellness Manager. However, the department is still in the process of staffing the unit.
3. Has the department introduced an Employee Assistance or Health Promotion Programme for your employees? If so, indicate the key elements/ services of this Programme.		x	
4. Has the department established a committee(s) as contemplated in Part VI E.5 (e) of Chapter I of the Public Service Regulations, 2001? If so, please provide the names of the members of the committee and the stakeholder(s) that they represent.		x	
5. Has the department reviewed its employment policies and practices to ensure that these do not unfairly discriminate against employees on the basis of their HIV status? If so, list the employment policies/practices so reviewed.		x	
6. Has the department introduced measures to protect HIV-positive employees or those perceived to be HIV-positive from discrimination? If so, list the key elements of these measures.	x		The DSBD has an approved HIV policy that (a) states that the department firmly opposes discrimination against HIV-positive employees and (b) provides for, inter alia, employee HIV and Aids education and training; care and support via the Health and Wellness Unit; HIV testing and counselling; confidentiality and reasonable accommodation.
7. Does the department encourage its employees to undergo voluntary counselling and testing? If so, list the results that you have achieved.		x	
8. Has the department developed measures/ indicators to monitor and evaluate the impact of its health promotion programme? If so, list these measures/indicators.		x	

3.10 Labour relations

The DSBD is committed to creating a constructive labour relations environment. No collective agreements were entered into in the reported period.

The following table summarises the outcome of disciplinary hearings conducted in the department for the year under review. Seven (7) written warnings were issued during the reporting period.

Table 56: Misconduct and disciplinary hearings finalised for the period 1 April 2015 to 31 March 2016

Outcomes of disciplinary hearings	Number	% of total
Correctional counselling	0	0
Verbal warning	0	0
Written warning	7	100
Final written warning	0	0
Suspended without pay	0	0
Fine	0	0
Demotion	0	0
Dismissal	0	0
Not guilty	0	0
Case withdrawn	0	0
Total	7	100

Total number of disciplinary hearings finalised	None
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The table below reflects the type of misconduct during the 2015/16 financial year. All misconduct charges were due to non-compliance with the performance management system.

Table 57: Types of misconduct addressed at disciplinary hearings for the period 1 April 2015 to 31 March 2016

Type of misconduct	Number	% of total
Non-compliance: Performance Management System	7	100
Total	7	100

The table below reflects the number of grievances lodged during the 2015/16 financial year. Seven grievances were lodged and resolved during the reporting period.

Table 58: Grievances lodged for the period 1 April 2015 to 31 March 2016

Grievances	Number	% of total
Number of grievances resolved	7	100
Number of grievances not resolved	0	0
Total number of grievances lodged	7	100

The table below reflects the disputes lodged during the 2015/16 financial year. Only one (1) dispute was lodged and upheld during this period.

Table 59: Disputes lodged with Councils for the period 1 April 2015 to 31 March 2016

Disputes	Number	% of total
Number of disputes upheld	1	100
Number of disputes dismissed	0	0
Total number of disputes lodged	1	100

During the 2015/16 financial year there was no strike action that directly affected the DSBD and no precautionary suspensions were recorded for the review period.

3.11 Skills development

This section highlights the department's skills development initiatives. A total of 293 interventions were planned for the 2015/16 financial year, of which the majority fell within the occupational category for professionals.

Table 60: Training needs identified for the period 1 April 2015 and 31 March 2016

Occupational category	Gender	Number of employees at 1 April 2015 ⁸	Training needs identified at the start of the reporting period			
			Learnerships	Skills programmes and other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	14	0	17	1	18
	Male	18	0	14	2	16
Professionals	Female	47	0	102	5	107
	Male	34	0	64	2	66
Technicians and associate professionals	Female	12	0	26	1	27
	Male	12	0	19	2	21
Clerks	Female	12	0	32	0	32
	Male	2	0	2	0	2
Service and sales workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Skilled agriculture and fishery workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Craft and related trades workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Plant and machine operators and assemblers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Elementary occupations	Female	2	0	1	0	1
	Male	4	0	3	0	3
Sub-total	Female	87	0	178	7	185
	Male	70	0	102	6	108
Total		157	0	280	13	293

⁸ Political office bearers are excluded from this table

The table below reflects the number of employees who attended training during the 2015/16 financial year. Training was provided on an almost equal ratio between males (36%) and females (39%).

Table 61: Training provided for the period 1 April 2015 to 31 March 2016

Occupational category	Gender	Number of employees at 1 April 2015	Training provided within the reporting period			
			Learnerships	Skills programmes and other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	14	0	12	0	12
	Male	18	0	12	0	12
Professionals	Female	47	0	9	0	9
	Male	34	0	8	0	8
Technicians and associate professionals	Female	12	0	1	0	1
	Male	12	0	3	0	3
Clerks	Female	12	0	12	0	12
	Male	2	0	2	0	2
Service and sales workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Skilled agriculture and fishery workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Craft and related trades workers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Plant and machine operators and assemblers	Female	0	0	0	0	0
	Male	0	0	0	0	0
Elementary occupations	Female	2	0	0	0	0
	Male	4	0	0	0	0
Sub Total	Female	87	0	34	0	34
	Male	70	0	25	0	25
Total		157	0	59	0	59

3.12 Injury on duty

The following table provides basic information about instances of injury-on-duty. During the 2015/16 financial year, two (2) cases of injury-on-duty were reported, both of which required only basic medical attention.

Table 62: Injury-on-duty for the period 1 April 2015 to 31 March 2016

Nature of injury on duty	Number	% of total
Required basic medical attention only	2	100
Temporary Total Disablement	0	0
Permanent Disablement	0	0
Fatal	0	0
Total	2	100

3.13 Utilisation of consultants

The use of consultants by the DSBD is done in terms of the Public Service Regulations in which "consultant" refers to a natural or juristic person who, or a partnership which, in terms of a specific contract on an ad hoc basis, provides any of the following professional services to a department against remuneration received from any source:

- (a) The rendering of expert advice
- (b) The drafting of proposals for the execution of specific tasks
- (c) The execution of a specific task which is of a technical or intellectual nature, but excludes an employee of a department.

The table below reflects the appointment of five (5) consultants through appropriated funds during the 2015/16 financial year.

Table 63: Report on consultant appointments using appropriated funds for the period 1 April 2015 to 31 March 2016

Project title	Total number of consultants that worked on project	Duration work days	Contract value in Rand
Strategic planning facilitation	1	2	30 000
To review existing departmental programmes and advise on intervention alignment and augmentation	4	53	472 684

Total number of projects	Total individual consultants	Total duration work days	Total contract value in Rand
1	1	2 days	30 000
1	4	53 days	472 684

The table below reflects the appointment of five (5) historically disadvantaged individuals (HDIs) as consultants through appropriated funds during the 2015/16 financial year.

Table 64: Analysis of consultant appointments using appropriated funds, in terms of HDIs for the period 1 April 2015 to 31 March 2016

Project title	Percentage (%) ownership by HDI groups	Percentage (%) management by HDI groups	Number of consultants from HDI groups that worked on the project
Strategic planning facilitation	100	100	1
To review existing department programmes and advise on intervention alignment and augmentation	100	100	4

During the 2015/16 financial year no consultants, including no HDI consultants, were appointed through the use of donor funding.

3.16 Severance packages

No requests were received for employee initiated severance packages for the 2015/16 financial year.

PART E: FINANCIAL INFORMATION

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I. AUDITOR-GENERAL'S REPORT

Report of the auditor-general to Parliament on vote no. 31: Department of Small Business Development

Report on the financial statements

Introduction

I.1. I have audited the financial statements of the Department of Small Business Development set out on pages 90 to 142, which comprise the appropriation statement, the statement of financial position as at 31 March 2016, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

I.2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with Modified Cash Standards (MCS) prescribed by the National Treasury and the requirements of

the Public Finance Management Act of South Africa, 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.

Auditor-general's responsibility

I.3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. 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.

I.4. 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.

I.5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

I.6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department of Small Business Development as at 31 March 2016 and its financial performance and cash flows for the year then ended, in accordance with Modified Cash Standards (MCS) prescribed by the National Treasury and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Additional matter

I.7. I draw attention to the matter below. My opinion is not modified in respect of this matter:

Unaudited supplementary information

- 1.8. The supplementary information set out on pages 143 to 149 does not form part of the financial statements and is presented as additional information. I have not audited this schedule and, accordingly, I do not express an opinion thereon.

Report on other legal and regulatory requirements

- 1.9. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives of selected programmes presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

- 1.10. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the

following selected programmes presented in the annual performance report of the department for the year ended 31 March 2016:

- Programme 2: Cooperatives Development on pages 33 to 37;
- Programme 3: Enterprise Development and Entrepreneurship on pages 37 to 48; and

- 1.11. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).

- 1.12. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

- 1.13. The material findings in respect of the selected programmes are as follows:

Programme 2: Cooperatives Development

Usefulness of reported performance information

Consistency

- 1.14. Section 40(3)(a) of the PFMA requires actual achievements against all planned indicators and targets to be reported annually. The annual performance report submitted for audit purposes did not include the actual performance of 14% (one) planned indicator and target specified in the annual performance plan for the year under review.

Measurability of indicators and targets

- 1.15. The FMPPI requires that performance targets should be specific in clearly identifying the nature and required level of performance and measurable or specify the period or deadline for delivery. A total of 29% (two) targets were not specific.

- 1.16. The FMPPI requires that performance indicators should be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use. A total of 29% (two) indicators were not well defined.

Reliability of reported performance information

- I. 17. I did not identify any material findings on the reliability of the reported performance information for Programme 2: Cooperatives Development.

