



small business
development

Department:
Small Business Development
REPUBLIC OF SOUTH AFRICA

Annual Report
2016/17
VOTE NO. 31



**small business
development**

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REPUBLIC OF SOUTH AFRICA



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PART A:

GENERAL INFORMATION

PART A: GENERAL INFORMATION

1. DEPARTMENT GENERAL INFORMATION

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2. LIST OF ABBREVIATIONS/ACRONYMS

AGSA	Auditor-General of South Africa
AIDS	Acquired immune deficiency syndrome
APP	Annual Performance Plan
BAC	Bid Adjudication Committee
BEE	Black Economic Empowerment
BBSDP	Black Business Supplier Development Programme
BEC	Bid Evaluation Committee
BRRR	Budgetary Review and Recommendation Report
BSC	Bid Specification Committee
CAC	Cooperatives Advisory Council
CDA	Cooperatives Development Agency
CGICTPF	Corporate Governance of Information and Communication Technology Policy Framework
CIS	Cooperatives Incentive Scheme
DBC	Departmental Bargaining Committee
DDG	Deputy Director-General
DG	Director-General
DGRV	German Cooperative Raiffeisen Confederation
DPME	Department of Planning, Monitoring and Evaluation



DPSA	Department of Public Service and Administration
DPW	Department of Public Works
DRDLR	Department of Rural Development and Land Reform
DSBD	Department of Small Business Development
EHW	Employee Health and Wellbeing
EHWP	Employee Health and Wellbeing Programme
EIP	Enterprise Incubation Programme
Exco	Executive Committee
FOSAD	Forum of South African Director Generals
GDP	Gross Domestic Product
GRAP	Generally Recognised Accounting Practice
HDI	Historically Disadvantaged Individual
HR	Human Resources
HRMD	Human Resources Management and Development
ICT	Information and Communication Technology
ICT Steercom	ICT Steering Committee
IDP	Integrated development planning
ILO	International Labour Organisation
IMEDP	Informal and Micro Enterprise Development Programme
ITUP	Informal Trader Upliftment Programme
IPAP	Industrial Policy Action Plan
LED	Local Economic Development
MinExco	Ministers' Meetings with the Executive Committee (Exco)
MINMEC	Ministers and Members of Executive Council
MoA	Memorandum of Agreement
MoU	Memorandum of Understanding
MMS	Middle Management Service
MPAT	Management Performance Assessment Tool
MPSA	Minister of Public Service and Administration
MTSF	Medium-term Strategic Framework
NDP	National Development Plan, Vision 2030
NGP	New Growth Path
NIBUS	National Informal Business Upliftment Strategy
NIPF	National Industrial Policy Framework
NSBA	National Small Business Act
OHS	Occupational Health and Safety

PAIA	Promotion of Access to Information Act
Persal	Personnel and Salary System
PFMA	Public Finance Management Act
PPPFA	Preferential Procurement Policy Framework Act
PSA	Public Service Act
PSC	Public Service Commission
PSCBC	Public Service Coordinating Bargaining Council
PSR	Public Service Regulations
RDP	Reconstruction and Development Programme
REMC	Risk and Ethics Management Committee
SCM	Supply Chain Management
SCOPA	Standing Committee on Public Accounts
SDIP	Service Delivery Improvement Plan
SDM	Service delivery model
SEDA	Small Enterprise Development Agency
SEFA	Small Enterprise Finance Agency
SEIF	Shared Economic Infrastructure Facility
SHE	Safety, Health and Environment
SITA	State Information Technology Agency
SLA	Service Level Agreement
SMME	Small, Medium and Micro Enterprise
SMS	Senior Management Service
the dti	Department of Trade and Industry



3. FOREWORD: MINISTER OF SMALL BUSINESS DEVELOPMENT

I am honoured to present the 2016/17 annual report of the Department of Small Business Development (DSBD). The achievements indicated in this report are an indication of the positive trajectory towards contributing to and supporting the development of small business and cooperatives, as espoused in Section 22 of our Constitution, as well as the National Development Plan (NDP).

ACHIEVEMENTS IN RELATION TO POLICY DIRECTIVE

The amendment of the National Small Business Act of 1996

The Department conducted provincial consultations across the nine provinces, as well as two national consultations. The aim of these consultations was to solicit inputs into the review of the National Small Business Act (Act No. 102 of 1996), read with the National Small Business Act (Act No. 26 of 2003), and the National Small Business Amendment Act (Act No. 29 of 2004). These inputs were received from the small business sector, government departments, practitioners, small business owners (formal and informal), cooperatives, academia, business associations, the private sector, agencies, the European Commission and various experts in the small business and cooperatives sector.

Annual review on the status of small business and cooperatives

The Department has achieved the first milestone on the annual review on the status of small business and cooperatives, and completed a draft literature review. The review has been circulated to key small business and cooperatives stakeholders for further comments and inputs. The purpose of the annual review on the status of small business and cooperatives is to analyse and improve the availability of reliable statistical and descriptive information on small business and cooperatives support and to further provide for an analysis of quantifiable data on small businesses across all provinces of South Africa.

ACHIEVEMENTS IN RELATION TO STRATEGIC OUTCOME-RELATED GOALS

The National Development Plan has been translated into the 2015–2020 Medium-term Strategic Framework (MTSF) with 14 outcomes. The DSBD has a primary role in relation to two outcomes (Outcome 4: decent employment through inclusive growth, and Outcome 7: vibrant, equitable, sustainable rural communities) and has aligned its strategic outcome-related goals to the goals of the NDP and the MTSF outcomes.

An effective and efficient administration.

One of the key priorities of the NDP is “building the capability of the state to play a developmental, transformative role”. The Department, still in its infancy stage, thrived to promote compliance and good governance by ensuring that the 2015/16 annual report and the 2017/18 annual performance report are approved and tabled in Parliament timeously. During this financial year, the Department had several engagements with the Department of Public Service

and Administration (DPSA) that led to the development and approval of the Service Delivery Improvement Plan.

The Department was hard at work during this financial year, ensuring the sound financial management of the Department, which resulted in an unqualified audit outcome for the period under review. This was as a result of the quality and high-performing human resources that the Department attracts and retains. It is also assuring to realise the critical role that the Department plays in the communities and society of South Africa, and for that reason we continued to have intensified stakeholder engagements and awareness campaigns across all provinces of the country

.An enabling environment for competitive small businesses and cooperatives.

South Africa is a country with a history that left most individuals disadvantaged by the apartheid era policies and regulations through deprived political, social, economic and business freedom. To address this inherited history, and to create a society that is inclusive, progressive and productive, most of the policies need to be constantly reviewed, and thorough research needs to be conducted on the status of the environment in which a society exists. Creating an enabling environment for competitive small businesses and cooperatives is a long-term goal that requires a deep review and analysis of the current policies and models implemented, constantly amending and aligning the policies to be relevant and current, given the rate of change in which the local and eternal society shifts.

During the financial year under review, the Department continued to conduct stakeholder engagements in an attempt to receive and document honest feedback from society on the environment in which small businesses and cooperatives operate. Through participating in the planning activities of the local municipalities, the Department engaged in integrated planning on the Integrated Development Plans of municipalities, thereby beginning to have a deeper understanding of the local economic development challenges and opportunities, and to have an influence on the ground level. This, together with the review and implementation of the red-tape reduction guidelines, allows the Department to play its role of creating an enabling and conducive legislative and policy environment for small businesses and cooperatives.



**MS LINDIWE ZULU
MINISTER**

The Department is also cognisant of the fact that South Africa's development is affected by what happens in the region and the world at large, and that our understanding of global dynamics and forging mutual and beneficial regional and international partnerships will allow us to learn and benefit from opportunities for small businesses in South Africa. The Department finalised an international relations strategy that, when implemented outright, will benefit the economic growth of the country as a whole.

Sustainable small businesses and cooperatives in rural and township areas

The NDP emphasises the need for township and rural development in order to create vibrant, equitable and sustainable communities. The goal is to increase the establishment of small businesses and cooperatives linked to market value chains, and increase the participation of small businesses and cooperatives in the mainstream economy.

The Department continued to implement several targeted programmes to support new and existing small and medium enterprises in township and rural areas. The Informal and Micro Enterprise Development



Programme (IMEDP) has supported over 9 000 informal traders since its implementation in the 2015/16 financial year. Through the Cooperatives Incentive Scheme and the Black Business Supplier Development Programme, the Department continued to financially support cooperatives and small businesses from historically disadvantaged communities. The Shared Economic Infrastructure Facility (SEIF) supported five economic hubs in rural and township areas, as indicated in the detailed performance information. Partnerships with the private sector continued to incubate businesses and improve productivity. The Department also provided business skills training to cooperatives across the country, mainly in the rural and township areas.

CHALLENGES FOR THE FINANCIAL YEAR UNDER REVIEW

The Department acknowledges that, although the 2016/17 annual report depicts an improved performance compared to the 2015/16 financial year, it continued to report under an interim structure. There were vacant posts at Deputy Director-General level, as well as underspending and non-achievement against planned targets. These challenges continue to impact on the Department's ability to deliver on the desired mandate in terms of effectiveness, responsiveness to the needs of small businesses and cooperatives, as well as the citizens of South Africa, and the role that the Department plays in reducing unemployment, inequality and poverty. However, these challenges are not so big that they cannot be overcome.

THE MEDIUM-TO LONG-TERM GOALS OF THE DEPARTMENT

Over the medium term, the Department will continue to implement small enterprise, cooperatives and entrepreneurship, and support interventions that are in line with its mandate and the NDP. The Department will also continue to implement the recommendations of National Treasury and the Department of Planning, Monitoring and Evaluation (DPME) to review the Department's strategic focus. This will place greater emphasis on policy development, the coordination

of initiatives of government and the private sector in supporting small businesses and cooperatives, a review of government initiatives that support small businesses and cooperatives, addressing challenges related to red tape in municipalities, developing a credible system that will measure impact and job creation, give strategic guidance to the Small Enterprise Development Agency (SEDA) and the Small Enterprise Finance Agency (SEFA), and align the agencies' focus to the strategic goals of the Department, as well as to monitor and evaluate the impact of the agencies.

In the long term, the Department seeks to positively transform the lives of South African citizens by ensuring that all the objectives of the NDP and key activities, as articulated in the MTSF, are fully achieved.

ACKNOWLEDGEMENTS AND APPRECIATION

I wish to extend my sincere gratitude to the former Deputy Minister, Ms Elizabeth Thabethe, for her contribution, guidance and leadership of the Ministry of Small Business Development since the Department was established. I also wish to thank the Deputy Minister, Ms Nomathemba November, for her relentless stewardship and leadership and her commitment to the mandate of the Department.

I also extend my appreciation to the Director-General, Ms Edith Vries, and the DSBD staff for their commitment and dedication in ensuring that the Department achieves its planned targets and an unqualified audit outcome in the 2016/17 financial year.

MS LINDIWE ZULU
MINISTER
DEPARTMENT OF SMALL BUSINESS DEVELOPMENT

Date: 31 July 2017

4 STATEMENT: DEPUTY MINISTER

While the Department of Small Business Development is one of the newest departments in government, it is tasked with one of government's critical mandates and carries the hopes of many South Africans who want to venture into business opportunities and/or choose to become entrepreneurs, given the current levels of unemployment. Given this hope and mandate, the road we have traversed has not been easy. The Department operated with meagre resources and a very lean staff complement. Despite these challenges, this report presents promising results, especially given the fact that this is the performance of an organisation that is only two years old.

The development and growth of small business and cooperatives are among the critical works across the globe. The contribution of small businesses to economic growth and their labour-absorptive capacity is recognisable worldwide. It is against this backdrop that the current administration saw it fit to establish a separate Ministry and Department solely responsible for small businesses and cooperatives.

While the impact of the work of the Department will not be felt in the immediate future, it is our considered view that we will make some difference in the lives of our economic citizenry. This report is presented at a time when our economy is not performing very well. Unemployment, especially of young people, is increasing, manufacturing levels are low and the country's fiscus is squeezed. Because of these challenges, expectations are high as more and more people begin to look at entrepreneurship and self-employment opportunities as solutions. While these are entrepreneurs of necessity, as opposed to those who pursue opportunity-driven activities, our efforts can turn them into real entrepreneurs.

The Department is therefore continuously innovating and developing new programmes to target these vulnerable individuals and groups. In our quest to develop small businesses and cooperatives, the initial processes of reviewing what has been implemented prior to the Department's establishment have provided guidance in terms of prioritising certain quick wins, such as leveraging public sector procurement, to provide market access opportunities. Access to markets is one of the areas that form the apex of the Department's strategy going forward. Discussions have been initiated with sister departments to unlock opportunities and develop appropriate support mechanisms through what is called transversal agreements.



MS NOMATHEMBA NOVEMBER
DEPUTY MINISTER

We are still on the path to achieve the full results and impact of these agreements. However, some of these, particularly those led through the private sector, are beginning to yield positive results. At the same time, there is a need to review some of the existing policy frameworks and legislative provisions to provide a better alignment with the Department's mandate. It is our view, therefore, that the Department has done well, given the short period since its establishment. However, there is still quite a lot of work to be done to make a steep change in both the sector and its contribution to the triple challenges of unemployment, poverty and inequality facing the country.

A handwritten signature in black ink, appearing to read 'Nomathemba November', written over a horizontal line.

MS NOMATHEMBA NOVEMBER
DEPUTY MINISTER
DEPARTMENT OF SMALL BUSINESS DEVELOPMENT

Date: 31 July 2017



5. REPORT OF THE ACCOUNTING OFFICER

5.1 INTRODUCTION

The Department of Small Business Development (DSBD) is charged with the 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 socio-economic transformation.”

While this compelling mandate has been central to the national development agenda since the dawn of democracy in 1994, the DSBD is one of the newest national government departments. Its establishment was announced at the start of the term of the 2014–2019 Administration in May 2014. Proclamation 142, issued by the President on 8 July 2014, formalised the existence of the Department, after which it started operating as part of Budget Vote 36 on Trade and Industry for the remainder of the 2014/15 financial year. Thenceforth, through a cooperation agreement, the Department continued to be supported and governed by the policies of the Department of Trade and Industry (**the dti**) until 31 March 2016.

The 2016/17 financial year thus marks a significant milestone as the first year that the Department operated independently. Except for the reliance on **the dti**'s network, which hosts the Department's information technology systems, it was the maiden year in which the Department operated under its own policy environment, financial systems, human resources protocols, internal audit, risk management and other governance functions.

Hence, this 2016/17 annual report is presented with great pride and confidence; particularly as the performance report demonstrates notable improvement when compared to the 2015/16 financial year. These improvements are largely as a result of a greater understanding of the distinctiveness of the Department's mandate, consciously instilling a culture of compliance and accountability, as well as strengthening its performance management and reporting systems.

5.2 PERFORMANCE OVERVIEW

This annual report accounts for the Department's performance against the 2016/17 Annual Performance Plan (APP), which was crafted to deliver our mandate. As such, we strived to achieve the following three strategic

goals:

An efficient and effective administration

An enabling environment for competitive small businesses and cooperatives

Sustainable small businesses and cooperatives in townships and rural areas

In addition, the Department reported against the following priorities of the Medium-term Strategic Framework (MTSF):

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 (DRDLR)

The Department set out to achieve 38 indicators and targets over the 2016/17 financial year. When compared to the prior-year performance of 54% of targets achieved, the DSBD performed extremely well in 2016/17, having achieved 27 of its 38 targets, partially achieving three (7.9%) and failing to achieve eight (21.05%) targets. Furthermore, according to the noting in the rating system applied to evaluate performance, there is a notable improvement in performance.