Programme 3: Enterprise Development and Entrepreneurship

Usefulness of reported performance information

Measurability of indicators and targets

- I. 18. The FMPPPI requires that performance targets should be specific in clearly identifying the nature and required level of performance and measurable or specify the period or deadline for delivery. A total of 54% (seven) targets were not specific.
- I. 19. The FMPPPI requires that performance indicators should be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use. A total of 46% (six) indicators were not well defined.

Reliability of reported performance information

- I. 20. I did not identify any material findings on the reliability of the reported performance

information for Programme 3: Enterprise Development and Entrepreneurship.

Additional matter

- I. 21. I draw attention to the following matter:

Achievement of planned targets

- I. 22. Refer to the annual performance report on pages 33 to 48 for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on the usefulness of the reported performance information in paragraphs 14; 15; 16; 17; 18 and 19 of this report.

Adjustment of material misstatements

- I. 23. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Programme 2: Cooperatives Development and Programme 3: Enterprise Development and Entrepreneurship. As management subsequently corrected only some of the misstatements, I identified material findings on the usefulness of the reported performance information.

Compliance with legislation

- I. 24. I performed procedures to obtain evidence that the department had complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Financial statements, performance and annual reports

- I. 25. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 40(1)(b) of the Public Finance Management Act. Material misstatements of the appropriation statement, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected resulting in the financial statements receiving an unqualified audit opinion.

Strategic planning and performance management

- I. 26. The strategic plan did not include the measurable objectives, indicators (measures) and targets of the programmes as required by Treasury Regulation 5.2.3(d).

Procurement and contract management

I.27. Goods and services of a transaction value above R500 000 were procured without inviting competitive bids, as required by Treasury Regulations 16A6.1.

Internal control

I.28. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

Leadership

I.29. Leadership did not exercise adequate oversight responsibility regarding financial and performance reporting and compliance.

Financial and performance management

I.30. The department was newly established and there were no established processes to ensure complete and accurate financial and performance reports. Leadership did not

monitor adherence to the processes of the transferring department.

I.31. Non-compliance with laws and regulations could have been prevented had compliance been properly reviewed and monitored by senior management.

Auditor-General

Pretoria
31 July 2016



Auditing to build public confidence

APPROPRIATION STATEMENT

Appropriation per programme

	2015/16							2014/15	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of Final Appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Programme									
1. Administration	81 387	-	(530)	80 857	66 447	14 410	82.2%	-	-
2. Cooperatives Support and Development	11 711	-	530	12 241	11 692	549	95.5%	-	-
3. Enterprise Development and Entrepreneurship	1 034 422	-	-	1 034 422	1 020 752	13 670	98.7%	-	-
Subtotal	1 127 520	-	-	1 127 520	1 098 891	28 629	97.5%	-	-

	2015/16		2014/15	
	Final Appropriation	Actual Expenditure	Final Appropriation	Actual Expenditure
TOTAL (brought forward)				
Reconciliation with statement of financial performance				
ADD				
Departmental receipts	121			
NRF receipts	-			
Aid assistance	-			
Actual amounts per statement of financial performance (total revenue)	1 127 641		-	
Actual amounts per statement of financial performance (total expenditure)		1 098 891		-

Annual Financial Statements for the Year Ended 31 March 2016

APPROPRIATION STATEMENT

Appropriation per economic classification

	2015/16							2014/15	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of Final Appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Economic classification									
Current payments	166 525	(1 617)	-	164 908	137 455	27 453	83.4%	-	-
Compensation of employees	111 532	-	-	111 532	93 132	18 400	83.5%	-	-
Salaries and wages	99 691	(384)	-	99 307	83 282	16 025	83.9%	-	-
Social contributions	11 841	384	-	12 225	9 850	2 375	80.6%	-	-
Goods and services	54 993	(1 617)	-	53 376	44 324	9 052	83.0%	-	-
Administrative fees	586	75	-	661	508	153	76.8%	-	-
Advertising	2 244	(95)	-	2 149	1 946	203	90.6%	-	-
Minor assets	62	54	-	116	40	76	34.5%	-	-
Audit costs: External	166	975	-	1 141	1 072	69	93.9%	-	-
Bursaries: Employees	-	8	-	8	7	1	87.6%	-	-
Catering: Departmental activities	1 625	(206)	-	1 420	957	463	67.4%	-	-
Communication (G&S)	1 565	255	-	1 820	1 481	339	81.4%	-	-
Computer services	5 520	(1 210)	-	4 310	3 897	413	90.4%	-	-
Consultants: Business and advisory services	3 142	(1 903)	-	1 239	745	494	60.1%	-	-
Legal services	-	-	-	-	-	-	-	-	-
Contractors	766	365	-	1 131	673	458	59.5%	-	-
Agency and support / outsourced services	-	-	-	-	-	-	-	-	-
Entertainment	58	(15)	-	43	-	43	-	-	-
Fleet services (including government motor transport)	370	(8)	-	362	277	85	76.5%	-	-
Consumable supplies	463	33	-	496	354	142	71.4%	-	-
Consumables: Stationery, printing and office supplies	1 523	(32)	-	1 491	907	584	60.8%	-	-
Operating leases	9 252	(1 395)	-	7 857	6 840	1 017	87.1%	-	-
Property payments	-	5	-	5	4	1	80.5%	-	-
Travel and subsistence	21 470	1 225	-	22 695	19 309	3 385	85.1%	-	-

APPROPRIATION STATEMENT

Appropriation per economic classification

	2015/16							2014/15	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of Final Appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Training and development	2 749	1 209	-	3 958	3 738	219	94.5%	-	-
Operating payments	1 388	(394)	-	994	336	658	33.8%	-	-
Venues and facilities	2 044	(562)	-	1 482	1 234	248	83.3%	-	-
Transfers and subsidies	958 372	30	-	958 402	958 250	152	100.0%	-	-
Departmental agencies and accounts	610 364	12 471	-	622 835	622 835	-	100.0%	-	-
Departmental agencies and accounts	610 364	12 471	-	622 835	622 835	-	100.0%	-	-
Higher education institutions	12 471	(12 471)	-	-	-	-	-	-	-
Public corporations and private enterprises	318 751	-	-	318 751	318 625	126	100.0%	-	-
Public corporations	318 751	-	-	318 751	318 625	126	100.0%	-	-
Subsidies on products and production	10 000	-	-	10 000	10 000	-	100.0%	-	-
Other transfers to public corporations	308 751	-	-	308 751	308 625	126	100.0%	-	-
Non-profit institutions	16 726	-	-	16 726	16 726	-	100.0%	-	-
Households	60	30	-	90	64	26	70.6%	-	-
Social benefits	60	30	-	90	64	26	70.6%	-	-
Payments for capital assets	2 623	1 587	-	4 210	3 185	1 024	75.7%	-	-
Machinery and equipment	2 623	1 567	-	4 190	3 169	1 021	75.6%	-	-
Other machinery and equipment	2 623	1 567	-	4 190	3 169	1 021	75.6%	-	-
Intangible assets	-	20	-	20	17	3	83.3%	-	-
Total	1 127 520	-	-	1 127 520	1 098 891	28 629	97.5%	-	-

Annual Financial Statements for the Year Ended 31 March 2016

APPROPRIATION STATEMENT

Programme I:ADMINISTRATION

	2015/16							2014/15	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of Final Appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Sub-programme									
1. Ministry	30 896	952	-	31 848	29 897	1 950	93.9%	-	-
2. Departmental Management	21 187	(894)	(530)	19 763	15 232	4 531	77.1%	-	-
3. Corporate Services	29 304	(58)	-	29 246	21 317	7 929	72.9%	-	-
Total for sub-programmes	81 387	-	(530)	80 857	66 447	14 410	82.2%	-	-
Economic classification									
Current payments	79 555	(1 587)	(530)	77 438	63 480	13 958	82.0%	-	-
Compensation of employees	44 574	-	(530)	44 044	34 591	9 453	78.5%	-	-
Salaries and wages	40 232	(226)	(530)	39 476	31 091	8 385	78.8%	-	-
Social contributions	4 342	226	-	4 568	3 500	1 068	76.6%	-	-
Goods and services	34 981	(1 587)	-	33 394	28 889	4 505	86.5%	-	-
Administrative fees	300	225	-	525	427	98	81.2%	-	-
Advertising	2 238	(95)	-	2 143	1 945	198	90.8%	-	-
Minor assets	59	52	-	111	37	74	33.4%	-	-
Audit costs: External	166	975	-	1 141	1 072	69	93.9%	-	-
Bursaries: Employees	-	7	-	7	6	1	86.6%	-	-
Catering: Departmental activities	562	(97)	-	465	271	194	58.3%	-	-
Communication (G&S)	966	233	-	1 199	1 065	134	88.8%	-	-
Computer services	5 520	(1 210)	-	4 310	3 897	413	90.4%	-	-
Consultants: Business and advisory services	1 172	(404)	-	768	745	23	96.9%	-	-
Contractors	410	120	-	530	405	125	76.4%	-	-
Entertainment	45	(15)	-	30	-	30	-	-	-
Fleet services (including government motor transport)	219	(18)	-	201	149	52	74.4%	-	-
Consumable supplies	392	(23)	-	369	230	138	62.5%	-	-

APPROPRIATION STATEMENT

Programme 1: ADMINISTRATION

	2015/16							2014/15	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of Final Appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Consumables: Stationery, printing and office supplies	611	288	-	899	666	233	74.1%	-	-
Operating leases	8 633	(1 295)	-	7 338	6 840	498	93.2%	-	-
Travel and subsistence	11 689	593	-	12 282	10 610	1 672	86.4%	-	-
Training and development	-	40	-	40	39	1	97.9%	-	-
Operating payments	1 231	(430)	-	801	301	500	37.5%	-	-
Venues and facilities	768	(532)	-	236	186	50	78.6%	-	-
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payments for capital assets	1 832	1 587	-	3 419	2 966	453	86.8%	-	-
Machinery and equipment	1 832	1 567	-	3 399	2 950	449	86.8%	-	-
Intangible assets	-	20	-	20	17	3	83.3%	-	-
Total	81 387	-	(530)	80 857	66 447	14 410	82.2%	-	-