Table 1: Performance summary for 2016/17

Branch	Number of annual targets	Achieved	Partially achieved	Not achieved	Budget ('000)	Actual Expenditure to date ('000)
1. Administration	14	12 (85.8%)	1 (7.1%)	1 (7.1%)	113 956	98 925 (89.1%)
2. Policy and Research	11	6 (54.5%)	2 (18.2%)	3 (27.3%)	25 835	13 848 (53.6%)
3. Programme Design and Support	13	9 (69.2%)	0	4 (30.8%)	1 178 648	1 084 267 (91.8%)
Total	38	27 (71.1%)	3 (7.9%)	8 (21%)	1 318 439	1 197 041 (90.8%)

There is a positive correlation between expenditure and performance or delivery.

5.3 PERFORMANCE HIGHLIGHTS FOR 2016/17

5.3.1 ADMINISTRATION

The DSBD stabilised as a Department and its governance strengthened. This is manifested in the following:

- Accomplishing an unqualified audit opinion in respect of the first year of operation of Budget Vote 31 on Small Business Development;
- Reducing the vacancy rate to 9.8% at the end of the period under review, compared to 16.3% at 31 March 2016;
- Achieving a representation of 53.5% of women in its Senior Management Service (SMS) cadre, above the public service standard of 50%. The latter included capable women heading key portfolios such as finance (Chief Financial Officer), Corporate Services, Internal Audit and Supply Chain Management;
- Retaining 2.5% SMS staff members who are people with disabilities;
- Meeting the basic requirements of the Management Performance Assessment Tool (MPAT) in respect of the 2015/16 cycle being assessed and concluded in 2016/17 by achieving an overall score of 3. This independent assessment by the Department of Planning, Monitoring and Evaluation (DPME) is an objective measure on the effectiveness of the Department, establishing a baseline that can only be improved on.

5.3.2 SMME AND COOPERATIVES RESEARCH AND POLICY

Following the recommendations of the programme review, the Department introduced a policy and research function, which included International Relations as a new branch. Colleagues were redeployed, based on their competency profile. In the first quarter, the Department invested in personal development by enabling these staff members' participation in an Evidence-based Policy Making course and a study tour to the United Kingdom. Both these capacity-building exposures were facilitated by the DPME.

Led by a hard-working and capable Acting Deputy Director-General (DDG), the branch did remarkably well. In the service of the DSBS's mandate, this team was willing to absorb the strategic risk of ushering in a new function by assuming new portfolios, and recorded a 100% delivery on its targets for the first two quarters, despite being severely under-resourced. The branch did some groundbreaking work by drafting concept documents, preceded by desktop research, to conduct or commission research such as the following:

- Stakeholder consultations on the amendment of the National Small Business Act;



- The development and implementation of a research agenda, which included the following;
- Conducting a literature review and developing a scoping report on the review of the Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises;
- Sectoral prioritisation;
- SMMEs definitions;
- The conclusion of a commissioned study on legislative and regulatory protocols impeding SMMEs and cooperatives;
- The development of the Integrated Planning, Monitoring and Evaluation Framework;
- Conducting an assessment of the implementation of the Red Tape Reduction Guidelines within local municipalities.

5.3.3 SMME AND COOPERATIVES PROGRAMME DESIGN AND SUPPORT

Highlights in this branch included the following:

Surpassing the target to train 7 000 informal traders by training 7 848 informal traders. This programme was piloted in the previous year by training 1 000 informal traders, who, by their own testimony, derived great benefit from this exospore as it boosted their approach to customer care, bookkeeping, business management and basic hygiene in their operating environment.

- Approving six Shared Economic Infrastructure Facility (SEIF) projects, compared to not being able to conclude a single SEIF approval in the previous financial year;
- Establishing 27 national co-location points where the services of the Department's entities are available at the same site. While these services are not yet offered as a seamless single point of contact, it affords clients access to support services and advice in one location as planned in the following locations:

Table 2: Co-Location Points Between The Department And Its Entitie

Province	Municipality/district municipality	Partners
Northern Cape	John Taolo Gaetsewe District	Small Enterprise Finance Agency (SEFA) and Small Enterprise Development Agency (SEDA)
	ZF Mgcawu	
	Pixley ka Seme	
	Namakwa	
Eastern Cape	Port Elizabeth	SEFA and SEDA
	Queenstown	
	Mount Ayliff	
North West	Dr Kenneth Kaunda	SEFA and SEDA
	Dr Ruth Mompati	
Western Cape	Khayelitsha	SEFA and SEDA
	Wynberg	
	Bellville	
	Stellenbosch	
	Worcester	
Limpopo	Vhembe	SEFA and SEDA
	Mopani	
	Waterberg	
	Sekhukhune	

Province	Municipality/district municipality	Partners
Mpumalanga	eMalahleni (Witbank)	SEFA and SEDA
	Secunda	
	Nkomazi	
	Bushbuckridge	
Free State	Mangaung	SEFA and SEDA

Supporting seven incubators, located in Limpopo, Eastern Cape and Gauteng, through the Enterprise Incubation Programme, focusing on sectors such as agriculture, the wildlife value chain and tourism, creative industries, construction and the automotive industry. The following incubators were approved:

- Africa Excel Advisory Services (Pty) Ltd, Limpopo;
- Matsila Community Development Trust, Limpopo;
- Limpopo Wildlife Business Incubator, North West;
- Nunnovation Africa Foundation, Gauteng;
- Imvula Trust, Gauteng;
- Nomakhwezi Darling Benya Primary Cooperative, Eastern Cape;
- Steelbest Manufacturing (Pty) Ltd, Eastern Cape;
- Partnering with stakeholders to fulfil the mandate of SMMEs and Cooperatives Development. The Department effectively finalised 14 partnership agreements to support SMMEs and cooperatives;
- The introduction of a technical governance forum with entities, chaired by the Director- General (DG), which meets quarterly to interrogate performance, deliberate shared interests and collective planning, and to identify matters for the attention of the executive authority.

5.4 AREAS OF UNDER-PERFORMANCE

Given the relative youthfulness of the Department, and notwithstanding the above highlights, there are significant areas for improvement, as shown by the non-performance and or/under-performance in the following areas:

- While the resources needed to deliver on the DSBD's mandate are well below its annual budgetary allocation, the Department regrettably recorded an under-spending of R122 million (9.3%) of its budget. This can be attributed to the following:
- Compensation of employees: Despite significantly reducing the vacancy rate, the Department had 22 vacant funded posts at the end of the financial year. These including key posts such the positions of DDGs. As the organisational restructuring process and a revised organogram could not be finalised, it was not prudent to make permanent appointments. It would have been reckless to fill senior posts based on an interim structure. These vacancies resulted in under-expenditure of R14.3 million on compensation of employees;
- Cooperatives Incentive Scheme (CIS): A total of 240 cooperatives, as opposed to the planned 370, were supported during the financial year under review. The Department was unable to release approval contracts due to the unavailability of the system administrator to correct the situation and finalise the migration of the CIS platform to the Department. This resulted in an under-expenditure of R11.1 million;
- National Informal Business Upliftment Strategy (NIBUS): This project under-performed by R53.6 million. This was due to following, among others: lack of leadership, lack of ownership of the project, under-capacity, and poor planning and execution of the project. The original allocation to this project was R95 million, and R42 million had to be redirected to other funded projects;



- Enterprise Incubation Programme (EIP): This programme under-performed by R25.9 million. The guidelines were finalised and approved late in the financial year. Seven adjudication committee meetings were held between November 2016 and March 2017, which resulted in seven approvals to the value of R52 million, but only 40% (R20.4 million) of the approvals were disbursed in line with the EIP guidelines. A submission was forwarded to National Treasury to request a rollover of the remaining budget of R25.9 million, as it had already been committed;
- The Cooperatives Development Agency (CDA), which is aimed at supporting cooperatives through financial and non-financial support services, was not established as planned. The lack of budget allocation affected the non-establishment of the CDA, coupled by the delay in the proclamation of the Cooperatives Act;
- Policy and research is a new function in the Department. Although the Policy and Research branch, which was introduced in 2016/17, performed extremely well, it recorded under-expenditure of R11.9 million (46.4%). There were delays in the appointment of consultants and with the commencement of research projects such as the SMME definition study, the enterprise ecosystem study, sector prioritisation and business rescue studies;
- The business rescue strategy is aimed at developing strategies to address the failure rate in the small business sector, and saving viable small businesses that are about to fail. The under-performance of this project was mainly as a result of a lack of sufficient staff allocated to deliver on this target. Although some milestones were achieved, the target was not achieved;
- The Black Business Supplier Development Programme (BBSDP) offers a grant to clients on an 80:20 basis, where clients must make a 20% own contribution. This programme supported 589 small businesses as opposed to the target of 600. This non-achievement was mainly due to internal administrative challenges faced by the Development Finance Unit;
- The Department set out to support youth-owned enterprises. Of the total number of small enterprises supported, its target was for 30% to be youth-owned enterprises, 50% to be small enterprises from townships, and 30% to be small enterprises from rural areas. However, the achievement was below target: of the total number of small enterprises supported, 12% were youth-owned enterprises, 21% were small enterprises from townships and 28% were small enterprises from rural areas;
- The main challenges with achieving these set targets were that the Department needed a paradigm shift and a completely new approach to implementation planning and reporting. The Department was unable to effectively plan for the delivery of this target. However, the participation of youth in the economy remains an important impact measurement, and, having identified the root causes, the Department is committed to correcting these limitations in the 2017/18 financial year.

5.5 OVERVIEW OF THE FINANCIAL RESULTS OF THE DEPARTMENT

The department's mandate is to promote the development of small businesses and co-operatives that contribute to inclusive growth and job creation. As such, most of the department's primary clientele are from historically disadvantaged background and government has made provision of grants and incentives to be provided to qualifying beneficiaries.

As at 31 March 2017, DSBD spent R1.2 billion or 90.8% of the adjusted budget allocation of R1.3 billion, resulting in an under expenditure of R121.4 million or 9.2%.

The department's expenditure on compensation of employees stood at R114 million, which constitutes an under spending of R 15.7 million (12.1%) compared to R18.4 million or 6.5% of the 2015/16 financial year. This is attributable to the vacancies within the department that could not be filled due the structure review programme.

Goods and services expenditure was R64.6 million of the projected budget of R78.4 million, which constitutes an under spending of 18%, compared to R9 million or 17% for the prior year.

The under spending occurred largely on travel and subsistence (R2.9 million) which can be closely linked to the under

achievement of some of the deliverables planned for the financial year such as the research projects for programme 2, as well as the non-processing of transfer payments (R90.6 million), as these programme would have had an impact on the spending pattern due to traveling requirements attached there-of. The department also underperformed on consultants (R5.8 million) due to delays on the commencement of research projects such as the SMME Definition study, Enterprise Ecosystem study and the Sector Prioritisation study.

Transfer payments expenditure was R1 billion of the projected budget of R1.1 billion, which constitutes an under spending of R90.6 million (8.2%) compared to R152 thousand of the prior year distributed as follows:

National Informal Business Upliftment Scheme (R53.6 million): by end of March 2017; the department had engaged through refresher trainings of 7 848 informal businesses but zero budget was disbursed. The non-performance was due the following reasons among others: Lack of leadership, lack of ownership of the project, under capacity, poor planning and execution of the project. The original allocation to this project was R95 million and R42 million had to be redirected to other projects which were under funded. The programme was not funded during the 2015/16 financial year hence no comparative figures.

Cooperatives Incentive Scheme under spent by R11.1 million as compared to R2 thousand for the prior year, due to technical challenges which resulted in the Development Finance Unit being unable to issue letters of approval to successful applicants from December 2016 until February 2017. **The dti** team assisted in clearing all the faults on the system by the first week of March 2017 and the letters were finally printed and forwarded to successful applicants. The Unit was however unable to disburse all the funds allocated to the scheme for the 2016/17 financial year, hence the variance of R11.1 million.

Enterprise Incubation programme (R25.9 million): The guidelines were approved in June 2016, applications documentation disseminated in July 2016 and Adjudication Committee Members were appointed by the Minister in October 2016. Seven adjudication committee meetings were held between November 2016 and March 2017 which resulted in seven approvals to the value of R52 million, but only 40% (R20.4 million) of the approvals were disbursed in line with the EIP guidelines.

Table 3: Overall Financial summary for 2016/17

Programme Name	2016/17			2015/16		
	Final Appropriation	Actual Expenditure	(Over)/ Under Expenditure	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Administration	111 025	98 925	12 100	80 857	66 447	14 410
Small Medium and Micro Enterprises and Cooperatives Policy and Research	25 835	13 848	11 987	12 241	11 692	549
Small Medium and Micro Enterprises and Cooperatives Programme design and Support	1 181 579	1 084 267	97 312	1 034 422	1 020 752	13 670
Total	1 318 439	1 197 041	121 398	1 127 520	1 098 891	28 629



The table below shows the virements requested during the period under review per programme.

Table 4: Virements for 2016/17

	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation
	R'000	R'000	R'000	R'000
Programme				
Administration	113 956	-	(2 931)	111 025
Small Medium and Micro Enterprises and Cooperatives Policy and Research	25 835	-	-	25 835
Small Medium and Micro Enterprises and Cooperatives Programme design and Support	1 178 648	-	2 931	1 181 579
Total	1 318 439	-	-	1 318 439

Virements were made from Programme 1 to Programme 3. The Virement amount of R2.9 million was to augment the overspending. The overspending was largely as a result of the Global Entrepreneurship Congress (GEC) held in March 2017, the event was initially not funded in the allocated budget. A saving for the defrayment of the excess expenditure was identified in Programme One goods and services and redirected to programme 3.

Table 5: Gifts and sponsorships

NAME OF ORGANISATION	NATURE OF GIFT, DONATION OR SPONSORSHIP	2016/17
		R'000
Received in kind		
SABS	Jazz festival tickets, accommodation and air travel	8
DPME	UK study tour and policy making and implementation programme	113
Netherland government	TIPS workshop-macroeconomics for policy makers	8
India government	Brics meeting in India	8
Black Bottom	Women SMME Development Summit	1
TOTAL		138

Future plans of the department:

Future plans of the department will be captured in the department's revised Strategic Plan 2015 – 2019 and are aligned to the priorities and outcomes of Government over the 2014 – 2019 electoral period.

5.6 Services rendered by the Department

5.6.1 Services rendered

The department is mainly responsible for the formulation and implementation of policies aimed at creating a conducive environment for the development and promotion of small businesses and co-operatives through the provision of enhanced financial and non-financial business support services. The non-financial and financial small business support services are also offered by the two public entities reporting to the department, the Small Enterprise Development Agency (Seda) and the Small Enterprise Finance Agency (Sefa), respectively.

The department has improved on its internal controls in ensuring efficient and effective service delivery:

- The Minister was presented with financial reports, which included the spending trends, in terms of the Public Finance Management Act 1999 (Act 1 of 1999) (PFMA) on a quarterly basis;
- Financial performance reports of the department were presented during Executive Committee meetings, and the Director-General signed monthly expenditure compliance reports to National Treasury;
- Senior management also monitored and discussed the department's spending trends at their meetings;
- The department acknowledges the support received from different small business stakeholders, other national departments, the provincial and local department's willingness to collaborate in the effort to bring about radical socio-economic transformation and service delivery in South Africa.

5.7 ACKNOWLEDGEMENTS

I wish to extend my sincere gratitude to Minister Lindiwe Zulu, former Deputy Minister Elizabeth Thabethe and Deputy Minister Nomathemba November for their leadership and stewardship; and to the Portfolio Committee and the Audit and Risk Committee for their guidance and support.

I also extend my appreciation to the staff of the DSBD for their commitment and dedication in ensuring that the Department not only executes its mandate, but also makes a contribution towards improving the lives of South Africans by striving to build a conducive environment for small businesses and cooperatives to thrive in this difficult economic environment.