Annual Financial Statements for the Year Ended 31 March 2016

APPROPRIATION STATEMENT

I.1 MINISTRY

	2015/16							2014/15	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of Final Appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Economic classification									
Current payments	30 564	952	-	31 516	29 779	1 736	94.5%	-	-
Compensation of employees	18 000	1 133	-	19 133	18 722	410	97.9%	-	-
Goods and services	12 564	(181)	-	12 383	11 057	1 326	89.3%	-	-
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payments for capital assets	332	-	-	332	118	214	35.5%	-	-
Machinery and equipment	332	-	-	332	118	214	35.5%	-	-
Total	30 896	952	-	31 848	29 897	1 950	93.9%	-	-

I.2 DEPARTMENTAL MANAGEMENT

	2015/16							2014/15	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of Final Appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Economic classification									
Current payments	20 752	(894)	(530)	19 328	14 928	4 400	77.2%	-	-
Compensation of employees	8 067	-	(530)	7 537	5 272	2 265	69.9%	-	-
Goods and services	12 685	(894)	-	11 791	9 656	2 135	81.9%	-	-
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payments for capital assets	435	-	-	435	304	131	69.9%	-	-
Machinery and equipment	435	-	-	435	304	131	69.9%	-	-
Total	21 187	(894)	(530)	19 763	15 232	4 531	77.1%	-	-

APPROPRIATION STATEMENT

I.3 CORPORATE SERVICES

	2015/16							2014/15	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of Final Appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Economic classification									
Current payments	28 239	(1 644)	-	26 595	18 773	7 821	70.6%	-	-
Compensation of employees	18 507	(1 133)	-	17 374	10 597	6 777	61.0%	-	-
Goods and services	9 732	(512)	-	9 220	8 176	1 044	88.7%	-	-
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payments for capital assets	1 065	1 587	-	2 652	2 544	108	95.9%	-	-
Machinery and equipment	1 065	1 567	-	2 632	2 527	104	96.0%	-	-
Intangible assets		20		20	17	3	83.3%	-	-
Total	29 304	(58)	-	29 246	21 317	7 929	72.9%	-	-

Programme 2: CO-OPERATIVES SUPPORT AND DEVELOPMENT

	2015/16							2014/15	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of Final Appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Sub-programme									
I. Co-operatives Support and Development	11 711	-	530	12 241	11 692	549	95.5%	-	-
Total for sub-programmes	11 711	-	530	12 241	11 692	549	95.5%	-	-
Economic classification									
Current payments	11 619	-	530	12 149	11 676	473	96.1%	-	-
Compensation of employees	9 545	-	530	10 075	9 908	167	98.3%	-	-
Salaries and wages	8 490	(45)	530	8 975	8 873	102	98.9%	-	-

Annual Financial Statements for the Year Ended 31 March 2016

APPROPRIATION STATEMENT

Programme 2: CO-OPERATIVES SUPPORT AND DEVELOPMENT

	2015/16							2014/15	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of Final Appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Social contributions	1 055	45	-	1 100	1 035	65	94.0%		
Goods and services	2 074	-	-	2 074	1 768	306	85.3%	-	-
Administrative fees	21	-	-	21	-	21	-	-	-
Catering: Departmental activities	35	-	-	35	9	26	26.3%	-	-
Communication (G&S)	76	-	-	76	52	24	68.7%	-	-
Fleet services (including government motor transport)	19	0	-	19	12	7	63.1%	-	-
Consumable: Stationery, printing and office supplies	502	(248)	-	254	239	15	94.3%	-	-
Operating leases	46	-	-	46	-	46	-	-	-
Travel and subsistence	1 030	199	-	1 229	1 166	63	94.9%	-	-
Training and development	-	48	-	48	-	48	-	-	-
Operating payments	10	-	-	10	-	10	-	-	-
Venues and facilities	335	-	-	335	288	47	86.1%	-	-
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payments for capital assets	92	-	-	92	16	76	17.9%	-	-
Machinery and equipment	92	-	-	92	16	76	17.9%	-	-
Total	11 711	-	530	12 241	11 692	549	95.5%	-	-

APPROPRIATION STATEMENT

2.1 CO-OPERATIVES SUPPORT AND DEVELOPMENT

2015/16								2014/15	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of Final Appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Economic classification									
Current payments	11 619	-	530	12 149	11 676	473	96.1%	-	-
Compensation of employees	9 545	-	530	10 075	9 908	167	98.3%	-	-
Goods and services	2 074	-	-	2 074	1 768	306	85.3%	-	-
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payments for capital assets	92	-	-	92	16	76	17.9%	-	-
Machinery and equipment	92	-	-	92	16	76	17.9%	-	-
Total	11 711	-	530	12 241	11 692	549	95.5%	-	-

PROGRAMME 3: ENTERPRISE DEVELOPMENT AND ENTREPRENEURSHIP

2015/16								2014/15	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of Final Appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Sub-programme									
1. Enterprise and Supplier Development	660 575	(311)	-	660 265	652 834	7 430	98.9%	-	-
2. Gender, Youth and People with Disabilities Economic Empowerment	44 799	72	-	44 871	42 555	2 316	94.8%	-	-
3. SMMEs Local Economic Development	4 841	(3)	-	4 838	3 949	889	81.6%	-	-
4. Incentives, Grants and Soft Loans	324 099	242	-	324 341	321 414	2 927	99.1%	-	-

Annual Financial Statements for the Year Ended 31 March 2016

APPROPRIATION STATEMENT

PROGRAMME 3: ENTERPRISE DEVELOPMENT AND ENTREPRENEURSHIP

	2015/16							2014/15	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of Final Appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
5. Entrepreneurship, Intellectual Property and Indigenous Knowledge Systems	108	-	-	108	-	108	-	-	-
Total for sub-programmes	1 034 422	-	-	1 034 422	1 020 752	13 670	98.7%	-	-
Economic classification									
Current payments	75 351	(30)	-	75 321	62 299	13 022	82.7%	-	-
Compensation of employees	57 413	-	-	57 413	48 633	8 780	84.7%	-	-
Salaries and wages	50 969	(113)	-	50 856	43 318	7 538	85.2%	-	-
Social contributions	6 444	113	-	6 557	5 315	1 242	81.1%	-	-
Goods and services	17 938	(30)	-	17 908	13 666	4 242	76.3%	-	-
Administrative fees	265	(150)	-	115	81	34	70.8%	-	-
Advertising	6	-	-	6	1	5	13.8%	-	-
Minor assets	3	2	-	5	3	2	60.2%	-	-
Bursaries: Employees	-	1	-	1	1	0	95.0%	-	-
Catering: Departmental activities	1 028	(109)	-	920	676	243	73.5%	-	-
Communication (G&S)	523	22	-	545	364	181	66.8%	-	-
Consultants: Business and advisory services	1 970	(1 499)	-	471	-	471	-	-	-
Contractors	356	245	-	601	268	333	44.6%	-	-
Entertainment	13	-	-	13	-	13	-	-	-
Fleet services (including government motor transport)	132	10	-	142	115	27	81.2%	-	-
Consumable supplies	71	56	-	127	123	3	97.3%	-	-
Consumable: Stationery, printing and office supplies	410	(72)	-	338	2	336	0.5%	-	-
Operating leases	573	(100)	-	473	-	473	-	-	-
Property payments	-	5	-	5	4	1	80.5%	-	-
Travel and subsistence	8 751	433	-	9 184	7 533	1 651	82.0%	-	-

APPROPRIATION STATEMENT

PROGRAMME 3: ENTERPRISE DEVELOPMENT AND ENTREPRENEURSHIP

	2015/16							2014/15	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of Final Appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Training and development	2 749	1 121	-	3 870	3 699	170	95.6%	-	-
Operating payments	147	36	-	183	35	148	19.3%	-	-
Venues and facilities	941	(30)	-	911	760	151	83.4%	-	-
Transfers and subsidies	958 372	30	-	958 402	958 250	152	100.0%	-	-
Departmental agencies and accounts	610 364	12 471	-	622 835	622 835	-	100.0%	-	-
Departmental agencies and accounts	610 364	12 471	-	622 835	622 835	-	100.0%	-	-
Higher education institutions	12 471	(12 471)	-	-	-	-	-	-	-
Public corporations and private enterprises	318 751	-	-	318 751	318 625	126	100.0%	-	-
Public corporations	318 751	-	-	318 751	318 625	126	100.0%	-	-
Subsidies on products and production	10 000	-	-	10 000	10 000	-	100.0%	-	-
Other transfers to public corporations	308 751	-	-	308 751	308 625	126	100.0%	-	-
Non-profit institutions	16 726	-	-	16 726	16 726	-	100.0%	-	-
Households	60	30	-	90	64	26	70.6%	-	-
Social benefits	60	30	-	90	64	26	70.6%	-	-
Payments for capital assets	699	-	-	699	203	496	29.0%	-	-
Machinery and equipment	699	-	-	699	203	496	29.0%	-	-
Total	1 034 422	-	-	1 034 422	1 020 752	13 670	98.7%	-	-