6. 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 throughout this annual report are consistent;
- The annual report is complete, accurate and free from any omissions;
- The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury;
- The annual financial statements (Part E) have been prepared in accordance with the modified cash standard and the relevant frameworks and guidelines issued by National Treasury;
- The Accounting Officer is responsible for the preparation of the annual financial statements and for the judgements made in this information;
- The Accounting Officer is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements;
- The external auditors are engaged to express an independent opinion on the annual financial statements;
- In my opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the Department for the financial year ended 31 March 2017.

Yours faithfully

EDITH VRIES
DIRECTOR-GENERAL
DEPARTMENT OF SMALL BUSINESS DEVELOPMENT

Date: 31 July 2017



EDITH VRIES
DIRECTOR-GENERAL

7. STRATEGIC OVERVIEW

The mandate of the DSBD is 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 socio-economic transformation.

7.1 VISION

A radically transformed economy through the effective development and increased participation of SMMEs and cooperatives in the mainstream economy.

7.2 MISSION

To create a conducive environment for the development and growth of small businesses and cooperatives through the provision of enhanced financial and non-financial support services and leveraging public and private partnerships.

7.3 VALUES

- **INTEGRITY:** To consistently honour our commitments, uphold ethical, honest behaviour and transparent communication;
- **PROFESSIONALISM:** To serve with utmost respect, competence and mannerism, and cooperate with all role players;
- **ACCESSIBILITY:** To always be available and accessible in providing public services to our society;
- **COMMITMENT:** To be committed to efforts of job creation, alleviating poverty and reducing inequality.



8. LEGISLATIVE AND OTHER MANDATES

A summary of key policies and legislation follows:

8.1 CONSTITUTIONAL MANDATE

The Constitution is the supreme law of the Republic of South Africa and, along with the Bill of Rights, forms the legal foundation of a democratic South Africa, sets out the rights and duties of its citizens and defines the structure of government. All laws of the country must be consistent with the Constitution. It further requires all spheres of government to work together to address poverty, underdevelopment, the marginalisation of individuals and communities and other legacies of apartheid and discrimination. In this light, all government institutions, entities and municipalities ultimately derive their mandate from the Constitution.

The DSBD and its public entities derive their primary mandate from the Constitution of the Republic of South Africa, Act 108 of 1996¹, and, in particular:

Section 22 – Enshrines freedom of trade, occupation and profession: “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”.

Section 217 – which requires that: when an organ of state contracts for goods and services, it must do so in accordance with a system that is fair, equitable, transparent, competitive and cost effective; and it does not prevent the organs of state from implementing a procurement policy providing for the protection or advancement of persons or categories of persons disadvantaged by unfair discrimination.

Fully aligned to and arising from the Constitution, the 1995 White Paper² identified the need for a systematic national framework, within which the different policies and programmes at national, regional and local level could be coordinated, towards the creation of an enabling environment for small enterprises. Given such an enabling environment, it was expected that the hundreds of thousands of SMMEs in the country will themselves accept responsibility for the operation, growth and progress of their enterprise. Therefore, policies need to be in tune with national and regional, as well as sectoral developments, taking into account differences between sectors like manufacturing, tourism or construction, as well as differences between categories of SMMEs.

1. Republic of South Africa. (1996). *The Constitution of the Republic of South Africa, 1996 (Act 108 of 1996)*. Pretoria. Government Printer.
2. Republic of South Africa. (1995). *White Paper on a National Strategy for the Development and Promotion of Small Business in South Africa; Parliament, 20 March 1995*.

8.2 LEGISLATIVE MANDATE

Table 3: Legislation and responsibilities

Legislation	Purpose
National Small Business Act (Act No.102 of 1996), as amended in 2004, and thereafter referred to as the National Small Business Amendment Act (Act No. 29 of 2004)	To provide for the establishment of the National Small Business Advisory Council and the Small Enterprise Development Agency, to provide guidelines for organs of state to promote small business in the Republic and to provide for matters incidental thereto.
Preferential Procurement Policy Framework Act (Act No. 5 of 2000) (PPPFA)	The purpose of the PPPFA is to ensure that government's preferential procurement procedures are aligned with the aims of the Broad-based Black Economic Empowerment Act (Act No. 53 of 2003) and the associated Codes of Good Practices.
Cooperatives Act, (Act No. 14 of 2005)	To provide for the formation and registration of cooperatives, the establishment of a Cooperatives Advisory Board, the winding up of cooperatives, the repeal of Act 91 of 1981, and matters connected therewith.
Broad-based Black Economic Empowerment Act (Act No. 53 of 2003)	To establish a legislative framework for the promotion of black economic empowerment, to empower the Minister to issue Codes of Good Practice and publish transformation charters, to establish the Black Economic Empowerment Advisory Council, and to provide for matters connected therewith.
Public Finance Management Act (Act No. 1 of 1999)	To regulate financial management in the national and provincial governments and ensure that government resources are managed efficiently and effectively.
Public Service Act, as amended (Act No. 103 of 1994)	To provide for the organisation and administration of the public service, as well as the regulation of the conditions of employment, terms of office, discipline, retirement and discharge of members of the public service.

8.3 POLICY MANDATE

The policy and strategy mandates informing the strategic posture and intent of the Small Business Development portfolio are broadly summarised as follows:

Informing policy/ strategy	Key considerations
The National Industrial Policy Framework (NIPF) of 2007 and the iterative Industrial Policy Action Plan (IPAP)	The IPAP stresses that longer-term increases in employment in all sectors of the economy need to be underpinned by higher growth in production sectors, led by the manufacturing sectors. It adds that there is a problem of low productivity in the manufacturing sector that has to be addressed. IPAP categorises a focus on development in three key focus areas: Qualitatively new areas of focus Scale up and broaden interventions in existing IPAP sectors Sectors with potential for long-term advanced capabilities.

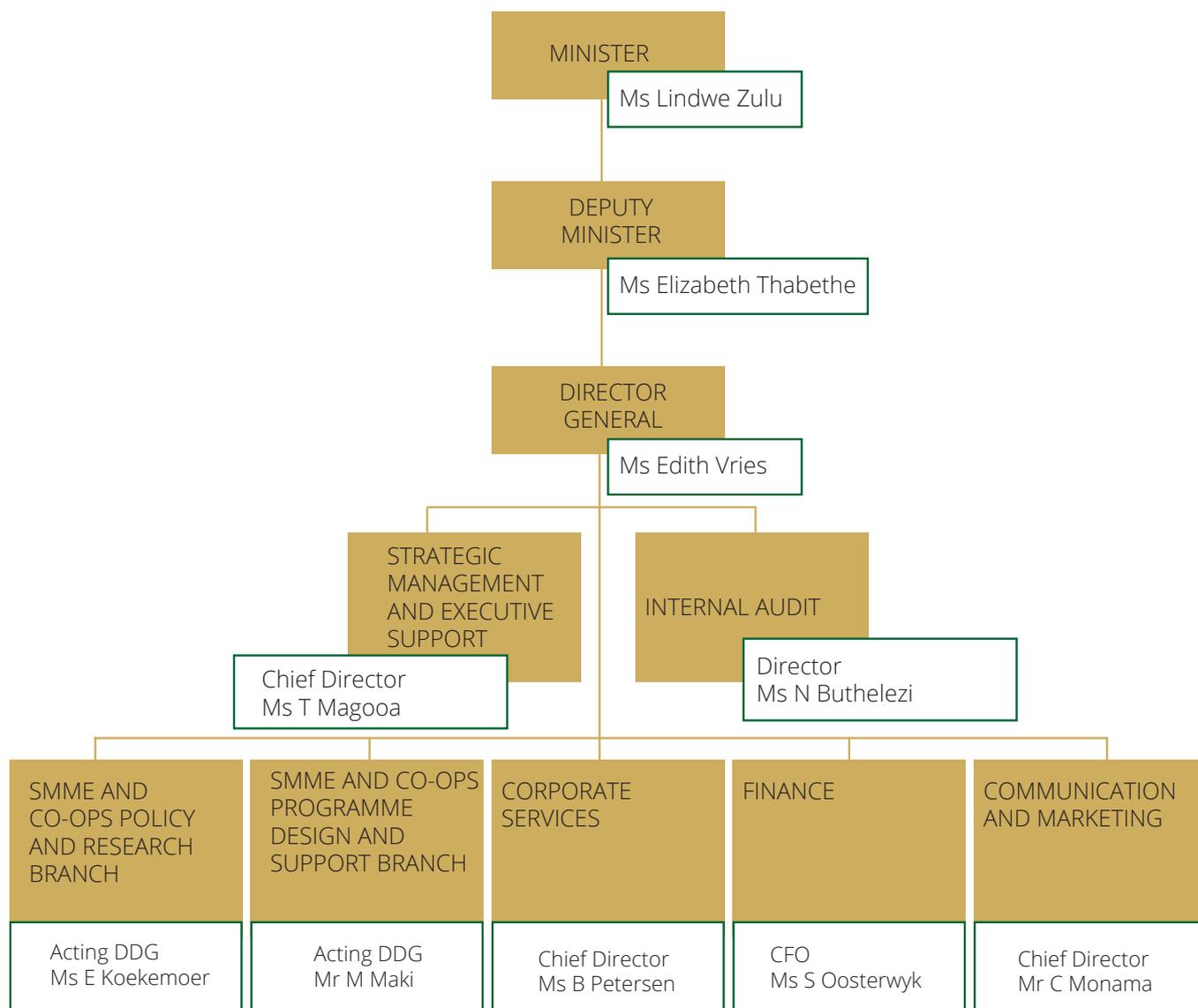


Informing policy/ strategy	Key considerations
The New Growth Path (NGP) (2008)	The New Growth Path is a broad framework that sets out a vision of creating five million jobs and reducing the country's unemployment level, one of the highest in emerging market countries in the world, from 25% to 15% over ten years to 2019. The SMME ethos of the NGP is similar to that of the later NDP, namely policy coherence through partnerships among key societal players, business and government.
The National Development Plan, Vision 2030 (2012)	The NDP 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 portfolio plays a major and direct role in implementing chapters 3 and 6 of the NDP, which respectively, deal with the economy and employment, and inclusive rural development and growth.
The MTSF (2014–2019 and future)	<p>The MTSF is conceptualised as a series of five-year building blocks towards the realisation of the NDP's Vision2030, with the current 2014–2019 MTSF as the first of three. With regard to the 14 outcomes identified in the MTSF, the Small Business Development portfolio plays a primary/lead role in relation to two outcomes and their related sub-outcomes and key actions:</p> <p>MTSF Outcome 4: Decent employment through inclusive economic growth: Measure and reduce delays and unnecessary red tape around authorisations and related issues that hinder or might foster investment and employment (in the SMMEs' and cooperatives' space). Support township and rural economies and report on the impact in terms of the number of business supported, value of the grant approved and geographic location of the supported businesses. Develop programmes to ensure increased access to employment and entrepreneurship for black women and youth in the context of stronger support for emerging and smaller enterprises overall. Provide coaching, incubation, intensive support and financing to sustain existing small businesses and co-operatives, as well as expand the sector.</p> <p>MTSF Outcome 7: Vibrant, equitable, sustainable rural communities: Promote sustainable rural enterprises and industries in areas with economic development potential.</p> <p>It is noted that the portfolio supports various other MTSF outcomes indirectly or in a secondary capacity. This work will continue. However, this does not impact directly on the mandate or strategic posture of the portfolio.</p>
The Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises (2005)	<p>This strategy covers the entire continuum of needed support, from pre-start-up and start-up assistance measures to growing enterprises and enterprises in distress. It focuses on three strategic areas with aligned actions:</p> <p>Increase supply for financial and non-financial support services: collaborative approaches to streamline resources from the public sector and crowding in private sector resources.</p> <p>Create demand for small enterprise products and services: new policy directives, public sector procurement strategy and BEE Codes of Good Practice as a lever for increased demand.</p> <p>Reduce small enterprise regulatory constraints: enabling environment, establish a regulatory impact assessment framework and business environment monitoring mechanism.</p>

Informing policy/ strategy	Key considerations
<p>The Integrated Strategy on the Development and Promotion of Cooperatives (2012)</p>	<p>This strategy seeks to support the ongoing profiling of the cooperatives, communication outreach, improving access to cooperatives' support and information, research, strengthening advocacy on cooperatives, delivering effective service and monitoring impact. The strategy further introduces key cooperatives' development and support programmes under four strategic pillars:</p> <ul style="list-style-type: none"> Increase the supply of non-financial support services to cooperatives Create demand for cooperative enterprises' products and service Improve the sustainability of cooperatives Increase the supply of financial support services to cooperatives <p>These strategic pillars will be underpinned by efforts aimed at improving the availability of quality business information and knowledge through expanded research, communication outreach, education and training, and monitoring.</p>
<p>The National Informal Business Upliftment Strategy and Implementation Framework (2014 and 2015)</p>	<p>This strategy and implementation framework was adopted by Cabinet in 2014 and aimed to support the enterprising poor in the informal business sector and to facilitate their participation in the mainstream economy through various policy and programmatic interventions. There was a particular focus on the four implementation thrusts that can inform other areas of DSBD's work and focus:</p> <ul style="list-style-type: none"> Enhance the quality of enterprise development, promotion and capacity building products and services Strengthen the policy and regulatory environment to support an integrated and coordinated approach to informal business upliftment Build the skills, capacity, systems and processes to drive an integrated and coordinated approach to informal business upliftment Strengthen national, regional and international partnerships to support and promote the NIBUS development agenda



9. ORGANISATIONAL STRUCTURE OF THE DEPARTMENT OF SMALL BUSINESS DEVELOPMENT



THE DEPARTMENT OF SMALL BUSINESS DEVELOPMENT

The DSBD was proclaimed in 2014, and a start-up structure was approved in consultation with the Department of Public Service and Administration (DPSA) during April 2015. However, prior to placement on the start-up structure, a programme review conducted in the latter part of 2015 (the second and third quarters of the 2015/16 financial year) indicated significant changes to the strategy of the Department. Therefore, the Department embarked on a process of developing a functional and organisational structure that would support this strategy.

In order to function and achieve its strategic objectives, an interim arrangement was implemented, while continuing with the development of the functional and organisational structure. This process neared conclusion during the latter

part of 2016 (the third quarter of the 2016/17 financial year). However, once again, the strategic direction that the Department envisaged was influenced. This influence came via inputs provided by the DPME and National Treasury on the DSBD's Strategic Plan and APP.

Hence, the work on a final functional and organisational structure was paused until a final decision was taken in respect of the Strategic Plan and APP. The decision to reflect the portfolio within the DSBD's strategy, incorporating the departmental responsibility within the responsibilities of the implementing partners (agencies), resulted in the Department opting to place employees on the initial, approved start-up structure. Stability was therefore created within the Department. This would be followed by a redesign of the various business units to support the strategy and allow for a well-debated functional and organisational structure.

10. ENTITIES REPORTING TO THE MINISTER

Two public entities report to the Minister through defined governance arrangements, allowing them some autonomy to fulfil their mandates. The agencies serve as an extension of and to assist the DSBD in delivering its mandate in the following ways:

Table 4: Entities reporting to the Minister

Name of institution	Founding legislation	Mandate and primary outputs
Small Enterprise Development Agency	National Small Enterprise Act (Act No.102 of 1996), as amended	To develop, support and promote small enterprises to ensure their growth and sustainability. SEDA provides non-financial business development and support services for small enterprises, in partnership with other role players in the small business development environment.
Small Enterprise Finance Agency	Section 3(d) of the Industrial Development Corporation Act (Act No. 22 of 1940)	To provide access to finance to survivalist, SMMEs throughout South Africa. SEFA supports the development of sustainable SMMEs through the provision of finance.
<p>In terms of the Cooperatives Development Act (Act No. 14 of 2005), as amended, the Department is to establish and operationalise the CDA, the Cooperatives Tribunal and the Cooperatives Advisory Council to enhance the sustainability and competitiveness of cooperatives.</p> <p>Due to the current fiscal environment and budget constraints, the CDA will be incubated in the SEDA until such time as the Department is able to fund the CDA as a stand-alone agency.</p>		



PART B: PERFORMANCE INFORMATION

PART B: PERFORMANCE INFORMATION

1. REPORT ON THE AUDITOR-GENERAL ON PREDETERMINED OBJECTIVES

The Auditor-General of South Africa (AGSA) 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 page 104 of the Report of the Auditor-General, published as Part E: Financial Information.

2. OVERVIEW OF DEPARTMENTAL PERFORMANCE

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.

Government has already made significant strides in ensuring that SMMEs are accorded their rightful space and voice within the South African economy. Since its establishment, the DSBD successfully established a public sector presence for SMMEs, cooperatives and the informal sector.

Research suggests that the major factors that impede SMME and cooperatives growth include the regulatory framework of their business environment, insufficient access to markets and funding mechanisms, limited business sense and insufficient understanding of how the economy works. Government's commitment to legislative reform will simplify the regulatory environment and guarantee improved access to the public procurement system.

The DSBD identified the challenges and is mobilising all spheres of government and the private sector to decisively address these and redefine the policy, legislative and regulatory environment in which small business can exist alongside big business. Small enterprise development is an important contributor as it matches technical support to available financial support. This will speed up the access of SMMEs to markets and funding opportunities and address their understanding of the economy in which they function.

There is consensus that, to achieve the desired state of a well-functioning and successful small business ecosystem, we need to leverage on what other government departments, agencies and the private sector, at all levels, have been doing in small business development.

The DSBD is at the forefront of leading and coordinating the development of small business and cooperatives by delivering on its mandate and leading the charge to achieve inclusive economic growth.

2.1 SERVICE DELIVERY ENVIRONMENT

The establishment of the Ministry of Small Business Development in 2014 marked a turning point in the history of the development of SMMEs and cooperatives in South Africa, demonstrating government's commitment to place SMMEs and cooperatives at the centre of economic growth and job creation.

This was followed by the establishment of the DSBD as a stand-alone national department in accordance with the reorganisation of some national departments announced by the President in May 2014, following the national elections. The context within which the DSBD was conceptualised and formed was largely informed by the fragmented nature and misalignment of support to the SMME and the co-operatives sector in relation to government decisions on economic transformation, the lack of specialised and focused support with limited resources, the high failure rate of SMMEs and cooperatives, and poor sector performance relative to peers in other developing countries. Furthermore, a designated



department was aimed at advancing the development of SMMEs and cooperatives, mainly for job creation, and reducing poverty and inequalities, with a greater focus on youth, women and people with disabilities.

This reorganisation involved identifying and transferring legislation, programmes, units, divisions and agencies, such as SEDA and SEFA, from w and the Economic Development Department respectively, to form the DSBD.

In 2015/16, the DSBD and its agencies undertook a programme review exercise, aimed at reviewing the migrated functions and establishing its relevance and alignment to the DSBD's mandate and the gaps, identifying opportunities for enhanced integration, efficiencies and economies of scale in the operations of the portfolio. On this basis, the three institutions continued with the process of drafting their 2016/17 APPs, which were aligned to these strategic documents as the second year of implementation of the strategic plans.

The DSBD introduced a revised structure in order to implement the recommendations of the programme review and the APP by, for example, establishing a Policy and Research branch. This was followed by a robust organisational redesign and change management process, informed by DPSA guidelines.

The above notwithstanding, the Department largely continued to implement the migrated programmes to support small businesses and cooperatives. At the same time, SEDA and SEFA also continued to implement the non-financial and financial support programmes on behalf of the Department, translating to partial duplication on the Department's part. Although it was obvious that the Department needed to adjust its strategic focus, it was not until the feedback on the Department's first draft 2017/18 APP was received from the DPME and National Treasury that the Department decided to take the first steps to refocus its strategic direction and, at the same time, ensure alignment by the agencies to the shifting strategic focus.

2.2 SERVICE DELIVERY IMPROVEMENT PLAN

The Department's Service Delivery Improvement Plan (SDIP) was approved on 31 March 2017. The approved SDIP included key services, as well as the current and desired standards as indicated below. After further consultation with the DPSA, the SDIP will be reviewed in the 2017/18 financial year.

Table 5: Main services and standards

Main services	Beneficiaries	Current/actual standard of service (2016/17)	Desired standard of service	
			2017/18	2018/19
Hotline/call centre	Stakeholders: the general public, small businesses, cooperatives, informal businesses, SEDA, SEFA, DSBD staff members	Answer all calls: the dti's call centre assists in taking some of the calls (80%)	Answer all calls (90%)	Answer all calls (100%)
Access to finance through the CIS		350 cooperatives supported through the CIS	370 cooperatives supported through the CIS	270 cooperatives supported through the CIS This service could be migrated to one of the Department's implementing agencies.
Access to Informal Trader Upliftment Programme (ITUP) training		1 000 informal traders trained through the ITUP	1 600 informal traders trained through the ITUP	1 696 informal traders trained through the ITUP
Access to business infrastructure through the BBSDP		480 black small businesses supported through the BBSDP	600 black small businesses supported through the BBSDP	641 black small businesses supported through the BBSDP

2.3 ORGANISATIONAL ENVIRONMENT

The DSBD previously received support from **the dti**, governed by a Memorandum of Understanding (MoU). With effect from 1 April 2016, the Department was operating independently from **the dti** with regard to Finance, Human Resources, Information and Communication Technology, Security Management, Facilities and Auxiliary Services, and Legal Services.

The Department is still hosted in two buildings on **the dti** campus. The process to sign a Memorandum of Agreement (MoA) with **the dti** with regard to accommodation management and the use of specific on-campus facilities will be concluded in the 2017/18 financial year. Progress has been made with the institutionalisation of departmental policies and procedures. The Department has embarked on a change management process to entrench its own identity, emphasising the departmental values and culture. Change agents have been appointed and the DG held focus group sessions with all staff and management. This is an ongoing process.

During the first quarter of the 2016/2017 financial year, the Department undertook the development of a service delivery model (SDM) with the guidance of the DPSA. This has since been approved by the Minister and submitted to the DPSA. The approved SDM is currently under review to ensure alignment to the Portfolio Strategic Framework and APP. The Department is structured according to the approved start-up structure, which is under review, to ensure alignment to the mandate and the strategic direction of the DSBD. As an interim measure, the DG has put interim arrangements in place with regard to the placement of staff to ensure delivery against the APP of 2016/17.

2.4 KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

National Small Business Act (Act No. 102 of 1996): The Department will continue to work towards the amendment of the National Small Business Act, as amended, in order to align the Act with the revised Strategy for Small Enterprise Development and Entrepreneurship and the mandate of the DSBD. In the process of alignment, the Department will seek to identify gaps from industry in order to clarify vagueness that needs to be addressed.

Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises: The DSBD will continue the review this strategy so that it remain relevant and to accommodate recent economic activities and business cycles. This will allow the Department to implement small business development programmes that are flexible and responsive to the economic and social needs of society so as to craft an ecosystem that will deliver the expectation of achieving radical economic transformation.

Mid-term review of the Cooperatives Strategy (2012-2022): The DSBD will conduct a mid-term review of this strategy, which may result in a revision of the strategy, and will inform the development of an integrated approach to cooperatives development.

Preferential Public Procurement Framework Act (led by National Treasury): The 2015 Public Sector Supply Chain Review confirmed that, in 2013/14, government spent R500 billion on the procurement of goods and services, as well as construction work. If 30% of this were to be directed to SMMEs, it would make a significant contribution to the sustainability of the SMME sector. Apart from supporting the amendment of the regulations of the PPPFA, the DSBD will develop guidelines, as well as a monitoring and reporting framework, to guide departments in their engagement with this important matter.



3. STRATEGIC OUTCOME-ORIENTATED GOALS

During the 2016/17 period under review, the DSBD adopted the following strategic outcome-orientated goals:

Table 6: Strategic Goals and Objectives for 2016/17

Strategic goals	Strategic objectives
An effective and efficient administration	<ul style="list-style-type: none"> • To promote compliance and good governance; • To drive sound financial management and controls; • To maintain a sound performance planning, reporting and monitoring system; • To build human resource capability and promote a culture of high performance; • To promote external and internal communication on the work of the Department.
An enabling environment for competitive small businesses and cooperatives	<ul style="list-style-type: none"> • To create a conducive legislative and policy environment for SMMEs and cooperatives; • To drive integrated planning and monitoring for SMMEs and cooperatives development in townships and rural areas; • To drive a comprehensive research agenda on key areas of support to SMMEs and cooperatives; • To develop and implement a relevant international strategy.
Sustainable small businesses and cooperatives in rural and township areas	<ul style="list-style-type: none"> • To design and implement targeted programmes to support new and existing small and medium enterprises in township and rural areas; • To increase the participation of SMMEs and cooperatives in the mainstream economy; • To coordinate and maximise support for SMMEs and cooperatives through public and private partnerships.

4. PERFORMANCE INFORMATION BY PROGRAMME

4.1 PROGRAMME 1: 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 Administration programme covers the work of the following sub-programmes: Ministry, Departmental Management, Corporate Services, Financial Management, and Communications.

4.1.3 Strategic objectives

- To promote compliance and good governance;
- To drive sound financial management and controls;
- To maintain a sound performance planning, reporting and monitoring process;
- To build human resource capability and promote a culture of high performance;
- To communicate the work of the DSBD internally and externally.

4.1.4 Programme Overview

The programme contributes to the development and promotion of small businesses and cooperatives by ensuring effective leadership, policy directives, executive support and management. Vacancy management, human resources development and performance management interventions are priorities to support capacity building and development to fulfil the DSBD's mandate.

4.1.5 Programme summary and performance information

4.1.5.1 Finance

The Office of the Chief Financial Officer saw key appointments during the year under review with the appointment of the Chief Financial Officer with effect from 1 April 2016 and the Director: Supply Chain Management on 1 August 2016. These have gone a long way in ensuring that the Department sufficiently plans, develops and manages financial and operational strategies, and also helps manage the Department's financial risks.

During the year under review, the Department set out to achieve an unqualified audit opinion on its 2015/16 annual report, and it proudly did. This was a big achievement, given that this was the first annual report that the Department had tabled independent of **the dti**.

The Department also continued to lead by example and showed its commitment to small business with the payment of eligible creditors within 30 days of receiving an invoice. The Department managed to pay 98% (7 294 out of 7 450) of its invoices within 30 days of receipt. Were it not for the few challenges experienced during the first half of 2016/17, the Department would have fully achieved its commitment to pay 100% of its eligible creditors within 30 days.

Despite its attempts to achieve all its targets, the Department failed to maintain over- or under-expenditure of less than 5% on its budget, under-spending spending by 9.2% (R121 million) its 2016/17 allocated budget (R1.3 billion) as at 31 March 2017. This was as a result of under-expenditure in compensation of employees (R15.7 million), goods and services (R13.8 million) and transfer payments (R90.6 million).

Strategies to correct this under-performance are detailed below (refer to the strategies under Programme 1 to address under-performance).

4.1.5.2 Corporate Services

The Department has done well in the achievement of the national targets in relation to reducing the vacancy rate, the percentage of women in senior management and the percentage of people with a disability. These three targets in the APP for 2016/17 were for Corporate Services to deliver, and it ensured that these targets were not only achieved, but exceeded by 31 March 2017.

With regard to compliance, Corporate Services has positively contributed to the Department achieving an MPAT rating of 3 for the 2016/17 financial year through the efforts of the Human Resource Management and Development, Information and Communication Technology, and Records Management units as they pertain to the MPAT targets for these disciplines.

Further to this, a number of operational targets, articulated below, have been achieved, supporting the achievement of the Department's overall mandate.



Human Resource Management and Development

The Department developed a SDM as the primary basis for the design of the departmental structure aligned to its mandate and plans. The SDM was subsequently approved and lauded by the DPSA as a progressive document that would support the Department moving forward.

An organisational structure was developed that was aligned to the SDM and consulted at all levels internally, as well as with the DPSA and the Departmental Bargaining Committee (DBC) from October 2016. During the final compilation of inputs to the submission for the approval of the proposed structure, the Department hit a setback. The inputs on the DSBD's draft APP for 2017/18 received from the DPME and National Treasury during November 2016 significantly impacted on moving ahead with the proposed structure, as fundamental changes to the strategy and the APP were recommended. Amendments to the strategy and the APP ensued and were only finalised at the end of January 2017. The resultant delay and change of course occasioned the DSBD to revert to the approved start-up structure for implementation and redesign in the new financial year. This was in an effort to provide stability in support of the delivery of the APP for 2017/18.

The Department succeeded in implementing a number of the Human Resources Management and Development (HRMD) targets. These are the finalisation and submission of the Job Access Strategic Framework Report for 2016/17 and the accompanying plan for 2017/18 to the DPSA by 28 February 2017, the development of the employee wellness policy and development and submission of the employee wellness operational plan, and the review of the human resources delegations to ensure alignment to the Public Service Regulations, 2016. The Department also finalised additional strategic documents, such as the Employment Equity Report, Gender Equality Strategic Framework Report for 2016/17 and the accompanying plan for 2017/18.

In addition, the HR Unit facilitated the implementation of the performance management process and finalised disciplinary cases within the prescribed timeframes. A Human Resource Development Plan for 2017/18 for the Department was also finalised and submitted to the DPSA.

Legal Services

Legal Services ensured that business continuity prevailed within the prescribed legislative and regulatory frameworks. This was achieved through the timeous and efficient provision of legal advice and the conclusion of agreements with stakeholders in terms of its policy and standard operating procedure. The management of and advice regarding litigation matters minimised the financial and reputational risks for the Department by averting irregular, fruitless and wasteful expenditure.

Information and Communication Technology

The ICT Security Policy, which was aligned to the Minimum Information and Security Standards (MISS) and the Corporate Governance of ICT Policy Framework (CGICTPF), was approved. Implementation is ongoing.

The Department migrated from a fairly unstable and cost-intensive Novell platform provided by **the dti**, to a Microsoft Active Directory and Exchange environment, thus improving efficiency and stability to one of its critical communication systems. Email archiving and automatic failover was implemented to ensure service continuity.

The Department had inherited a number of legacy end-user computing devices from **the dti** and replaced close to 60% of these ageing devices to improve productivity and efficiency within the Department.

Technology improvements made at the Ministry and in the DG's Office in Parliament and at Parliament Towers respectively underpin the operational productivity of these offices. The Department also entered into service level agreements with the State Information Technology Agency (SITA) for the provision of key support services to ensure the operational functionality of specific IT systems in the Department.

Security, Facilities and Auxiliary Services

The Facilities and Auxiliary Services Unit established a fully operational office for the DG at Parliament Towers in Cape Town. The relocation of the Head Office to Block G in **the dti** campus in Pretoria has been finalised. Registry Services has been introduced in the Department with a focus on the Human Resource and Financial Management units.

The Department's security policy, aligned to the MISS and other legislation, is in the draft stage, to be approved for implementation by the end of the first quarter of the new financial year. High security locks were installed at the Ministry offices in Pretoria. Verification of the completed vetting forms for key personnel was completed for submission to the State Security Agency.

4.1.5.3 Communications and Stakeholder Management

Given the crucial role the DSBD plays in the economy, and particularly during the current challenging economic environment, media generally takes a keen interest in the plans and programmes of the Department to address unemployment and poverty. There was an increased need for targeted stakeholder engagement throughout the financial year under review, particularly during the Budget Vote Month, Youth Month and Women's Month.

In order to create awareness of the products and services of the Department and its entities, the Department embarked on awareness campaigns and was also involved in the launch of different projects during the financial year under review.