Annual Financial Statements for the Year Ended 31 March 2016

APPROPRIATION STATEMENT

3.1 ENTERPRISE AND SUPPLIER DEVELOPMENT

	2015/16							2014/15	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of Final Appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Economic classification									
Current payments	27 422	(311)	-	27 112	19 809	7 303	73.1%	-	-
Compensation of employees	22 794	(259)	-	22 535	16 997	5 538	75.4%	-	-
Goods and services	4 628	(52)	-	4 577	2 812	1 764	61.4%	-	-
Transfers and subsidies	632 880	-	-	632 880	632 874	6	100.0%	-	-
Departmental agencies and accounts	610 364	12 471	-	622 835	622 835	-	100.0%	-	-
Higher Education Institutions	12 471	(12 471)							
Public corporations and private enterprises	10 000	-	-	10 000	10 000	-	100.0%	-	-
Households	45	-		45	39	6	85.6%	-	-
Payments for capital assets	273	-	-	273	152	121	55.6%	-	-
Machinery and equipment	273	-	-	273	152	121	55.6%	-	-
Total	660 575	(311)	-	660 265	652 834	7 430	98.9%	-	-

APPROPRIATION STATEMENT

3.2 GENDER, YOUTH AND PEOPLE WITH DISABILITIES ECONOMIC EMPOWERMENT

	2015/16							2014/15	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of Final Appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Economic classification									
Current payments	19 182	67	-	19 249	17 046	2 202	88.6%	-	-
Compensation of employees	9 854	17	-	9 871	8 528	1 343	86.4%	-	-
Goods and services	9 328	50	-	9 378	8 519	859	90.8%	-	-
Transfers and subsidies	25 477	5	-	25 482	25 480	2	100.0%	-	-
Public corporations and private enterprises	8 751	-	-	8 751	8 751	-	100.0%	-	-
Non-profit institutions	16 726			16 726	16 726	-	100.0%		
Households		5		5	3	2	66.0%	-	-
Payments for capital assets	140	-	-	140	28	112	19.9%	-	-
Machinery and equipment	140	-	-	140	28	112	19.9%	-	-
Total	44 799	72	-	44 871	42 555	2 316	94.8%	-	-

Annual Financial Statements for the Year Ended 31 March 2016

APPROPRIATION STATEMENT

3.3 SMMEs LOCAL ECONOMIC DEVELOPMENT

	2015/16							2014/15	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of Final Appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Economic classification									
Current payments	4 841	(8)	-	4 833	3 946	887	81.7%	-	-
Compensation of employees	4 060	-	-	4 060	3 639	421	89.6%	-	-
Goods and services	781	(8)	-	773	307	466	39.8%	-	-
Transfers and subsidies	-	5	-	5	2	3	49.5%	-	-
Households	-	5	-	5	2	3	49.5%	-	-
Payments for capital assets	-	-	-	-	-	-	-	-	-
Total	4 841	(3)	-	4 838	3 949	889	81.6%	-	-

APPROPRIATION STATEMENT

3.4 INCENTIVES, GRANTS AND SOFT LOANS

	2015/16							2014/15	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of Final Appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Economic classification									
Current payments	23 906	222	-	24 128	21 498	2 630	89.1%	-	-
Compensation of employees	20 705	242	-	20 947	19 470	1 477	92.9%		
Goods and services	3 201	(20)	-	3 181	2 028	1 153	63.8%	-	-
Transfers and subsidies	300 015	20	-	300 035	299 893	142	100.0%	-	-
Public corporations and private enterprises	300 000		-	300 000	299 874	126	100.0%	-	-
Households	15	20		35	19	16	54.9%	-	-
Payments for capital assets	178	-	-	178	23	155	12.9%	-	-
Machinery and equipment	178	-	-	178	23	155	12.9%	-	-
Total	324 099	242	-	324 341	321 414	2 927	99.1%	-	-

Annual Financial Statements for the Year Ended 31 March 2016

APPROPRIATION STATEMENT

3.5 ENTREPRENEURSHIP, INTELLECTUAL PROPERTY AND INDIGENOUS KNOWLEDGE SYSTEMS

	2015/16							2014/15	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of Final Appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Economic classification									
Current payments	-	-	-	-	-	-	-	-	-
Compensation of employees	-	-	-	-	-	-	-	-	-
Goods and services	-	-	-	-	-	-	-	-	-
Transfers and subsidies									
Payments for capital assets	108	-		108		108	-	-	-
Machinery and equipment	108	-		108		108	-	-	-
Total	108	-		108		108	-	-	-

NOTES TO THE APPROPRIATION STATEMENT

1. Detail of transfers and subsidies as per Appropriation Act (after Virement):

Detail of these transactions can be viewed in the note on Transfers and Subsidies, Disclosure notes and Annexure I (A-D) to the Annual Financial Statements.

2. Detail of specifically and exclusively appropriated amounts voted (after Virement):

Detail of these transactions can be viewed in note I (Annual Appropriation) to the Annual Financial Statements.

3. Detail on payments for financial assets

Detail of these transactions per programme can be viewed in the note on Payments for Financial Assets to the Annual Financial Statements.

4. Explanations of material variances from amounts voted (after Virement):

Programme 1: The under-expenditure is due largely to a high vacancy rate during the financial year that accumulated to R9.4 million, as well as R4.5 million in goods and services that is related to the vacant posts. The under-spending of R453 thousand on machinery and equipment is delayed spending as the department could not procure some of the office equipment for the new office space before the move was complete.

Programme 2: Expenditure was R11.6 million, or 95.5% of the adjusted budget of R12.2 million, which resulted in an under-expenditure of R549 thousand (4.5%).

Programme 3: The under-expenditure of R13.7 million was due largely to vacancies amounting to R8.8 million, as well as related goods and services amounting to R4.2 million that was linked closely to the under-achievement of some of the deliverables planned for the financial year, such as the Incubation Support Programme and Shared Economic Infrastructure Facility. The traveling requirements for these projects would have had an impact on expenditure.

NOTES TO THE APPROPRIATION STATEMENT

4.1 Per programme

	Final Appropriation	Actual Expenditure	Variance	Variance as a % of Final Appropriation
	R'000	R'000	R'000	%
1. Administration	80 857	66 447	14 410	17.8%
2. Co-operatives Support and Development	12 241	11 692	549	4.5%
3. Enterprise Development and Entrepreneurship	1 034 422	1 020 752	13 670	1.3%
Total	1 127 520	1 098 891	28 629	2.5%

4.2 Per economic classification

	Final Appropriation	Actual Expenditure	Variance	Variance as a % of Final Appropriation
	R'000	R'000	R'000	%
Current payments	164 908	137 455	27 453	16.6%
Compensation of employees	111 532	93 132	18 400	16.5%
Goods and services	53 376	44 324	9 052	17.0%
Transfers and subsidies	958 402	958 250	152	100.0%
Provinces and municipalities				
Departmental agencies and accounts	622 835	622 835	-	100.0%
Higher education institutions				
Public corporations and private enterprises	318 751	318 625	126	100.0%
Non-profit institutions	16 726	16 726	-	100.0%
Households	90	64	26	28.9%
Payments for capital assets	4 210	3 185	1 024	24.3%
Machinery and equipment	4 190	3 169	1 021	24.4%
Intangible assets	20	17	3	16.7%
Total	1 127 520	1 098 891	28 629	2.5%

The department had 29 vacant posts (16.5%) resulting in under-expenditure of R18.4 million. The allocated budget for Goods and Services was underspent by R9.1 million (17.0%) due to the non-achievement of the some targets and delayed capital spending (24.3%) in relocating the department to a single block within the dti.

STATEMENT OF FINANCIAL PERFORMANCE

	Note	2015/16 R'000	2014/15 R'000
REVENUE			
Annual appropriation	1	1 127 520	-
Departmental revenue	2	121	-
TOTAL REVENUE		1 127 641	-
EXPENDITURE			
Current expenditure			
Compensation of employees	3	93 132	-
Goods and services	4	44 323	-
Total current expenditure		137 455	-
Transfers and subsidies			
Transfers and subsidies	5	958 250	-
Total transfers and subsidies		958 250	-
Expenditure for capital assets			
Tangible assets	6	3 169	-
Intangible assets	6	17	-
Total expenditure for capital assets		3 186	-
TOTAL EXPENDITURE		1 098 891	-
SURPLUS/(DEFICIT) FOR THE YEAR		28 750	-

STATEMENT OF FINANCIAL PERFORMANCE

	Note	2015/16 R'000	2014/15 R'000
Reconciliation of Net Surplus/(Deficit) for the year			
Voted funds		28 629	-
Annual appropriation			
Conditional grants			
Departmental revenue and NRF receipts	11	121	-
SURPLUS/(DEFICIT) FOR THE YEAR		28 750	-

STATEMENT OF FINANCIAL POSITION

	Note	2015/16 R'000	2014/15 R'000
ASSETS			
Current assets		15 903	-
Cash and cash equivalents	7	14 781	-
Prepayments and advances	8	989	-
Receivables	9	133	-
TOTAL ASSETS		15 903	-
LIABILITIES			
Current liabilities		15 903	-
Voted funds to be surrendered to the Revenue Fund	10	15 900	-
Departmental revenue and NRF Receipts to be surrendered to the Revenue Fund	11	2	-
Payables	12	1	-
TOTAL LIABILITIES		15 903	-
NET ASSETS		-	-
	Note	2015/16 R'000	2014/15 R'000
Represented by:		-	-
Capitalisation reserve		-	-
Recoverable revenue		-	-
Retained funds		-	-
Revaluation reserves		-	-
TOTAL		-	-

STATEMENT OF CHANGES IN NET ASSETS

Net Assets	Note	2015/16 R'000	2014/15 R'000
Capitalisation reserves		-	-
Opening balance		-	-
Transfers:			
Movement in equity		-	-
Movement in operational funds		-	-
Other movements		-	-
Closing balance		-	-
Recoverable revenue			
Opening balance		-	-
Transfers:		-	-
Irrecoverable amounts written off		-	-
Debts revised		-	-
Debts recovered (included in departmental receipts)		-	-
Debts raised		-	-
Closing balance		-	-
Retained funds			
Opening balance		-	-
Transfer from voted funds to be surrendered (Parliament/Legislatures ONLY)		-	-
Utilised during the year		-	-
Other transfers		-	-
Closing balance		-	-
Revaluation reserve			
Opening balance		-	-
Revaluation adjustment (Housing departments)		-	-
Transfers		-	-
Other		-	-
Closing balance		-	-
TOTAL		-	-