4.1.5.4 Strategic Planning, Monitoring and Evaluation

Planning and Reporting

The Department met its reporting, planning, monitoring and evaluation obligations for the period under review in compliance with government's outcomes-based approach, and introduced monthly and quarterly reporting as standing items in Executive Committee meetings to instil and encourage performance reporting in the Department.

Planning

During the 2017/18 planning cycle, the DSBS submitted the first draft 2017/18 APP to National Treasury and the DPME in August 2016. In November 2016, during the DPME's performance dialogue with departments on the 2017/18 APP, the DPME and National Treasury proposed a change to the DSBD's strategic approach to its mandate, which required a structure focusing on leading the growth and sustainability of SMMEs and cooperatives in the country, which is a fundamental shift away from implementation.

Emanating from the recommendations of the performance dialogue, the Department requested an extension from the DPME and National Treasury to submit the revised second draft 2017/18 APP in January 2017. The DSBD, SEDA and SEFA (the portfolio) therefore embarked on a process towards the development of an overarching and integrated strategic framework for the portfolio, to which each of the three entities could then align their own strategic plans and aligned APPs, and which necessarily also includes an articulation of the small business development delivery value chain, as well as its roles and functions at portfolio level, together with defined portfolio indicators and targets.

The outcome of the above process was then reflected in the form of a portfolio strategic framework, intended to inform the aligned strategic plans and APPs for the DSBD, SEDA and SEFA for the period leading up to 2019/20.



Reporting

During the year under review, the Department strengthened the performance management system. These improvements are reflected in the alignment between its operation plans, the APP and demand plans.

To encourage reporting accountability, senior management resolved that there should be a standing item on monthly and quarterly Executive Committee meetings where core branches and supporting business units (Finance, Corporate Services and Communications, and Stakeholder Management) report on monthly performance progress and consolidated quarterly performance progress. These reports were thoroughly interrogated and engagement took place among senior management regarding the direction of the Department's performance. The Accounting Officer could then present the Department's quarterly reports to the Executive Authority, the DPME, Parliament or the Audit Committee. The Internal Audit Unit also provided combined assurance to the Accounting Officer by auditing all performance reports against the evidence produced. This action has set the Department on a compliance and accountability trajectory.

The Department, together with its two implementing agencies, SEDA and SEFA, introduced quarterly Governance Forum meetings to discuss matters pertaining to the achievement of the Department's mandate: performance issues, challenges affecting the successful implementation of programmes, developments in the small business and cooperatives sector, and strategies to further strengthen the alignment of the agencies' deliverables to the mandate of the Department. So far, the engagements between the Department and its agencies have been only positive and encouraging.

The following table depicts the performance information of Programme 1 against the strategic objectives, performance indicators, planned targets and actual achievements. It should be noted that the Department applied the following criteria to evaluate its performance:

Rating	Criteria
Target achieved or exceeded	100% or above
Target partially achieved	75-99%
Not achieved	74% and below

While the criteria for "not achieved" at 74% and below is harsh, it should be noted that, in all instances, there was an application of effort and resources. The "reasons for variance" explain why the target was not achieved, but this does not mean that no funds were spent in the delivery achieved. The Department wishes to unequivocally declare that none of the eight areas of "not achieved" are devoid of effort and budget spent

Table 7: Programme 1: Performance against 2016/17 annual performance plan targets

PROGRAMME 1: ADMINISTRATION					
Strategic-outcome oriented goal: An efficient and effective administration					
Strategic objective	Performance indicator	Actual performance against target		Deviation from planned target for 2016/17	Reasons for variance
		Planned target 2016/17	Actual achievement 2016/17		
To promote compliance and good governance	Clean audit	Unqualified audit outcome for the 2015/16 financial year	Unqualified audit outcome for the 2015/16 financial year	N/A	N/A

PROGRAMME 1: ADMINISTRATION					
Strategic-outcome oriented goal: An efficient and effective administration					
Strategic objective	Performance indicator	Actual performance against target		Deviation from planned target for 2016/17	Reasons for variance
		Planned target 2016/17	Actual achievement 2016/17		
To drive sound financial anagement and controls	Over- or under-expenditure on annual budget	Maintain <5% over- or under-expenditure on annual budget	9.2% under-spending on annual budget (R121 million)	4.2%	Under-expenditure was mainly due to under- spending of R90.6 million in transfer payments due to challenges in the implementation of planned programmes, and under-spending in compensation of employees and goods and services by R15.7 million and R13.8 million respectively. Transfer payments refer to under-spending in the CIS, NIBUS and the Enterprise Incubation Programme (EIP). Reasons for variance and corrective action in each of these areas are discussed in the Programme 3 report. In terms of compensation of employees, corrective action is discussed below.
	100% of payments to eligible creditors processed within 30 days	100% of payments to eligible creditors processed within 30 days	98% of payments to eligible creditors processed within 30 days	2% (156 of the 7 450 eligible creditors were processed after 30 days)	Logistical delays affected the achievement of this target.
To maintain a sound erformance planning, reporting and monitoring process	APP tabled	2017/18 APP tabled in Parliament	2017/18 APP tabled in Parliament on 8 March 2017	N/A	N/A
	SDIP approved	SDIP produced and approved	SDIP produced and approved by Accounting Officer on 31 March 2017	N/A	N/A
	Quarterly performance reports submitted to DPME at the end of each quarter	Four quarterly performance reports submitted to DPME after the end of each quarter	Four quarterly performance reports were submitted to DPME after the end of each quarter	N/A	N/A
	Annual reports tabled	DSBD Annual Report 2015/16 approved and tabled	DSBD Annual Report 2015/16 approved and tabled on 30 September 2016	N/A	N/A



PROGRAMME 1: ADMINISTRATION					
Strategic-outcome oriented goal: An efficient and effective administration					
Strategic objective	Performance indicator	Actual performance against target		Deviation from planned target for 2016/17	Reasons for variance
		Planned target 2016/17	Actual achievement 2016/17		
To build human resource capability and promote a culture of high performance	Maintain a <10% vacancy rate	Maintain a <10% vacancy rate	9.8% vacancy rate achieved	0.2%	The Department prioritised the filling funded posts that were vacant during the financial year under review.
	50% of women (SMS)	50% of women in SMS	53.5% of women in SMS employed in the Department	3.5%	In order to reach the target, the Department is committed to gender equality and prioritised the recruitment and appointment of suitable women candidates in senior positions.
	2% of people with disability	2% of people with disability	2.5% of people with disability employed in the Department	0.5%	There were disclosures of disability from current employees.
To communicate the work of the Department internally and externally	Project profiles of best practices	12 project profiles of best practices	12 project profiles of best practices	N/A	N/A
	Stakeholder engagement	Eight stakeholder engagements	19 stakeholder engagements	11 stakeholder engagements	There was an increased need for stakeholder engagement during the financial year under review, mainly due to increased support for and awareness of the Department's existence. In addition, there were targeted stakeholder engagements throughout the financial year, particularly during the Budget Vote Month, Youth Month and Women's Month.
	Number of media engagements	35 media engagements	39 media engagements	Four media engagements	Given the crucial role the Department plays in the economy, and particularly during the current challenging economic environment, media generally takes a keen interest in the plans and programmes of the Department to address unemployment and poverty.
	Proactive awareness campaigns	12 awareness campaigns	21 awareness campaigns	Nine awareness campaigns	In order to create awareness of the products and services of the Department and its entities, the Department embarked on awareness campaigns and was also involved in the launch of different projects during the financial year under review.

4.1.6 STRATEGIES TO OVERCOME AREAS OF UNDER-PERFORMANCE

4.1.6.1 The Department has implemented an invoice-tracking system that improved the payment and processing of invoices during the second half of the financial year under review.

4.1.6.2 The Department will improve project management planning during the annual performance planning phases so as to link the budget, demand and procurement plans to the annual targets.

4.1.6.3 The Department will strengthen performance progress reviews and engage more with the Office of the Chief Financial Officer, particularly on targets that are under-spent in the beginning of the implementation period. This will put accountability on all programme managers and implementers during quarterly reporting meetings with the Department's Executive Committee.

4.1.7 Changes to planned targets

None.

Table 8: Linking performance with budgets

Sub- programme	2016/17			2015/16		
	Final appropriation	Actual expenditure	(Over)/under-expenditure	Final appropriation	Actual expenditure	(Over)/under-expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Ministry	30 541	29 691	850	31 848	29 897	1 950
Departmental Management	16 342	14 514	1 828	19 763	15 232	4 531
Corporate Services	39 433	33 455	5 978	29 246	21 317	7 929
Financial Management	16 089	14 929	1 160	-	-	-
Communication and Marketing	8 620	6 335	2 285	-	-	-
Total	111 025	98 925	12 100	80 857	66 447	14 410

4.1.8 Reasons for Variance

Expenditure for Programme 1 was R98.9 million, or 89.1% of the projected budget of R111 million, resulting in an under-expenditure of R12.1 million (10.9%), which is an improvement of 6.9% (R2.3 million) from the 2015/16 financial year.

The under-expenditure occurred largely on computer services due to delays in the approval of a service level agreement (SLA) between DSBD and SITA for information and communication technology support. A commitment of R3.6 million was raised at the beginning of the financial year for a period of 12 months. The SLA between the DSBD and SITA was renegotiated as the defined services could not be delivered as SITA's specific technology infrastructure dependencies had not yet been implemented. The revised SLA only accommodates rendered services over the period and will be invoiced accordingly upon the approval of the new service level agreement between the two entities.

4.2 PROGRAMME 2: SMMES AND COOPERATIVES POLICY AND RESEARCH

4.2.1 PURPOSE

The purpose of Programme 2 is to formulate policy and conduct research for the development and growth of sustainable small businesses and cooperatives that contribute to the creation of employment and economic growth.



4.2.2 LIST OF SUB-PROGRAMMES

The programme is divided into the following sub-programmes:

Policy and Research: This sub-programme is responsible for the development of a comprehensive research agenda and a policy environment for the optimal development of SMMEs and cooperatives.

Monitoring and Evaluation: This unit is responsible for the development of monitoring and evaluation frameworks and instruments to capacitate the branch with the ability to monitor and evaluate the planning, design and implementation of the Department's programmes to improve efficiencies and the effectiveness of the programmes, and to enable evidence-based policy making. The mainstreaming unit, within the sub-programme, is responsible for reporting on the attainment of the Department's targets in terms of designated groups, as well as the development of a framework for the development of a mainstreaming strategy.

International Relations: This unit is responsible for the development of an international relations strategy. It also represents the Department at international relations events and actions, as well as international growth and development opportunities for SMMEs and cooperatives.

4.2.3 Strategic Objectives

The strategic objectives of the programme are as follows:

- Create a conducive legislative and policy environment for SMMEs and cooperatives;
- Drive an integrated planning and monitoring for SMMEs and cooperatives development in townships and rural areas;
- Drive a comprehensive research agenda on key areas of support for SMMEs and cooperatives;
- Develop and implement a relevant international strategy.

4.2.4 Programme Summary And Performance Information

4.2.4.1 Targeted stakeholder consultations on the amendment of the National Small Business Act of 1996 as amended

The Department conducted provincial consultations across the nine provinces, as well as two national consultations. The aim of these consultations was to solicit inputs into the review of the National Small Business Act (Act No. 102 of 1996) (NSBA), read with the National Small Business Act (Act No. 26 of 2003) and the National Small Business Amendment Act (Act No. 29 of 2004) from the small business sector, government departments, practitioners, small business owners (formal and informal), cooperatives, academia, business associations, the private sector, agencies, the European Commission and various experts in the small business and cooperatives sector.

The objectives of the stakeholder consultations were as follows:

- Facilitate an open and inclusive approach to consultation that provides timely and transparent information on the review of the NSBA to stakeholders;
- Provide an opportunity for stakeholders to provide feedback on the NSBA and to voice their concerns regarding areas that affect them and their businesses;
- Gather baseline information held by the stakeholders on the NSBA;
- To further enrich the process of analysing and reviewing the NSBA, the Department appointed a service provider to undertake a comparative analysis of the NSBA from a number of countries against our own.

4.2.4.2 Reviewing the 2007 Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises

The planned target for the review of the integrated strategy in the fourth quarter was a framework approved by the Executive Committee (Exco). However, following consultations with the DPME, it was decided that the evaluation of the strategy should be included in the 2017/18 National Evaluation Plan, which was approved by Cabinet in 2016/17. It was then logical to delay the review of the strategy until the completion of the evaluation, due to be concluded by November 2017. As such, Cabinet requires an improvement plan on all studies conducted under the annual national evaluation plans. The review and revision of the strategy is most likely to be undertaken in 2018/19. Further to this, a submission to note the deviation from the APP has been approved by the DG and submitted to the Minister for noting, as well as the DPME.

4.2.4.3 Definition of SMMEs

SMMEs play an important role in the South African economy as drivers of economic growth, innovation and job creation. The 1995 White Paper became the first attempt at pursuing a more integrated approach to the development and support of small business support. The White Paper took the stance that, since publicly funded support for small enterprises should only be granted to those really needing it, the objective definition and classification of different types of small enterprises is essential. Subsequently, the 1996 NSBA provided a schedule of the definition of SMMEs, which was updated in 2003.

Since the NSBA was promulgated, a number of research studies to review the national definition of SMMEs and inform a possible revision of this definition have been commissioned. The Department commissioned a study to review and consolidate the research that has been undertaken on the definition of small business in South Africa. This research involves undertaking a gap analysis of developments and changes affecting the SMME definition from 2010 to date, identifying and evaluating perceived contradictions and tensions between the NSBA's definition of SMMEs and various other legislation and/or policies, and formulating recommendations on the definition of SMMEs (thresholds, proxies and sectors) to be applied henceforth in a revised NSBA.

4.2.4.4 National Interdepartmental Coordinating SMME and Cooperatives committees

The DSBD initiated a National Interdepartmental Coordination Committee in 2015/16. This Committee met quarterly, as planned, in 2016/17. The Committee is designed to reflect a government-wide perspective to promote and support the growth and development of the small business and cooperatives sector through interdepartmental planning, coordination and reporting, with the following specific objectives, in accordance with the approved Terms of Reference of the Committee:

- Facilitate integrated planning and enhance coordination between national government departments involved in the small business and cooperatives sector through transversal agreements;
- Facilitate information-sharing among departments, both on specific departmental initiatives and on national and international research and experiences;
- Facilitate joint participation in the development of research, policy, strategy and legislation affecting small business and cooperatives development in consultation with the small business sector;
- Promote advocacy for small business and cooperatives development;
- Develop joint indicators in order to monitor the status of the small business and cooperatives sector, and measure impact on investments;

In-principle agreement has been reached on key requirements for an integrated framework for reporting.

4.2.4.5 Interprovincial Coordination Committee

Similarly, an Interprovincial Coordination Committee on SMMEs and cooperatives was established in 2015/16. This Committee also met quarterly, as planned, over the reporting period. The objectives of the Provincial Coordination Committee are as follows:



- Facilitate government strategic objectives around job creation, economic growth and service delivery imperatives as a whole;
- Holistically define and drive the strategic direction and priorities for national and provincial government as well as project implementation;
- Encourage collaboration, trust and responsiveness between the stakeholders that form part of the task team.

4.2.4.6 Annual review on the status of small business and cooperatives of 2014

The approval of the 2014 annual review was signed by Minister on 11 November 2016.

4.2.4.7 Annual review on the status of small business and cooperatives of 2016

The purpose of the review was to analyse and improve the availability of reliable statistical and descriptive information on small businesses and cooperatives support and to further provide for an analysis of quantifiable data on small business across all provinces of South Africa. The study will provide valuable data for support institutions, in particular, and all state organs involved in small businesses and cooperatives support, in general.