CASH FLOW STATEMENT

	Note	2015/16 R'000	2014/15 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		1 114 912	-
Annual appropriated funds received	1.1	1 114 791	-
Departmental revenue received	2	121	-
Net (increase)/decrease in working capital		(1 121)	-
Surrendered to Revenue Fund		(119)	-
Current payments		(137 455)	-
Transfers and subsidies paid		(958 250)	-
Net cash flow available from operating activities	13	17 967	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for capital assets	6	(3 186)	-
Net cash flows from investing activities		(3 186)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Distribution/dividend received		-	-
Increase/(decrease) in net assets		-	-
Increase/(decrease) in non-current payables		-	-
Net cash flows from financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		14 781	-
Cash and cash equivalents at beginning of period		-	-
Unrealised gains and losses within cash and cash equivalents		-	-
Cash and cash equivalents at end of period	7	14 781	-

ACCOUNTING POLICIES

Summary of significant accounting policies

The financial statements have been prepared in accordance with the following policies and applied consistently in all material aspects, unless indicated otherwise. Management concluded that the financial statements present fairly the department's primary and secondary information.

The historical cost convention has been used, except where indicated otherwise. Management used assessments and estimates in preparing the annual financial statements based on the best information available at the time of preparation.

Where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the financial statements and comply with the statutory requirements of the Public Finance Management Act (PFMA), Act 1 of 1999 (as amended by Act 29 of 1999) and the Treasury Regulations issued in terms of the PFMA and the annual Division of Revenue Act.

1 Basis of preparation

The financial statements have been prepared in accordance with the Modified Cash Standard.

2 Going concern

The financial statements have been prepared on a going-concern basis.

3 Presentation currency

Amounts have been presented in the currency of the South African Rand (R), which is also the functional currency of the department.

4 Rounding

Unless otherwise stated financial figures have been rounded to the nearest one thousand Rand (R'000).

5 Foreign currency translation

Cash flows arising from foreign currency transactions are translated into South African Rand using the spot exchange rates prevailing at the date of payment / receipt.

6 Comparative information

6.1 Prior period comparative information

Prior period comparative information have not been presented in the current year's financial statements and DSBD is a newly established department. Where necessary figures included in the prior period financial statements have been reclassified to ensure that the format in which the information is presented is consistent with the format of the current year's financial statements.

ACCOUNTING POLICIES

6.2 Current year comparison with budget

A comparison between the approved, final budget and actual amounts for each programme and economic classification is included in the appropriation statement.

7 Revenue

7.1 Appropriated funds

Appropriated funds comprise of departmental allocations. Appropriated funds are recognised in the statement of financial performance on the date the appropriation becomes effective. Adjustments made in terms of the adjustments budget process are recognised in the statement of financial performance on the date the adjustments become effective.

The net amount of any appropriated funds due to / from the relevant revenue fund at the reporting date is recognised as a payable / receivable in the statement of financial position.

7.2 Departmental revenue

Departmental revenue is recognised in the statement of financial performance when received and is subsequently paid into the relevant revenue fund, unless stated otherwise.

Any amount owing to the relevant revenue fund at the reporting date is recognised as a payable in the statement of financial position.

7.3 Accrued departmental revenue

Accruals in respect of departmental revenue (excluding tax revenue) are recorded in the notes to the financial statements when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the department; and
- the amount of revenue can be measured reliably.

The accrued revenue is measured at the fair value of the consideration receivable.

Accrued tax revenue (and related interest and / penalties) is measured at amounts receivable from collecting agents.

8 Expenditure

8.1 Compensation of employees

8.1.1 Salaries and wages

Salaries and wages are recognised in the statement of financial performance on the date of payment.

ACCOUNTING POLICIES

8.1.2 Social contributions

Social contributions made by the department in respect of current employees are recognised in the statement of financial performance on the date of payment.

Social contributions made by the department in respect of ex-employees are classified as transfers to households in the statement of financial performance on the date of payment.

8.2 Other expenditure

Other expenditure (such as goods and services, transfers and subsidies and payments for capital assets) is recognised in the statement of financial performance on the date of payment. The expense is classified as a capital expense if the total consideration paid is more than the capitalisation threshold.

8.3 Accrued expenditure payable

Accrued expenditure payable is recorded in the notes to the financial statements when the goods are received or, in the case of services, when they are rendered to the department or in the case of transfers and subsidies when they are due and payable.

Accrued expenditure payable is measured at cost.

8.4 Leases

8.4.1 Operating leases

Operating lease payments made during the reporting period are recognised as current expenditure in the statement of financial performance on the date of payment.

The operating lease commitments are recorded in the notes to the financial statements.

8.4.2 Finance leases

Finance lease payments made during the reporting period are recognised as capital expenditure in the statement of financial performance on the date of payment.

The finance lease commitments are recorded in the notes to the financial statements and not apportioned between the capital and interest portions.

Finance lease assets acquired at the end of the lease term are recorded and measured at the lower of:

- cost, being the fair value of the asset; or
- the sum of the minimum lease payments made, including any payments made to acquire ownership at the end of the lease term, excluding interest.

ACCOUNTING POLICIES

9 Cash and cash equivalents

Cash and cash equivalents are stated at cost in the statement of financial position.

Bank overdrafts are shown separately on the face of the statement of financial position as a current liability.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held, other short-term highly liquid investments and bank overdrafts.

10 Prepayments and advances

Prepayments and advances are recognised in the statement of financial position when the department receives or disburses the cash.

Prepayments and advances are initially and subsequently measured at cost. Prepayments are expensed when delivery of goods and services has been rendered.

11 Loans and receivables

Loans and receivables are recognised in the statement of financial position at cost plus accrued interest, where interest is charged, less amounts already settled or written-off. Write-offs are made according to the department's write-off policy.

12 Financial assets

12.1 Financial assets (not covered elsewhere)

A financial asset is recognised initially at its cost plus transaction costs that are directly attributable to the acquisition or issue of the financial.

At the reporting date, a department shall measure its financial assets at cost, less amounts already settled or written-off, except for recognised loans and receivables, which are measured at cost plus accrued interest where interest is charged, less amounts already settled or written-off.

12.2 Impairment of financial assets

Where there is an indication of impairment of a financial asset, an estimation of the reduction in the recorded carrying value, to reflect the best estimate of the amount of the future economic benefits expected to be received from that asset, is recorded in the notes to the financial statements.

13 Payables

Loans and payables are recognised in the statement of financial position at cost.

14 Capital assets

ACCOUNTING POLICIES

14.1 Movable capital assets

Movable capital assets are initially recorded in the notes to the financial statements at cost. Movable capital assets acquired through a non-exchange transaction is measured at fair value as at the date of acquisition.

Where the cost of movable capital assets cannot be determined reliably, the movable capital assets are measured at fair value and where fair value cannot be determined, the movable assets are measured at R.I.

All assets acquired prior to 1 April 2002 (or a later date as approved by the OAG) may be recorded at R.I.

Movable capital assets are subsequently carried at cost and are not subject to depreciation or impairment.

Subsequent expenditure that is of a capital nature is added to the cost of the asset at the end of the capital project unless the movable asset is recorded by another department/entity, in which case the completed project costs are transferred to that department.

14.2 Intangible assets

Intangible assets are initially recorded in the notes to the financial statements at cost. Intangible assets acquired through a non-exchange transaction are measured at fair value as at the date of acquisition.

Internally generated intangible assets are recorded in the notes to the financial statements when the department commences the development phase of the project.

Where the cost of intangible assets cannot be determined reliably, the intangible capital assets are measured at fair value and where fair value cannot be determined, the intangible assets are measured at R.I.

All assets acquired prior to 1 April 2002 (or a later date as approved by the OAG) may be recorded at R.I.

Intangible assets are subsequently carried at cost and are not subject to depreciation or impairment.

Subsequent expenditure that is of a capital nature is added to the cost of the asset at the end of the capital project unless the intangible asset is recorded by another department/entity, in which case the completed project costs are transferred to that department.

15 Provisions and Contingents

15.1 Provisions

Provisions are recorded in the notes to the financial statements when there is a present legal or constructive obligation to forfeit economic benefits as a result of events in the past and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the obligation can be made. The provision is measured as the best estimate of the funds required to settle the present obligation at the reporting date.

ACCOUNTING POLICIES

15.2 **Contingent liabilities**

Contingent liabilities are recorded in the notes to the financial statements when there is a possible obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not within the control of the department, or when there is a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation or the amount of the obligation cannot be measured reliably.

15.3 **Contingent assets**

Contingent assets are recorded in the notes to the financial statements when a possible asset arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not within the control of the department.

15.4 **Commitments**

Commitments are recorded at cost in the notes to the financial statements when there is a contractual arrangement or an approval by management in a manner that raises a valid expectation that the department will discharge its responsibilities, thereby incurring future expenditure that will result in the outflow of cash.

16 **Unauthorised expenditure**

Unauthorised expenditure is recognised in the statement of financial position until such time as the expenditure is either:

- approved by Parliament or the Provincial Legislature with funding and the related funds are received; or
- approved by Parliament or the Provincial Legislature without funding and is written off against the appropriation in the statement of financial performance; or
- transferred to receivables for recovery.

Unauthorised expenditure is measured at the amount of the confirmed unauthorised expenditure.

17 **Fruitless and wasteful expenditure**

Fruitless and wasteful expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the total value of the fruitless and or wasteful expenditure incurred.