The availability of this information will also enable government to monitor the impact of the devised small business development policies and the need for any future research and policy development. The analysis will cover the entire spectrum of the small businesses and cooperatives sector. By the fourth quarter, the inception report was finalised and minor timeline changes were made to ensure that thorough stakeholder consultation is undertaken. The first milestone to deliver a draft literature review has been finalised and the review has been circulated to key stakeholders for input.

4.2.5 Strategies to overcome areas of underperformance

4.2.6 Changes to planned targets

None. However, the following should be noted:

- The APP required the business unit to review and approve the Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises (townships and rural enterprises). This performance indicator was reprioritised following guidance from the DPME to initiate an evaluation on the strategy prior to reviewing the strategy. It was advised that the finding and recommendations stemming from the evaluation would provide evidence-based information towards the review;
- Due to this reprioritisation of an evaluation before the review, the performance indicator “a reviewed and approved Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises” and its respective targets for the 2016/17 financial year were not met. The reasons for this deviation will be reported in the 2016/17 annual report, as advised by the DPME.

Table 10: Linking performance to budgets

Sub-programme	2016/17			2015/16		
	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
Policy, Research and Legislation	23 756	13 645	10 111	12 241	11 692	549
Monitoring and Evaluation	2 079	204	1 875	-	-	-
Total	25 835	13 848	11 987	12 241	11 692	549

Reasons for variance

Expenditure for Programme 2 was R13.8 million, or 53.6% of the projected budget of R25.8 million, resulting in an under-expenditure of R11.9 million (46.4%), which is a downward slide of R11.4 million (41.9%) from the previous financial year. The programme also underperformed on consultants due to delays on the commencement of research projects such as the SMME definition, enterprise ecosystem and sector prioritisation studies.

4.3 PROGRAMME 3: SMMES AND COOPERATIVES PROGRAMME DESIGN AND SUPPORT

4.3.1 Purpose

The purpose of Programme 3 is to support the development and growth of small businesses by designing financial and non-financial business development support programmes and interventions.

4.3.2 List of sub-programmes

The branch has the following sub-programmes:

- Cooperatives Development Support;
- Competitiveness Support;
- Enterprise Development;
- Market Development and Stakeholder Relations;
- Development Finance.

4.3.2.1 Cooperatives Development Support

This unit manages, facilitates and supports the development of cooperatives in order to improve their competitiveness and growth. The unit aims to execute its mandate by means of the following:

- Providing for the establishment of the Cooperatives Development Agency;
- Providing for the establishment of the Cooperative Tribunal;
- Assisting with the establishment of the Cooperatives Training Academy;
- Providing for the establishment and effective secretariat function of the Cooperatives Advisory Council (CAC);
- Formulating and reviewing financial support instruments to promote the economic viability and sustainability of cooperative enterprises.

4.3.2.2 Competitiveness Support

This unit is responsible for creating an enabling environment for local businesses and institutions to strengthen the local economy. The unit implemented its mandate by means of the following:

- Facilitating the decentralisation of business development support services;
- Identifying and creating opportunities to expand the economy in terms of new sources of jobs and economic activities for local communities;
- Advocating for a conducive regulatory environment to grow and sustain SMMEs and cooperatives;
- Implementing a national strategy for the upliftment of informal businesses.

4.3.2.3 Enterprise Development

This unit is responsible for designing programmes that will support the creation and growth of SMMEs. These were delivered by means of the following:



- Facilitating the provision of business development support to increase the current number of SMMEs and their contribution to the gross domestic product (GDP) and employment through entrepreneurship development;
- Facilitating the packaging of successful small businesses as micro franchisors;
- Facilitating the growth and sustainability of small businesses in various economic sectors.

4.3.2.4 Market Development and Stakeholder Relations

This unit is tasked with establishing strategic partnerships with other spheres of government and the private sector for the sustainable development of SMMEs and cooperatives by ensuring access to markets and expansion into new markets and innovation. The unit achieve this by means of the following, among others:

- Coordinating the implementation of 30% set aside for SMMEs and cooperative enterprises in the public sector;
- Developing programmes to assist in improving the quality of products, assisting local suppliers to expand production capacity;
- Establishing and building long-term, effective supplier partnerships between SMMEs and cooperatives with established businesses;
- Maintaining consultation with all stakeholders related to corporate partnership aspects.

4.3.2.5 Development Finance

This unit designs, develops and administers a set of incentive programmes to target a wide range of cooperatives, informal enterprises and SMMEs. It aims to develop, (re)design and implement instruments that are aligned to the national strategic direction in terms of support for SMME and cooperatives. The unit aims to improve relationships with stakeholders and customers by providing them with a quality service. It administered six programmes during the period under review: the BBSDP, the SEIF, Informal and Micro Enterprise Development Programme (IMEDP), the EIP, the CIS, including the Secondary Marketing Cooperative (SMCIS), which is a sub-programme of the CIS and the Emerging Enterprise Development Programme (EEDP). Furthermore, it planned to review the current CIS and BBSDP guidelines and to finalise the current BBSDP and CIS impact study project (in collaboration with Stellenbosch University).

4.3.3 STRATEGIC OBJECTIVES

- To design and implement targeted programmes to support new and existing small and medium enterprises in townships and rural areas;
- To increase participation of SMMEs and cooperatives in the mainstream economy;
- To coordinate and maximise support for SMMEs and cooperatives through public and private partnerships;
- To drive an integrated planning and monitoring for SMMEs and cooperatives development in townships and rural area.

4.3.4 PROGRAMME PERFORMANCE INFORMATION: ACHIEVEMENTS

4.3.4.1 Informal businesses supported through IMEDP

During the 2016/17 financial year, the Department exceeded the target of 7 000 by supporting 7 848 informal businesses through the IMEDP. The support comprised the further training of cooperatives, which focused on business management skills in collaboration with institutions such as United Nations Women, the Ekurhuleni Metro, SEDA and the North West Development Corporation. The provision of this training contributed towards the development of an effective informal business sector that will ultimately make a meaningful contribution to the growth of the country's economy.

4.3.4.2 Informal business infrastructure developed through the SEIF programme

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.

The target for the financial year under review was for six informal business infrastructure projects to be approved through the SEIF. This was aimed at ensuring that infrastructure is provided for small enterprises to function optimally.

During the period under review, the following projects were approved:

- Masai Village, Venda, Limpopo;
- Mnambithi, KwaZulu-Natal;
- Inqguza Hill, Eastern Cape;
- Tsakuma Market, Makhado, Limpopo;
- Umuziwabantu, KwaZulu-Natal;
- Greater Taung, North West.

The provision of business infrastructure in these areas will contribute to the realisation of the informal business sector's potential to grow and add efforts towards local economic development and job creation.

4.3.4.3 Cooperatives supported through training

As part of its mandate to ensure the development of cooperatives in the country, the Department trained 271 cooperatives on bookkeeping, cooperative governance and quality management. Moreover, the DSBID made efforts to link cooperatives to the market value chain, and was successful in linking 32 cooperatives to the SAB Women-in-Maize supplier development programme under CROP 17.

The purpose of the Women-in-Maize programme is to improve the skills and livelihoods of women farmers operating in underserved communities by providing training, financing and access to markets. To date, the cooperatives have enjoyed marked success in the areas of crop planting, income generation and employment creation.

4.3.4.4 Enterprise Incubation Programme

The EIP is a pilot programme that is aimed at supporting the establishment of new incubators, as well as the growth and expansion of existing ones. The EIP pilot programme implemented a market-driven approach to identify incubation opportunities and link them to supplier development. The programme incentivised incubators that nurtured small enterprises and cooperatives to gain competitive technical and business development skills and mentorship to facilitate the fulfilment of supply chain quality requirements. The EIP leaned towards physical incubation as opposed to virtual incubation through the level of technical skills and "hand-holding" required by small enterprises and cooperatives.

The annual target of supporting seven incubators was achieved. The supported incubators are located in Limpopo, Eastern Cape and Gauteng, and are in the agriculture, wildlife value chain and tourism, creative industries, construction and automotive industries.

It is anticipated that the incubators and incubatees will contribute to create jobs in their local communities. The industry distribution is focused on sectors that will contribute immensely to the promotion of the small business sector to reach its potential of driving job creation and economic growth, especially in the township and rural areas.



Table 9: Programme 2: Performance Against 2016/17 Annual Performance Plan Targets

PROGRAMME 2: SMMEs and Cooperatives Policy and Research					
Strategic objective	Performance indicator	Actual performance against target		Deviation from planned target for 2016/17	Reasons for variance
		Planned target 2016/17	Actual achievement 2016/17		
To create a conducive legislative and policy environment for SMMEs and cooperatives	Conduct stakeholder consultation engagements on the amendment of the NSBA of 1996, as amended	Targeted stakeholder consultations on the amendment of the NSBA of 1996, as amended	Two stakeholder consultation workshops on the NSBA were successfully hosted. A consolidated report on the stakeholder consultations was produced. A report on proposed areas of amendments was produced and submitted to the Minister for consideration.	N/A	N/A
	Review and approve the Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises	Review the integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises	The review of the Strategy on the Promotion of Entrepreneurship and Small Enterprises was not completed.	The review of the strategy has been postponed to allow for an evidence-based review, based on the findings of the national evaluation of the strategy.	DPME, in consultation with DSBD, decided to include the Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises in the National Evaluation Programme. Following Cabinet approval of the 2017/18 National Evaluation Programme, inclusive of the Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises, it was agreed to postpone the review of the strategy to allow for an evidence-based review, based on the findings of the national evaluation.
	Research report on legislative and regulatory protocols impeding SMMEs and cooperatives concluded	Research report on legislative and regulatory protocols impeding SMMEs and cooperatives concluded	The research report on legislative and regulatory protocols impeding SMMEs and cooperatives was concluded.	N/A	N/A
To drive integrated planning and monitoring for SMMEs and cooperatives development in townships and rural areas	A monitoring framework to monitor SMMEs and cooperatives support, in terms of a 30% public sector procurement programme developed	Develop and implement a monitoring framework to monitor SMMEs and cooperatives support	A pilot monitoring and evaluation framework was developed. Due to the fact that a 30% public procurement programme was not operational, the testing and piloting of the programme was done on the CIS.	N/A	N/A

PROGRAMME 2: SMMEs and Cooperatives Policy and Research

Strategic objective	Performance indicator	Actual performance against target		Deviation from planned target for 2016/17	Reasons for variance
		Planned target 2016/17	Actual achievement 2016/17		
	50% of total enterprises supported are women-owned enterprises	50% of total enterprises supported are women-owned enterprises	55%	Exceeded the target by 5%	This is a new target. As the Department historically focused on the empowerment of women, it had a mechanism in place to advance and exceed the target.
	30% of total enterprises supported are youth-owned enterprises	30% of total enterprises supported are youth-owned enterprises	12%	18%	This is a new target, which required a paradigm shift and completely new approach to implementation planning and reporting, and the Department was unable to effectively plan for the delivery of this target. However, the participation of youth in the economy remains an important impact measurement, and, having identified the root causes, the Department will correct these limitations in 2017/18.
	50% of total enterprises supported are from townships	50% of total enterprises supported are from townships	21%	29% together with under-reporting	As above. In addition, this was a new target introduced in 2016/17. The Department still relied on applications received without deliberate strategies to solicit more applications from townships. It is also a reflection of systemic obstacles (vibrant township economies that are unable to access the available services or are not aware of these services). The Department will work with provinces through their township revitalisation programmes and focus its stakeholder consultations and awareness campaigns on townships in 2017/18.
	30% of total enterprises supported are from rural areas	30% of total enterprises supported are from rural areas	28%	2% together with under-reporting	As above, with specific reference to rural areas.



PROGRAMME 2: SMMEs and Cooperatives Policy and Research					
Strategic objective	Performance indicator	Actual performance against target		Deviation from planned target for 2016/17	Reasons for variance
		Planned target 2016/17	Actual achievement 2016/17		
2.5 To drive a comprehensive research agenda of support for SMMEs and Cooperatives	Research reports on SMMEs and Cooperatives key areas of support	2. Research reports on key areas of SMME's and Cooperatives	One (1) key areas for research that were identified were: 1. The SMME Eco-System. The research was not finalised. A draft report was received by the end of the/fy 2. The SMME Definition. The research report on the SMME Definition has been finalised.	One (1) research report, on SMME Eco-system, was not finalised by the end of the financial year	Avoidable delays resulted in the procurement of a service provider occurring later (Q3 only) than planned and thus the study could not be concluded. Exco was however presented with a draft report. The report will be finalised in Q2 of the 2017/18 financial year.
2.6 To drive a comprehensive research agenda on key areas of support for SMMEs and Cooperatives	Programme Evaluation reports on the planning, design and implementation of SMMEs and Cooperatives programmes	1 Evaluation report on planning, design and implementation of SMME's and Cooperatives programmes	1 Evaluation report on planning, design and implementation of SMME's and Cooperatives programmes was approved at the EXCO meeting held on 27 March 2017.	N/A	N/A
2.7 To develop and implement a relevant international relations strategy	Approved international relations strategy	Approved international relations strategy	The department's International Relations Strategy was approved at the EXCO meeting held on 27 March 2017	N/A	N/A

4.3.4.5 Partnerships

The aim of this target was to establish strategic partnerships with other government departments and the private sector for the increased support of SMMEs and cooperatives by ensuring access to markets and expansion into new markets and innovation. Partnerships were established and built with established businesses, and the DSBD continued to mobilise all relevant stakeholders in respect of corporate partnerships that can be mutually beneficial to the private sector and small enterprises.

The annual performance target of entering into 10 partnerships to support SMMEs and cooperatives was exceeded, as 14 partnership agreements were signed. The annual target was exceeded by four agreements due to the unit's ability to be effective and efficient during the discussion, negotiation and finalisation of partnership agreements.

4.3.4.6 National co-location programme

The national co-location programme was implemented to deliver integrated complementary services offered by the DSBD, SEDA and SEFA to increase the availability of support services offered to small enterprises in townships and rural areas.

The execution of the programme was also aimed at bringing together small business development support services offered by the agencies of the national and provincial departments to increase access to government services, particularly in the historically disadvantaged communities.

The targets of developing a national co-location programme concept document, approving an implementation plan and establishing 27 co-location points were achieved. It is important to note that the establishment of co-location points across the country was executed in collaboration with SEDA, SEFA and other partners.

4.3.4.7 Integrated planning engagements with Local government

The DSBD embarked on integrated planning engagements with local government departments to ensure the alignment of government's different plans. This work was achieved through the DSBD's participation in integrated development planning (IDP) forums. Key to this alignment is the need to ensure that local government's plans are aligned to government's overall sector priorities.

The annual performance targets of participating in 15 integrated planning engagements with local government departments through local economic development (LED) (IDP) forums and the production of reports were achieved by conducting 15 integrated planning engagements with local government departments.

4.3.5 PERFORMANCE INFORMATION: AREAS OF NON-PERFORMANCE OR UNDER-ACHIEVEMENT

4.3.5.1 Cooperatives Development Agency

As one of the efforts to strengthen the existing support value chain for cooperatives, the Department proposed, through the Cooperatives Amendment Act (Act No. 6 of 2013), the establishment of the CDA, with the mandate and purpose to develop and support cooperatives. The key aim of the CDA was to provide a one-stop-shop mechanism aimed at streamlining financial and non-financial support to cooperatives.

The objectives of the CDA were as follows:

- Provide financial and non-financial assistance to cooperatives to enable their development;
- Provide business support services, including but not limited to mentorship and post-investment and registration support, and access to market services to cooperatives;
- Assist cooperatives to fully comply with the requirements of the Act;
- Provide access to information regarding all products, programmes and services available to cooperatives;



- Carry out independent review reports on behalf of the qualifying primary cooperatives and ensure that such cooperatives submit these reports to the Registrar;
- Develop and maintain data on cooperatives in partnership with the Registrar, relevant national and provincial departments, municipalities and other role players;

The annual performance target of establishing the CDA was not achieved due to the lack of a budget allocation. A number of attempts were made to mobilise resources from National Treasury, but the attempts were unsuccessful.