Fruitless and wasteful expenditure is removed from the notes to the financial statements when it is resolved or transferred to receivables for recovery.

Fruitless and wasteful expenditure receivables are measured at the amount that is expected to be recoverable and are de-recognised when settled or subsequently written-off as irrecoverable.

ACCOUNTING POLICIES

18 Irregular expenditure

Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the value of the irregular expenditure incurred unless it is impracticable to determine, in which case reasons therefore are provided in the note.

Irregular expenditure is removed from the note when it is either condoned by the relevant authority, transferred to receivables for recovery or not condoned and is not recoverable.

Irregular expenditure receivables are measured at the amount that is expected to be recoverable and are de-recognised when settled or subsequently written-off as irrecoverable.

19 Changes in accounting policies, accounting estimates and errors

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with MCS requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such instances, the department shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with MCS requirements.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with MCS requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the department shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

20 Events after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the financial statements.

21 Capitalisation reserve

The capitalisation reserve comprises of financial assets and/or liabilities originating in a prior reporting period but which are recognised in the statement of financial position for the first time in the current reporting period. Amounts are recognised in the capitalisation reserves when identified in the current period and are transferred to the National/Provincial Revenue Fund when the underlying asset is disposed and the related funds are received.

22 Recoverable revenue

Amounts are recognised as recoverable revenue when a payment made in a previous financial year becomes recoverable from a debtor in the current financial year. Amounts are either transferred to the National/Provincial Revenue Fund when recovered or are transferred to the statement of financial performance when written-off.

ACCOUNTING POLICIES

23 Related party transactions

A related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party. Related party transactions within the Minister's portfolio are recorded in the notes to the financial statements when the transaction is not at arm's length.

Key management personnel are those persons with the authority and responsibility for planning, directing and controlling the activities of the department. The number of individuals and their full compensation is recorded in the notes to the financial statements.

24 Inventories (Effective from 1 April 2017)

At the date of acquisition, inventories are recorded at cost price in the notes to the financial statements

Where inventories are acquired as part of a non-exchange transaction, the cost of inventory is its fair value at the date of acquisition.

Inventories are subsequently measured at the lower of cost and net realisable value or the lower of cost and current replacement value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

I. Annual Appropriation

I.1 Annual Appropriation

Included are funds appropriated in terms of the Appropriation Act (and the Adjustments Appropriation Act) for National Departments (Voted funds) and Provincial Departments:

	2015/16			2014/15	
	Final Appropriation	Actual Funds Received	Funds Not Requested/ Not Received	Final Appropriation	Appropriation Received
	R'000	R'000	R'000	R'000	R'000
Administration	80 857	68 128	12 729	-	-
Cooperatives Support and Development	12 241	12 241	-	-	-
Enterprise Development and Entrepreneurship	1 034 422	1 034 422	-	-	-
Total	1 127 520	1 114 791	12 729	-	-

The department had a high vacancy rate throughout the financial year, which accumulated to R18.4 million by the end of the year. This possible saving was identified during the year; hence some of the funds allocated for Compensation of Employees were not requested.

2. Departmental revenue

	Note	2015/16 R'000	2014/15 R'000
Sales of goods and services other than capital assets	2.1	46	-
Transactions in financial assets and liabilities	2.2	75	-
Total revenue collected		121	-
Less: Own revenue included in appropriation		-	-
Departmental revenue collected		121	-

The departmental revenue consist of monies received in respect of rental parking from DSBD employees and commission received on the deduction of insurance/premiums from employees' salaries.

An amount of R68 thousand was in respect of the money recovered from a CIS client who was overpaid during the 2014/15 financial year. An agreement was reached that the money will be offset against their next payment, which was processed in September 2015.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2.1 Sales of goods and services other than capital assets

	Note 2	2015/16 R'000	2014/15 R'000
Sales of goods and services produced by the department		46	-
Sales by market establishment		27	-
Other sales		19	-
Sales of scrap, waste and other used current goods		-	-
Total		46	-

2.2 Transactions in financial assets and liabilities

	Note 2	2015/16 R'000	2014/15 R'000
Receivables		75	-
Total		75	-

An amount of R68 thousand was in respect of the money recovered from a CIS client who was overpaid during the 2014/15 financial year and subsequently recovered during 2015/16.

3. Compensation of employees

3.1 Salaries and wages

	Note	2015/16 R'000	2014/15 R'000
Basic salary		62 625	-
Performance award		1 132	-
Service-based		9	-
Compensative/circumstantial		2 715	-
Other non-pensionable allowances		16 801	-
Total		83 282	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

3.2 Social contributions

	Note	2015/16 R'000	2014/15 R'000
Employer contributions			
Pension		7 697	-
Medical		2 143	-
Bargaining Council		10	-
Total		9 850	-
Total compensation of employees		93 132	-
Average number of employees		154	-

4. Goods and services

	Note	2015/16 R'000	2014/15 R'000
Administrative fees		508	-
Advertising		1 945	-
Minor assets	4.1	40	-
Bursaries (employees)		7	-
Catering		957	-
Communication		1 481	-
Computer services	4.2	3 897	-
Consultants: Business and advisory services		745	-
Contractors		673	-
Audit cost – external	4.3	1 072	-
Fleet services		277	-
Consumables	4.4	1 260	-
Operating leases		6 840	-
Property payments	4.5	4	-
Travel and subsistence		19 309	-
Venues and facilities		1 234	-
Training and development	4.6	3 738	-
Other operating expenditure	4.7	336	-
Total		44 323	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Key cost drivers

- **Advertising:** As a newly established department, there was a need to take the department to the public through advertising, branding and issuing of promotional materials.
- **Audit cost:** The expenditure is for the audit work carried out by AG during the period under review
- **Computer services:** The migration from the Novell GroupWise environment to the Microsoft Active Directory, Exchange and Outlook platform and the implementation of an Enterprise Solution for information management for the department.
- **Consultants:** To ensure transparency, an independent professional opinion had to be sourced for the programme review process.
- **Operating lease:** The operating lease expenditure largely comprises of payments made towards the dti for office space rental.
- **Training and development:** The high expenditure is due to the Bavumile training programme that the department was conducting throughout the provinces.
- **Travel and subsistence:** This is the highest spending item under goods and services and is due to the nature of service provided by the department, which often requires officials to travel for the inspection of projects related to incentive schemes.

4.1 Minor assets

	Note 4	2015/16 R'000	2014/15 R'000
Tangible assets			
Machinery and equipment		40	-
Total		40	-

4.2 Computer services

	Note 4	2015/16 R'000	2014/15 R'000
SITA computer services		3 897	-
Total		3 897	-

The migration from the Novell GroupWise environment to the Microsoft Active Directory, Exchange and Outlook platform and the implementation of an Enterprise Solution for information management for the department.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

4.3 Audit cost – External

	Note 4	2015/16 R'000	2014/15 R'000
Regularity audits		1 072	-
Total		1 072	-

Audits by AG

4.4 Consumables

	Note 4	2015/16 R'000	2014/15 R'000
Consumable supplies		353	
Uniform and clothing		13	-
Household supplies		7	-
Communication accessories		2	-
IT consumables		8	-
Other consumables		323	-
Stationery, printing and office supplies		907	-
Total		1 260	-

4.5 Property payments

	Note 4	2015/16 R'000	2014/15 R'000
Other		4	-
Total		4	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

4.6 Travel and subsistence

	Note	2015/16 R'000	2014/15 R'000
Local	4	14 215	-
Foreign		5 094	-
Total		19 309	-

High spending due to the nature of service provided by the department, which often requires officials to travel for the inspection of projects related to incentive schemes.

4.7 Other operating expenditure

	Note	2015/16 R'000	2014/15 R'000
Resettlement costs	4	34	-
Other		302	-
Total		336	-

Printing and publications R111 thousand and courier and delivery services R191 thousand

5. Transfers and subsidies

	Note	2015/16 R'000	2014/15 R'000
Departmental agencies and accounts	Annex 1A	622 835	-
Public corporations and private enterprises	Annex 1B	318 625	-
Non-profit institutions	Annex 1C	16 726	-
Households	Annex 1D	64	-
Total		958 250	-
Unspent funds transferred to the above beneficiaries		126	-

The amount not transferred relates to Black Business Supplier Development Programme (BBSDP) and Cooperatives Incentives Scheme (CIS) as the remaining amount (R126 thousand) was not enough to pay for any of the claims that the department had on hand at the end of the financial year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

6. Expenditure for capital assets

	Note	2015/16 R'000	2014/15 R'000
Tangible assets		3 169	-
Machinery and equipment	24.1	3 169	-
Intangible assets		17	-
Software	26.1	17	-
Total		3 186	-

Computer equipment for new officials and replacement of old machines (R1.260 million), printer's and other office equipment procured for the new office space (R1.909 million)

6.1 Analysis of funds utilised to acquire capital assets – 2015/16

	Voted funds R'000	Aid assistance R'000	Total R'000
Tangible assets	3 169	-	3 169
Machinery and equipment	3 169	-	3 169
Intangible assets	17	-	17
Software	17	-	17
Total	3 186	-	3 186

7. Cash and cash equivalents

	Note	2015/16 R'000	2014/15 R'000
Consolidated Paymaster General Account		14 715	-
Cash on hand – Petty Cash		66	-
Total		14 781	-

There are no undrawn borrowings.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

8. Prepayments and advances

	Note	2015/16 R'000	2014/15 R'000
Staff advances		5	-
Travel and subsistence		106	-
Prepayments (not expensed)		-	-
Advances paid	8.1	878	-
Total		989	-

Staff advances consists of money paid to officials as travel and subsistence advances for travel abroad, money paid to Ministry staff as a clothing allowance for reconciliation when they submit invoices, as well as money paid to an official as financial assistance to obtain her driver's licence.