4.3.5.2 Cooperatives Incentives Scheme

The goal of implementing the CIS was to promote the development and competitiveness of sustainable cooperatives that promote equity and greater participation by black persons, women, people with disabilities and youth. Essentially, CIS is an incentive that aims to improve the viability and competitiveness of cooperative enterprises by lowering the cost of doing business.

The CIS only managed to support 240 cooperatives, as opposed to the annual target of 370 cooperatives. This is due to delays with the systems transfer from the dti to the Department. The unit was unable to release approval contracts due to the unavailability of the system administrator to correct the situation and finalise the migration of the CIS platform to the DSBD.

4.3.5.3 Black Business Supplier Development Programme

Through BBSDP, the DSBD assisted 589 small and medium enterprises with financial and non-financial support. The achievement missed the planned annual target by 11, which represents 1.8% under target.

PROGRAMME 3: SMMEs AND COOPERATIVES PROGRAMME DESIGN AND SUPPORT

TABLE 11: PROGRAMME 3: PERFORMANCE AGAINST 2016/17 ANNUAL PERFORMANCE PLAN TARGETS

PROGRAMME 3: SMMEs AND COOPERATIVES PROGRAMME DESIGN AND SUPPORT					
PROGRAMME 3: SMMEs and Cooperatives Programme Design and Support					
Strategic objective	Performance indicator	Actual performance against target		Deviation from planned target for 2016/17	Reasons for variance
		Planned target 2016/17	Actual achievement 2016/17		
To design and implement targeted programmes to support new and existing small and medium enterprises in township and rural areas	Informal businesses supported through the IMEDP	7 000 informal businesses supported through the IMEDP	7 848	848 additional informal businesses were supported.	Given the sheer size of the informal sector, the demand and the support of multiple partnerships, the Department was able to exceed the target of supporting informal businesses through further training. The Department committed to over-reaching itself to support the informal sector.

PROGRAMME 3: SMMEs AND COOPERATIVES PROGRAMME DESIGN AND SUPPORT					
PROGRAMME 3: SMMEs and Cooperatives Programme Design and Support					
Strategic objective	Performance indicator	Actual performance against target		Deviation from planned target for 2016/17	Reasons for variance
		Planned target 2016/17	Actual achievement 2016/17		
To increase the participation of SMMEs and cooperatives in the mainstream economy	Informal business infrastructure developed through the SEIF	Six informal business infrastructure projects approved through the SEIF	Six informal business infrastructure projects were approved. The six projects are Matsila Trust, Mnambithi, Inqguza Hill, Makhado, Umuziwabantu and Greater Taung.	N/A	N/A
	Rescue strategy developed	Rescue strategy for small enterprises and cooperatives developed	The rescue strategy was not developed during the financial year under review.	No developed business rescue strategy	Although some milestones were achieved towards the target, that did not amount to the achievement of the target, however. This was due to a lack of sufficient personnel to undertake the implementation of the target.
	Establish CDA	Establish CDA	The CDA was not established	The CDA was not established.	The lack of budget allocation affected the establishment of the CDA. This was coupled by the delay in the proclamation of the Cooperatives Act. Some milestones were achieved towards the annual target. However, it did not amount to the achievement target.



PROGRAMME 3: SMMEs AND COOPERATIVES PROGRAMME DESIGN AND SUPPORT					
PROGRAMME 3: SMMEs and Cooperatives Programme Design and Support					
Strategic objective	Performance indicator	Actual performance against target		Deviation from planned target for 2016/17	Reasons for variance
		Planned target 2016/17	Actual achievement 2016/17		
	Cooperatives supported through the CIS	370 cooperatives supported through the CIS	240 cooperatives supported through the CIS	Supported fewer cooperatives than planned.	There were delays with the systems transfer from the dti to the DSBD. This posed internal administrative challenges and resulted in a delay in finalising the migration of the CIS platform to the Department.
	Cooperatives supported through training	250 cooperatives supported through training	271 cooperatives supported through training	21 more cooperatives supported through training	The Department, through the German Cooperative Raiffeisen Confederation (DGRV), managed to fulfil the high demand in training by cooperatives during the financial year under review.
	Small and medium enterprises supported through financial and non-financial support	600 small and medium enterprises supported through the BBSDP	589 small and medium enterprises supported through the BBSDP	11 less small business projects were approved.	This non-achievement was mainly due to internal administrative challenges faced by the Development Finance Unit.
	Incubators supported through the EIP	Seven incubators supported through the EIP	Seven incubators supported through the EIP: Africa Excel Advisory Services (Pty) Ltd, Matsila Community Development Trust, Limpopo Wildlife Business Incubator, Nunnovation Africa Foundation, Imvula Trust, Nomakhwezi Darling Benya Primary Cooperative, Steelbest Manufacturing (Pty) Ltd.	N/A	N/A

PROGRAMME 3: SMMEs AND COOPERATIVES PROGRAMME DESIGN AND SUPPORT					
PROGRAMME 3: SMMEs and Cooperatives Programme Design and Support					
Strategic objective	Performance indicator	Actual performance against target		Deviation from planned target for 2016/17	Reasons for variance
		Planned target 2016/17	Actual achievement 2016/17		
To coordinate and maximise support for SMMEs and cooperatives through public and private partnerships	Partnership agreements entered into to support SMMEs and cooperatives	10 partnership agreements entered into to support SMMEs and cooperatives	14 partnership agreements entered into to support SMMEs and cooperatives. The supported incubators are located in Limpopo, Eastern Cape and Gauteng and are in the agriculture, wildlife value chain and tourism, creative industries, construction and automotive industries.	Four more agreements were entered into.	There is a high need to partner with other stakeholders in order to fulfil the mandate of SMMEs and cooperatives development. The Market Access Unit was effective and efficient during the discussions, negotiations, and finalisations of partnership agreements
	National co-location programme implemented	National co-location programme concept document and implementation plan approved. 27 national co-location points established	The national co-location programme concept document and implementation plan were approved. 27 national co-location were points established.	N/A	The Department, together with its agencies and partners, and in an effort to increase stronger alignment in the shared purpose of the Department and its agencies, committed to easing the business operating environment and reducing red tape for SMMEs and cooperatives in the rural areas.
	A National Interdepartmental SMMEs and Cooperatives Development Coordinating Committee established, quarterly reports produced. Develop integrated planning framework with national governments	National Interdepartmental SMMEs and Cooperatives Development Coordinating Committee established Develop integrated planning framework with national governments Three quarterly reports prepared based on the implementation of recommendations	The National Interdepartmental Coordinating Committee was duly established An integrated planning framework with national governments was developed. Three quarterly reports were prepared based on the implementation of recommendations.	N/A	N/A



PROGRAMME 3: SMMEs AND COOPERATIVES PROGRAMME DESIGN AND SUPPORT					
PROGRAMME 3: SMMEs and Cooperatives Programme Design and Support					
Strategic objective	Performance indicator	Actual performance against target		Deviation from planned target for 2016/17	Reasons for variance
		Planned target 2016/17	Actual achievement 2016/17		
	Develop integrated planning framework with provincial governments Four quarterly Interprovincial Coordinating Committee meetings	Develop integrated planning framework with provincial governments Quarterly Interprovincial Coordinating Committee report produced	The Provincial Interdepartmental Coordinating Committee was duly established with four quarterly meetings held. Three quarterly reports were prepared.	N/A	N/A
	Integrated planning engagements with local government departments through LED forums and reports produced	15 integrated planning engagements with local government departments through LED forums and reports produced	15 integrated planning engagements with local government departments through LED forums and reports were produced.	N/A	N/A

4.3.6 Strategies to address under-performance

- The Department will request additional funding from National Treasury so that the process of establishing the CDA can start without delay;
- The Department will finalise the migration of the CIS platform from **the dti** to the DSBD and acquire the services of a system administrator to run the system and enable the processing and releasing of approval contracts.

4.3.7 Changes to planned targets

None

4.3.8 Linking performance to budgets

Table 12: Linking performance to budgets

Sub-programme	2016/17			2015/16		
	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
Enterprise Development	690 246	689 920	326	660 265	652 834	7 430
Competitiveness Support	68 024	11 991	56 033	44 871	42 555	2 316
Cooperatives Development	5 749	5 447	302	4 838	3 949	889
Small Medium and Micro Enterprise Development Finance	368 071	355 970	12 101	324 341	321 414	2 927
Market Development and Stakeholder Relations	49 489	20 940	28 549	108	-	108
Total	1 181 579	1 084 267	97 312	1 034 422	1 020 752	13 670

4.3.8.1 Reasons for variance

Expenditure for Programme 3 was R1.084 billion or 91.8% of the projected budget of R1.182 billion, resulting in an under-expenditure of R97.3 million (8.2%), which is a downward slide of R83.6 million (6.9%) from the previous financial year. The programme's under-expenditure occurred largely on transfer payments:

- **NIBUS (R53.6 million):** By the end of March 2017, the Department had engaged in the further and refresher training of 8 036 informal businesses through multiple partnerships. However, this programme failed to spend its budget largely due to external problems, reliance on one implementation modality, poor management, a lack of shared ownership of the project, under-capacity, poor planning and the execution of the project. The original allocation to this project was R95 million, and R42 million had to be redirected to other projects which were under-funded. These were the BBDSP (R23 million), Centres for Entrepreneurship (R4 million) and Gazelles' management fees (R15 million);
- **CIS (R11.1 million):** Under-spending was due to technical challenges, which resulted in the Development Finance Unit being unable to issue letters of approval to successful applicants from December 2016 to February 2017. The dti team assisted in clearing all the faults on the system by the first week in March 2017. The letters were printed and forwarded to successful applicants. The Unit was, however, unable to disburse all the funds allocated to the scheme for the 2016/17 financial year, hence the variance of R11.1 million;
- **EIP (R25.9 million):** Noting that the allocation was received for the first time at the beginning of the financial year, the guidelines were approved in June 2016. Applications documentation was disseminated in July 2016, while the Minister appointed the Adjudication Committee members in October 2016.



5. TRANSFER PAYMENTS

Table 13: Transfer payments to public entities

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 registrations, business planning, business advice, counselling and training, facilitation of access to finance, facilitation of access to markets, cooperative support, business Incubation, and targeted small enterprise training	652 914		To be provided in the SEDA Annual Report 2016/17
Total		652 914		

6. CONDITIONAL GRANTS

6.1 CONDITIONAL GRANTS AND EARMARKED FUNDS PAID

Not applicable to the DSBD.

6.2 EARMARKED FUNDS RECEIVED

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

7. DONOR FUNDS

The DSBD received R413 000 through the Reconstruction and Development Programme (RDP), supported by the African Development Bank to support the Enterprise Development Pilot Project for LED, R221 000 of the funds provided in the 2016/17 financial year were spent and R192 000 remained to be utilised in the 2017/18 financial year.

8. CAPITAL INVESTMENT

8.1 CAPITAL INVESTMENT, MAINTENANCE AND ASSET MANAGEMENT PLAN

The DSBD's asset base was formed on the backbone of assets transferred from **the dti** with related programmes. The occupied office space is managed by **the dti**, from whom the DSBD sublets. An analysis of the asset register indicated an ageing asset pool and an inadequate infrastructure to enable an efficient institution. The ICT component recommended that laptops older than three years and out of warranty be gradually replaced.

The Department spent a minimal amount on furniture as the existing furniture was inherited with the space allocated by the landlord or **the dti**, from whom the DSBD is subletting.

For the year under review, the Department acquired assets worth R3.5 million, out of which R2.957 million were cash purchases, while R636 000 were additions from **the dti**.

As at 31 March 2017, the Department's asset register consisted of major assets worth R12.8 million and minor assets worth R644 000. Quarterly asset verifications are conducted and recommendations on disposals are tabled to the Disposal Committee that, in turn, makes recommendations to the Accounting Officer for approval to dispose of them in an environmentally friendly manner.



PART C:

GOVERNANCE

PART C: GOVERNANCE

1 INTRODUCTION

The Department is committed to maintaining the highest standards of governance as this is fundamental to the management of public finances and resources. In this section of the 2016/17 annual report, the Department provides the assurance that it has good governance structures in place to effectively, efficiently and economically utilise the state resources funded by the tax payer.

Over the period under review, the Department was subjected to an evaluation in accordance with the Management Performance Assessment Tool (MPAT) in respect of its maiden year of operation, 2015/16. Remarkably, the Department achieved an overall score of 3 for complying with the minimum standards. The latter served as a baseline for the improvements the Department introduced and institutionalised in the 2016/17 financial year.

2 DECISION-MAKING STRUCTURES

2.1 DIRECTOR-GENERAL

The DG is the Accounting Officer of the Department and is appointed through Cabinet by the Minister of Small Business Development. The DG provides visionary, value-based leadership and management to the Department and its agencies, and performs any functions in terms of the Public Finance Management Act of 1999 (PFMA). Ms Edith Vries is the DG that has led the governance operations of the Department during the year under review.

2.2 MINISTER AND EXECUTIVE COMMITTEE MEETING (MINEXCO)

MinExco is the principal structure through which the executive authority engages with the Accounting Officer, together with the executive management team, about the Minister's delivery agreement and MTSF, as well as the Department's mandate, performance and interaction with the small business sector and society at large.

MinExco held three meetings during the 2016/17 financial year. The core functions of MinExco are largely policy generation and coordination, strategy management and the tracking of departmental priorities. These functions include, but are not limited to deliberating on internal policies, strategies and other strategic frameworks, engaging on documents that would be tabled at external platforms, deliberating on external documents (such as policies, strategies and Acts) that have a bearing on the DSBD, and monitoring the progress of special projects identified by the executive authority and the DG.

Table 14: Minexcoo Meetings For 2016/17

2016/17 meeting date	Strategic matters discussed
31 May 2016	2015/16 annual financial statements 2015/16 annual performance reports Human Resources Implementation Plan
13 December 2016	SMME database and rating system demonstration Dashboard solution
28 March 2017	2016/17 preliminary reflections and year-end results Preparations for the 2017/18 financial year Transversal agreements Key findings on SMME definition Mainstreaming transformation report Sector prioritisation Change management and 2017/18 proposed structure



2.3 EXECUTIVE COMMITTEE

The Department's Exco is the highest decision-making structure, as well as the highest cross-functional decision-making authority of the senior management of the Department. While the DG retains overall accountability and responsibility for the powers and authority that he or she delegates, Exco has decision-making powers in line with the Department's policies, strategies, delegation of authority and directives issued by the executive authority or Cabinet, or any other authority bestowed upon it by the DG. All decisions taken at a duly constituted meeting are considered binding on all members of Exco and the Department as a whole (where applicable.)

Meetings are chaired by the DG and comprises of the DDGs, chief directors, directors, as well as governance functions such as Risk Management, which are non-SMS positions. The key functions of the Exco are to undertake strategic and business planning, report and monitor the implementation of strategic and business plans, and mobilise and allocate financial and human resources, and risk management. The Exco is responsible for discussing and approving policies relating to operations.

The Minister of Small Business Development approves the strategic plans and APPs of the Department that set out the mandate and performance targets. In the 2016/17 financial year, Exco took a resolution to increase the culture of good governance and compliance by introducing monthly performance reporting by all programmes to allow the Department to track its progress against the 2016/17 APP and non-APP targets.