8.1 Advances paid

	Note	2015/16 R'000	2014/15 R'000
National departments	8	878	-
Total		878	-

An advance of R3 million was paid to DIRCO at the beginning of the financial year for the facilitation of travelling logistics for DSBD officials travelling abroad, of which R2.1 million was used during the financial year, which left the department with a prepayment balance of R878 thousand.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

9. Receivables

		2015/16			2014/15		
		Current	Non-current	Total	Current	Non-current	Total
	Note	R'000	R'000	R'000	R'000	R'000	R'000
Claims recoverable	9.1	64	-	64	-	-	-
Trade receivables	9.2	3	-	3	-	-	-
Recoverable expenditure	9.3	5	-	5	-	-	-
Staff debt	9.4	61	-	61	-	-	-
Fruitless and wasteful expenditure		-	-	-	-	-	-
Other debtors		-	-	-	-	-	-
Total		133	-	133	-	-	-

9.1 Claims recoverable

	Note	2015/16	2014/15
	9 and Annex IF	R'000	R'000
National departments		64	-
Total		64	-

Department of Trade and Industry (R9 thousand) and the Department of Water Affairs and Fisheries (R55 thousand)

9.2 Trade receivables

	Note	2015/16	2014/15
	9	R'000	R'000
Trade receivables		3	-
Total		3	-

Non-officials related to a project supported by the Gender unit.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

9.3 Recoverable expenditure (disallowance accounts)

	Note 9	2015/16 R'000	2014/15 R'000
Tax debt		5	-
Total		5	-

9.4 Staff debts

	Note 9	2015/16 R'000	2014/15 R'000
Performance bonus overpayment		25	-
Allowances		31	-
Salary overpayment		5	-
Total		61	-

Staff debts comprise of performance bonus overpayment, clothing allowance for ministry officials and salary overpayment.

10. Voted funds to be surrendered to the Revenue Fund

	Note	2015/16 R'000	2014/15 R'000
Opening balance		-	-
Prior period error		-	-
As restated		-	-
Transfer from statement of financial performance (as restated)		28 629	-
Voted funds not requested/not received	1.1	(12 729)	-
Paid during the year		-	-
Closing balance		15 900	-

The department had a high vacancy rate throughout the financial year, which accumulated to R18.4 million by the end of the year. This possible saving was identified during the year and some funds allocated for Compensation of Employees were, therefore, not requested.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

11. Departmental revenue and NRF receipts to be surrendered to the Revenue Fund

	Note	2015/16 R'000	2014/15 R'000
Opening balance		-	-
Prior period error		-	-
As restated		-	-
Transfer from Statement of Financial Performance (as restated)		121	-
Own revenue included in appropriation		-	-
Transfer from aid assistance		-	-
Transfer to voted funds to defray expenditure (Parliament/Legislatures ONLY)		-	-
Paid during the year		(119)	-
Closing balance		2	-

The departmental revenue consist of monies received in respect of rental parking from DSBD employees and commission received on the deduction of insurance/premiums from employees' salaries.

An amount of R68 thousand was in respect of the money recovered from a CIS client who was overpaid during the 2014/15 financial year and an agreement was reached that the money will be offset against the next payment that was processed in September 2015.

12. Payables – current

	Note	2015/16 R'000	2014/15 R'000
Clearing accounts	12.1	1	-
Total		1	-

12.1 Clearing accounts

Description	Note	2015/16 R'000	2014/15 R'000
Insurance deduction	12	1	-
Total		1	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

13. Net cash flow available from operating activities

Note	2015/16 R'000	2014/15 R'000
Net surplus as per Statement of Financial Performance	28 750	-
Add back non cash/cash movements not deemed operating activities	(10 783)	-
<i>(Increase)/decrease in receivables – current</i>	(133)	-
<i>(Increase)/decrease in prepayments and advances</i>	(989)	-
<i>(Increase)/decrease in other current assets</i>	-	-
<i>Increase/(decrease) in payables – current</i>	1	-
<i>Proceeds from sale of capital assets</i>	-	-
<i>Proceeds from sale of investments</i>	-	-
<i>(Increase)/decrease in other financial assets</i>	-	-
<i>Expenditure on capital assets</i>	3 186	-
<i>Surrenders to Revenue Fund</i>	(119)	-
<i>Surrenders to RDP Fund/Donor</i>	-	-
<i>Voted funds not requested/not received</i>	(12 729)	-
<i>Own revenue included in appropriation</i>	-	-
<i>Other non-cash items</i>	-	-
Net cash flow generated by operating activities	17 967	-

14. Reconciliation of cash and cash equivalents for cash flow purposes

Note	2015/16 R'000	2014/15 R'000
Consolidated Paymaster General account	14 715	-
Cash on hand	66	-
Total	14 781	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

15. Contingent liabilities and contingent assets

Contingent assets

	Note	2015/16 R'000	2014/15 R'000
Nature of contingent asset			
Mahumbo Medical Resources		696	-
Tropical Sky Trading 54-Mokoena Msiza Co-Op		429	-
Total		1 125	-

16. Commitments

	Note	2015/16 R'000	2014/15 R'000
Current expenditure		3 748	-
Approved and contracted		3 748	-
Approved but not yet contracted		-	-
Capital expenditure		724	-
Approved and contracted		724	-
Approved but not yet contracted		-	-
Total Commitments		4 472	-

All Commitments are less than a year **R4.472 million**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

17. Accruals and payables not recognised

17.1. Accruals

Listed by economic classification	30 Days	30+ Days	2015/16 R'000	2014/15 R'000
			Total	Total
Goods and services	959	523	1 482	-
Capital assets	11		11	-
Other				
Total	970	523	1 493	-
			Note	
Programme			2015/16 R'000	2014/15 R'000
Administration			948	-
Cooperatives Support and Development			65	-
Enterprise Development and Entrepreneurship			480	-
Total			1 493	-

18. Employee benefits

	Note	2015/16 R'000	2014/15 R'000
Leave entitlement		3 888	-
Service bonus (thirteenth cheque)		2 232	-
Performance awards		-	-
Capped leave commitments		556	-
Other			
Total		6 676	-

This is due to the over-grant of leave taken, as employees are given full leave credits in January of each year, while the information in the financial statements is based on the leave accruals as at 31 March 2016.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

19 Finance leases expenditure**

2015/16	Specialised Military Equipment	Land	Buildings and other Fixed Structures	Machinery and Equipment	Total
Not later than 1 year	-	-	-	160	160
Later than 1 year and not later than 5 years	-	-	-	29	29
Later than five years	-	-	-	-	-
Total lease commitments	-	-	-	188	188

**This note excludes leases relating to public private partnerships as they are separately disclosed.

Vodacom and Cell C active lines allocated to officials. Awaiting supporting documents from the dti.

20 Irregular expenditure

20.1 Reconciliation of irregular expenditure

Note	2015/16 R'000	2014/15 R'000
Add: Irregular expenditure – relating to current year	1 834	-
Closing balance	1 834	-
Analysis of awaiting condonation per age classification		
Current year	1 834	-
Prior years		
Total	1 834	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

20.2 Details of irregular expenditure – current year

Incident	Disciplinary steps taken/criminal proceedings	2015/16 R'000
B'avumile training: The department did not comply with paragraph 3.4 of PN 8 of 2007/2008, which requires that for transactions with a value of R500 thousand and above follow a competitive bidding process	This was an audit finding and will be investigated to determine possible disciplinary steps where applicable	1 834
Total		1 834

21 Related party transactions

DSBD has oversight responsibility over the following public and trading entities:

- i. Small Enterprises Finance Agency (sefa) and
- ii. Small Enterprises Development Agency (SEDA)

22 Key management personnel

	No. of Individuals	2015/16 R'000	2014/15 R'000
Political office bearers (provide detail below)	2	3 533	-
Officials:			-
Level 15 to 16	1	958	-
Level 14 (incl. CFO if at a lower level)	10	13 721	-
Family members of key management personnel		-	-
Total		18 211	-

23 Provisions

	Note	2015/16 R'000	2014/15 R'000
Cooperatives Incentive Scheme (CIS) - Claims	23.1	11 471	-
Black Business Supplier Development Programme (BBSDP) - Claims	23.1	158 316	-
Total		169 787	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

23.1 Reconciliation of movement in provisions – 2015/16

	Provision 1	Provision 2	Provision 3	Total provisions
	R'000	R'000	R'000	R'000
	CIS	BBSDP		
Opening balance	4 270	82 985	-	87 255
Increase in provision	84 423	372 128	-	456 551
Settlement of provision	(74 998)	(224 876)	-	(299 874)
Unused amount reversed	(2 550)	(71 666)	-	(74 216)
Reimbursement expected from third party	-	-	-	-
Change in provision due to change in estimation of inputs	326	(255)	-	71
Closing balance	11 471	158 316	-	169 787

Provisions are made for CIS and BBSDP incentive schemes. The incentive applications approved for BBSDP and CIS are recorded as a provision from the date of approval until the date that the successful applicant submits a completed claim, which will then be processed for payment.

24 Movable Tangible Capital Assets

MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2015/16

	Opening balance	Value adjustments	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
MACHINERY AND EQUIPMENT	-	-	9 269	-	9 269
Transport assets	-	-	2 596	-	2 596
Computer equipment	-	-	3 613	-	3 613
Furniture and office equipment	-	-	2 142	-	2 142
Other machinery and equipment	-	-	918	-	918
Capital work-in-progress	-	-	-	-	-
TOTAL MOVABLE TANGIBLE CAPITAL ASSETS	-	-	9 269	-	9 269

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Movable Capital Assets under investigation					
				Number	Value
					R'000
Included in the above total of the capital assets per the asset register are assets that are under investigation:					
Machinery and equipment				16	269

24.1 Additions

ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2015/16

	Cash	Non-cash	(Capital Work-in-Progress current costs and finance lease payments)	Received current, not paid (Paid current year; received prior year)	Total
	R'000	R'000	R'000	R'000	R'000
MACHINERY AND EQUIPMENT	3 169	6 100	-	-	9 269
Transport assets	-	2 596	-	-	2 596
Computer equipment	1 260	2 353	-	-	3 613
Furniture and office equipment	1 684	458	-	-	2 142
Other machinery and equipment	225	693	-	-	918
TOTAL ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS	3 169	6 100	-	-	9 269

The non-cash items are assets transferred from the dti.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

25 Minor assets

MOVEMENT IN MINOR ASSETS PER THE ASSET REGISTER FOR THE YEAR ENDED AS AT 31 MARCH 2015/16

	Specialised Military Assets	Intangible Assets	Heritage Assets	Machinery and Equipment	Biological Assets	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Opening balance	-	-	-	-	-	-
Value adjustments	-	-	-	-	-	-
Additions	-	-	-	157	-	157
Disposals	-	-	-	-	-	-
TOTAL MINOR ASSETS	-	-	-	157	-	157

	Specialised Military Assets	Intangible Assets	Heritage Assets	Machinery and Equipment	Biological Assets	Total
Number of RI minor assets	-	-	-	-	-	-
Number of minor assets at cost	-	-	-	68	-	68
TOTAL NUMBER OF MINOR ASSETS	-	-	-	68	-	68

Minor Capital Assets under investigation

	Number	Value R'000
Included in the above total of the minor capital assets per the asset register are assets that are under investigation:		
Machinery and equipment	8	13

These are under investigation as officials were not in office.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

26 Intangible Capital Assets

MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2015/16

	Opening Balance R'000	Value Adjustments R'000	Additions R'000	Disposals R'000	Closing Balance R'000
SOFTWARE	-	-	17	-	17
TOTAL INTANGIBLE CAPITAL ASSETS	-	-	17	-	17

26.1 Additions

ADDITIONS TO INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2015/16

	Cash R'000	Non-Cash R'000	(Develop- ment work in progress – current costs) R'000	Received current year; not paid (Paid current year; received prior year) R'000	Total R'000
SOFTWARE	17	-	-	-	17
TOTAL ADDITIONS TO INTANGIBLE CAPITAL ASSETS	17	-	-	-	17

TRANSFER OF FUNCTIONS

27 Transfer of functions

National Treasury allocated R1.103 billion to DSBD on 11 February 2015 for the 2015/16 financial year. The allocation comprised of R1.059 billion transferred from **the dti** with functions and R44 million allocated by National Treasury to assist with the establishment of the department. During the adjustment estimates, DSBD was further allocated an amount of R24.3 million, which consisted of R22.4 million from **the dti** for transfer payments that were omitted during the transfer of functions process, as well as R1.8 million for compensation of employees due to the salary adjustment that was higher than anticipated, bringing the total adjusted budget to R1.127 billion. The department also received assets amounting to R6.2 million. The departmental asset register is inclusive of these amounts.

27.1 Statement of Financial Position

	Note	Bal per dept 2014/15 AFS before transfer	Functions per dept (received)	Functions per dept (transferred) / received	Functions per dept (transferred) / received	2014/15 Bal after transfer
		2014/15 R'000	2014/15 R'000	2014/15 R'000	2014/15 R'000	2014/15 R'000
ASSETS						
Current Assets		-	1 261	-	-	1 261
Prepayments and advances		-	110	-	-	110
Receivables		-	1 151	-	-	1 151
TOTAL ASSETS		-	1 261	-	-	1 261
NET ASSETS		-	1 261	-	-	1 261

TRANSFER OF FUNCTIONS

27.2 Notes

	Note	Bal per dept 2014/15: AFS before transfer	Functions per dept (transferred) / received	Functions per dept (transferred) / received	Functions per dept (transferred) / received	2014/15 Bal after transfer
		2014/15	2014/15	2014/15	2014/15	2014/15
		R'000	R'000	R'000	R'000	R'000
Contingent assets			1 125	-	-	1 125
Commitments			-	-	-	-
Accruals			-	-	-	-
Payables not recognised			869	-	-	869
Employee benefits			4 363	-	-	4 363
Lease commitments – Finance lease			198	-	-	198
Impairment			360	-	-	360
Provisions			87 255	-	-	87 255
Movable tangible capital assets:			6 239	-	-	6 239
Intangible capital assets			-	-	-	-

The above listed are closing balances for the 2014/15 financial year.

The Department of Small Business Development was established as a national department in accordance with the reorganisation of some national departments announced by the President in May 2014. There was no written agreement between the two (2) departments. The transfer of assets and officials was done through submissions signed by both Directors-General.

ANNEXURE 1A

ANNEXURE 1A

STATEMENT OF TRANSFERS TO DEPARTMENTAL AGENCIES AND ACCOUNTS

DEPARTMENT/ AGENCY/ ACCOUNT	TRANSFER ALLOCATION				TRANSFER		2014/15
	Adjusted Appropriation	Roll-overs	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000
Small Enterprise Development Agency (SEDA)	478 183	-	-	478 183	478 183	100%	-
SEDA: Technology Programme	132 181	-	-	132 181	132 181	100%	-
SEDA Capacity Building Programme	12 471	-	-	12 471	12 471	100%	-
TOTAL	622 835	-	-	622 835	622 835	-	-

ANNEXURE 1B

ANNEXURE 1B

STATEMENT OF TRANSFERS/SUBSIDIES TO PUBLIC CORPORATIONS AND PRIVATE ENTERPRISES

NAME OF PUBLIC CORPORATION/PRIVATE ENTERPRISE	TRANSFER ALLOCATION				EXPENDITURE				2014/15
	Adjusted Appropriation Act	Roll-overs	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	Capital	Current	Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000
Public Corporations									
Transfers	18 751	-	-	18 751	18 751	100.0%	-	-	-
Industrial Development Corporation: Craft-customised Sector Programme (IDC CSP)	10 000	-	-	10 000	10 000	100.0%	-	-	-
Industrial Development Corporation Isivande Women's Fund	8 751	-	-	8 751	8 751	100.0%	-	-	-
Subsidies	300 000			300 000	299 874	99.9%			
Black Business Supplier Development Programme (BBSDP)	225 000	-	-	225 000	224 876	99.9%	-	-	-
Cooperatives Incentive Scheme (CIS)	75 000	-	-	75 000	74 998	100.0%	-	-	-
TOTAL	318 751	-	-	318 751	318 625	100.0%	-	-	-

ANNEXURE IC

ANNEXURE IC

STATEMENT OF TRANSFERS TO NON-PROFIT INSTITUTIONS

NON-PROFIT INSTITUTIONS	TRANSFER ALLOCATION				EXPENDITURE		2014/15
	Adjusted Appropriation Act	Roll-overs	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000
Transfers							
South African Women Entrepreneurs Network (SAWEN)	16 726	-	-	16 726	16 726	100%	-
TOTAL	16 726	-	-	16 726	16 726	100%	-

ANNEXURE ID

ANNEXURE ID
STATEMENT OF TRANSFERS TO HOUSEHOLDS

HOUSEHOLDS	TRANSFER ALLOCATION				EXPENDITURE		2014/15
	Adjusted Appropriation Act	Roll-overs	Adjustments	Total Available	Actual Transfer	% of Available Funds Transferred	Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000
Transfers							
Households	90	-	-	-	64	71%	-
TOTAL	90	-	-	-	64	71%	-

ANNEXURE 1E

ANNEXURE 1E

STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS RECEIVED

NAME OF ORGANISATION	NATURE OF GIFT, DONATION OR SPONSORSHIP	2015/16	2014/15
		R'000	R'000
Received in kind			
International Labour Organisation	Sponsored an expert meeting on enterprise formalisation in Italy; the Academy on sustainable enterprise development in Zambia; and provided technical support to officials within the informal business unit in DSBD.	327	-
United Nations Women	Tuition fees for the Women Economic Empowerment Conference - Seychelles	27	-
TOTAL		354	-

ANNEXURE IF

ANNEXURE I F
CLAIMS RECOVERABLE

Government Entity	Confirmed Balance		Unconfirmed Balance		Total		Cash in-transit at year end 2015/16 *	
	Outstanding		Outstanding				Receipt date up to six (6) working days after year end	Amount
	31/03/2016	31/03/2015	31/03/2016	31/03/2015	31/03/2016	31/03/2015		
	R'000	R'000	R'000	R'000	R'000	R'000		R'000
Department								
DAFF	-	-	-	55	55	-	-	-
The dti	-	-	-	9	9	-	-	-
TOTAL	-	-	-	64	64	-	-	-

ANNEXURE 1G

ANNEXURE 1G

INTER-ENTITY ADVANCES PAID (note 8)

ENTITY	Confirmed Balance Outstanding		Unconfirmed Balance Outstanding		TOTAL	
	31/03/2015	31/03/2016	31/03/2015	31/03/2016	31/03/2015	31/03/2016
	R'000	R'000	R'000	R'000	R'000	R'000
NATIONAL DEPARTMENTS						
Department of International Relations and Cooperation	-	-	878		878	-
Subtotal	-	-	878		878	-
TOTAL	-	-	878		878	-



Physical Address:

the dti Campus
77 Meintjies Street
Sunnyside
Pretoria
0097

Postal Address:

Private Bag X672
Pretoria
0001

Contact Numbers:

Customer Call Centre:
0861 843 384 (select Option 2)
sbdinfo@dsbd.gov.za

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**small business
development**

Department:
Small Business Development
REPUBLIC OF SOUTH AFRICA