In the 2016/17 financial year, 24 Exco meetings were scheduled and two additional special meetings took place. The table below summarises the Exco meetings that took place and key strategic matters that were considered at those meetings:

Table 15: Schedule of 2016/17 Exco meetings

Exco meeting schedule	Matters recommended for approval
4 April 2016	Progress on DSBD programme review
18 April 2016	PAIA manual Performance Information Management Policy Enterprise Incubation Programme 2015/16 Quarter 4 performance reports by all programmes
16 May 2016	Quarterly performance reporting guidelines
30 May 2016	Human Resources Implementation Plan 2015/16 annual performance report
13 June 2016	June monthly performance reports
27 June 2016	Remunerative Work Outside Public Service Policy Mainstreaming Framework
4 July 2016	Quarter 1 performance reports by all programmes
8 August 2016	2015/16 Audit Report July monthly performance reports
22 August 2016	Cooperatives Development Agency Strategic Plan indicators Small business review report Service Delivery Improvement Charter
5 September 2016	Skills Training Plan HR Delegations Plan
19 September 2016	August monthly performance reports Fraud Prevention Policy

Exco meeting schedule	Matters recommended for approval
3 October 2016	Office of the Public Service Commission: constitutional values and principles (presented by Mr Manie Fourie) Employee health and awareness Communications and Events Policy International Scholarship Programme Internal Induction Programme
17 October 2016	Quarter 2 performance reports by all programmes
31 October 2016	APP reporting requirements Integrated Cooperatives Strategy
14 November 2016	Records Management Policy Internal Audit report
28 November 2016	Innovation-based Enterprises (presented by Prof Thembela Hillie) Combined Assurance Framework October monthly performance reports by all programmes
12 December 2016	Preliminary evaluation of the Informal Traders Upliftment Programme (ITUP) Demonstration of the SMME database and rating system (the work that the DSBD is doing in partnership with International Labour Organisation (ILO)) Tools of Trade Policy Initial report on the Red Tape Reduction Guidelines
23 January 2017	Quarter 3 performance reports by all programmes
20 February 2017	Performance Management Template 2017/18 Internal Audit Plan Review of Internal Audit Charter Demonstration of the DSBD website
13 March 2017	Quarter 2 and 3 mainstreaming report Back to Office Reporting Template ICT Plan
20 March 2017	2016 Annual Review Report Key findings on SMME definition Business case on community enterprises 30% set aside for public procurement from SMMEs Performance Management Policy
27 March 2017 (special meeting)	International Relations Strategy Whistle-blowing Policy Key findings on the small business ecosystem Ethics Management Policy Quarter 4 preliminary reports by all programmes

2.4 GOVERNANCE FORUM WITH ENTITIES

In the 2016/17 financial year, the Department established the Governance Forum with entities. The Forum meetings are held on quarterly basis and attended by the chief executive officers of SEDA and SEFA, supported by their executive management teams. The Governance Forum's activities for 2016/17 were guided by the work plan, which was developed and adopted by all parties. The work plan provided the structure of activities to be undertaken and reporting timeframes. It is worth mentioning that the Governance Forum provided a valuable platform in the following way:

- Agencies to report on urgent matters requiring the attention of the executive authority to ensure expeditious intervention;
- Assist the agencies in preparing and compiling their preliminary performance reports in anticipation of tabling the same to the executive authority and the Portfolio Committee on Small Business Development;
- Enabled the Department to heighten compliance in terms of reporting requirements, i.e. agencies to provide



narrative reports and, in instances where underperformance is recorded, reasons for variance were aligned to the underperformance.

In February 2017, after operating for one year, Terms of Reference, informed by the actual practice, were developed for the Forum. The Terms of Reference serve to expand the scope of the Forum, for example, to allow for the establishment of the various technical sub-committees.

Governance Forum meetings with entities were held on quarterly basis, as reflected in the table below.

Table 16: 2016/17 Governance Forum meeting with entities

Reporting period	Date
Quarter 4 of 2015/16	4 May 2016
Quarter 1 of 2016/17	20 July 2016
Quarter 2 of 2016/17	25 October 2016
Quarter 3 of 2016/17	13 February 2017

2.5 INFORMATION AND COMMUNICATION TECHNOLOGY STEERING COMMITTEE

The Information and Communication Technology (ICT) Steering Committee (ICT Steercom) has the responsibility to coordinate and oversee the planning, implementation and execution of the corporate governance of ICT and strategic alignment of the ICT Plan to the DSBD's APP. It has the responsibility of monitoring the performance of ICT against the corporate governance of ICT policy framework as defined by the DPSA.

The ICT Steercom is a sub-committee of the Department's Exco and has a direct reporting line to the Accounting Officer. The constitution of the committee is represented by at least one member of the SMS cadre of each programme within the Department and ex-officio members. It is chaired the Chief Financial Officer of the DSBD, and Deputy Chair duties are performed by the Chief Director: Corporate Services.

The overall duties of this Committee are to ensure that the operational activities performed by the ICT Unit are delivered according to the annual plans and overarching five-year ICT Plan as defined in the CGICTPF. Furthermore, the Committee aims to ensure the implementation of transformation programmes and projects that affect the processes of the DSBD by ensuring the strategic alignment of ICT to the business objectives of the Department. It is also the role of the Committee to ensure sufficient organisational capacity to enable the delivery of defined plans within the environment.

The Committee is tasked to meet at least four times a year, with ad hoc meetings scheduled as and when required. In the 2016/17 financial year, the Committee sat four times, as follows:

- 13 July 2016;
- 29 July 2016;
- 20 October 2016;
- 3 February 2017.

2.6 PROCUREMENT COMMITTEES

The Department has established the three bid committees: the Bid Adjudication Committee (BAC), the Bid Evaluation Committee (BEC) and the Bid Specification Committee (BSC). All these committees were trained on the committee processes and are governed by the Terms of Reference approved by the DG.

2.7 BID SPECIFICATION COMMITTEE

The BSC is a standing committee that does not have a permanent Chairperson. For this reason, the project manager of that specific tender would chair the meeting. This committee looks at the relevancy of the requirements, whether the specifications are clear and unambiguous, and whether they would promote a healthy and open competitive bidding process. The process will also include ascertaining if the evaluation criteria are measurable and the scoring guideline is clear to enable the BEC to evaluate the received and qualifying proposals.

2.8 BID ADJUDICATION COMMITTEE

The BAC a standing cross-functional committee and, governed by the Code of Conduct for Bid Committees, considers the specifications recommended by the BSC and recommendation for the appointment of a service provider from the BEC. The Committee would make their inputs where applicable and subsequently recommend them to the DG for approval, or approve the specification as per the delegations. In some cases, where the recommendations are not adopted, the Committee would return the recommendation to the BSC and BEC respectively for clarity. Where there are disputes, the matters are referred to the Accounting Officer for a final decision.

2.9 BID EVALUATION COMMITTEE

The BEC, an ad hoc Committee which considers and evaluates all proposals received as per the advertised tender. Once service providers have met the criteria, the Committee would recommend the one that best meet or suit the requirement to the BAC for either approval or recommendation to the DG for approval.

3 RISK MANAGEMENT

Risk Management has been an area requiring significant improvement, as the Department did not have a dedicated risk manager and the level of risk maturity of the Department was extremely low. Hence, during the earlier part of the financial year, the Department secured the services of a senior risk management professional from one of its entities (SEDA) to assist a few times a year. Despite the said challenges, the Department approved the Risk Management Policy, as well as the Risk Management Strategy. The Department also approved the Risk Management Charter and Implementation Plan for 2016/17 to set out specific and detailed roles and responsibilities of the Risk Management Committee. It should also be mentioned that subsequent consideration to expand the Risk Management Committee's scope of work to include the ethics management function was made. This resulted in the renaming of the Committee to the Risk and Ethics Management Committee (REMC). Its Charter, together with its Implementation Plan, were revised.

Furthermore, the Audit Committee provided very instructive advice on risk and ethics management-related matters. This was made possible through the discussion and submission of quarterly risk and ethics management progress reports.

4 FRAUD AND CORRUPTION

During the 2016/17 financial year, the Department approved its first Fraud Prevention and Anti-Corruption Policy, Strategy and the Implementation Plan. In doing so, the Department committed itself to taking a stand against fraud and corruption, and adopted a zero-tolerance stance against fraud and corruption.

The implementation of the Fraud Prevention Plan was undertaken as follows:

- Presented at the Exco meeting to ensure that managers become the first line of defence in the prevention, detection and response to incidents of fraud and corruption;
- The same policy was popularised via the DSBD Blitz, the departmental communication platform in which all employees are notified of new policies and strategies;



- The conducting of fraud risk identification workshops during the period under review;

In terms of mechanisms in place to report fraud and corruption, the Department approved the Whistle-blowing Policy, which included the procedures for raising concerns, as well as procedures for handling concerns, all aimed at simplifying and encouraging employees to report any form of unlawful act or dishonestly without fear of reprisal. The Whistle-blowing Policy was popularised via the DSBD Blitz, which included the following reporting mechanisms:

- Telephone line 0861 843384 or 012 394 1433;
- National Anti-corruption Line (NACH), administered by Public Services Commission, 0800 701 701.

In the period under review, the dti transferred a matrix of 76 historical fraud-related cases, that is, matters that came to light prior to the establishment of the DSBD. This matrix was devoid of any supporting documentation. By the end of the financial year, the Department had engaged the State Law Advisor for an opinion on how to proceed, while at the same time seeking additional information from the dti. The Department has not been able to proceed with definitive action due to lack of information.

5 MINIMISING CONFLICT OF INTEREST

All members of the SMS are expected to disclose their business interests on an annual basis via an e-disclosure system, in terms of the Public Service Regulations (PSR), as amended. Furthermore, the Department administers and strives to ensure that members' disclosure of interest in all the meetings, are done. To this end, in the 2016/17 financial year, 28 out of 32 SMS officials submitted their financial declarations. Four officials did not declare their financial interests and were disciplined (verbal warning) for non-compliance.

The Department updated its Policy on Other Remunerative Work Outside the Public Services to align it with the PSR of 2016, as amended, to ensure that these provisions of the PSR were adhered to. Specific amendments included that "an employee shall not conduct business with any organ of state or be a director of a public or private company conducting business with an organ of state, unless such employee is in an official capacity a director of a company listed in schedule 2 and 3 of the Public Finance Management Act".

In its efforts to minimise the conflict of interest, all non-SMS officials are required, by law and in terms of the departmental policy, to obtain approval from the Accounting Officer prior to conducting other work outside the public service on an annual basis.

The attendance registers for all governance meetings make provision for the declaration of interests.

6 CODE OF CONDUCT

The Code of Conduct for Public Servants, as prescribed in Chapter 2 of the PSR of 2001, acts as a guideline to employees about the ethical expectations in their individual conduct and relationship with others. The Code of Conduct was implemented through training, and every official received a copy to ensure compliance. New employees will be provided with training on the new regulations, i.e. the PSG of 2016, as amended.

7 HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

The access control system is managed and maintained by the landlord (**the dti**). The Security Management Unit facilitates the process between **the dti** and the DSBD. Permanent staff, contract workers and other workers (such as interns) are registered on the system in order to gain access or exit. Upon exit, Human Resources, ICT, Asset Management, Security Management and Facilities Management ensure that all allocated resources are returned.

Safes, steel cabinets and zipples have been provided to ensure that files are kept safe in lockable spaces. Temporary registry spaces have been allocated for Human Resources and Finance. Storerooms have been allocated for Supply Chain Management (SCM) and ICT to ensure that the DSBD's assets are kept in lockable spaces.

In ensuring compliance to the Occupational Health and Safety (OHS) Act, the Prestige Unit of the Department of Public Works (DPW) ensures that all fire equipment is installed and serviced timeously. First aiders and fire fighters/marshals have been appointed and trained for Parliament and Parliament Towers in Cape Town. Two first aid boxes have been provided, and a fire drill has been conducted.

The owner of the property, Delta Property Fund, ensures that all fire equipment is installed and serviced timeously for Block G on **the dti** campus, where the DSBD is housed. The Facilities Management, Security Management and Employee Health and Wellness units have initiated a process for the appointment of OHS role players, such as fire fighters/marshals, first aiders, wellness buddies and safety, health and environment (SHE) representatives during the first quarter of the 2017/18 financial year. A plan is in place for the establishment of the OHS Committee, Joint Forum (**dti** campus) and the development of the contingency plan by end of the second quarter in 2017/18. Fire drills have been scheduled for the first quarter, and awareness is to be conducted quarterly.

Cleaning services, as provided by the landlord (**the dti**), ensures that all offices and designated areas are safe and clean daily, so as to provide a habitable environment for the DSBD employees at Block G.

8 PORTFOLIO COMMITTEE

The Department understands the authority and mandate of the Portfolio Committee on Small Business Development and provided briefings required by the Committee. This is an area that requires significant improvement in terms of timeous submissions, which consistently fully meet the information needs of the Portfolio Committee. Briefings to the Portfolio Committee in the 2016/17 financial year were as follows:

Table 17: Schedule of meetings of the Portfolio Committee for 2016/17

Date	Agenda
6 April 2016	Briefing by SEDA on its programmes review results, Strategic Plan and APP
7 April 2016	Consideration of a Strategic Plan of the Portfolio Committee
13 April 2016	First consideration of a Draft Budget Vote Report
20 April 2016	Second consideration of a Draft Budget Vote Report
4 May 2016	Consideration and adoption of Budget Vote Report
18 May 2016	Briefing by the DSBD on its Quarter 4 performance report
7 September 2016	Briefing by the DSBD on its 2016/17 first quarter performance
14-15 September 2016	Oversight visit to KwaZulu-Natal (cooperatives supported by the DSBD)



Date	Agenda
11 October 2016	Briefing by Auditor-General on the performance of the DSBD Briefing by the Financial Fiscus Commission on the financial performance of the DSBD
12 October 2016	Briefing by the DSBD on its APP Briefing by SEFA on its APP
13 October 2016	Briefing by SEDA on its APP
19 October 2016	First consideration of the Budgetary Review and Recommendation Report (BRRR)
21 October 2016	Second consideration of the BRRR
9 November 2016	Consideration and adoption of the KwaZulu-Natal Oversight and Workshop Report on the Department's Cooperatives Development Pilot Project
23 November 2016	Briefing by the DSBD on progress in the implementation of the Programmes Review Project
30 November 2016	Briefing by the DSBD on progress in the Department's Cooperatives Development Model Pilot Project in KwaZulu-Natal Briefing by the DSBD on the framework of an Integrated Project Steering Committee for the Department's Cooperatives Development Model Pilot Project in KwaZulu-Natal Presentation on the Cooperatives-based Community Economic Development by the Chairperson.
7 December 2016	Briefing by the DSBD on its 2016/17 second quarter performance report.
8 February 2017	Tabling and explanation of the Red Tape Reduction Bill
15 February 2017	Briefing by the DSBD on the proposed Red Tape Reduction Bill
22 February 2017	Briefing by Socio Economic Impact Assessment Systems, DPME on the proposed Red Tape Impact Assessment Bill Consideration of the January/February 2017 KwaZulu-Natal draft oversight report.
1 March 2017	Briefing by the DSBD on the developmental status of all 400 cooperatives funded by the Department since its inception. Consideration and adoption of the January/February 2017 KwaZulu-Natal draft oversight report
8 March 2017	Briefing by the DSBD on progress made in aligning cooperatives support services to the model of developing the cooperatives piloted in KwaZulu-Natal (12 Abalimi projects)
23 March 2017	Briefing by the DSBD on its third quarter performance report

The Portfolio Committee focused mainly on the following issues:

The performance of DSBD against its approved APP and the processes it will undertake to ensure that it meets the targets it set for itself. Since the Department has separated from **the dti**, it has embarked on a new mandate, the Portfolio Committee took a special interest in the Department's ability to deliver on this new mandate. To this end, the Committee directed the Department to adopt a more integrated approach in its planning with and service provision by SEFA and SEDA. This resulted in the development of a Portfolio Strategic Plan, delineating the role of each entity in the small business development ecosystem.

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- The Portfolio Committee continued to monitor the progress of the Department in terms of implementing its review of existing departmental programmes and providing advice on the alignment and upscaling of the current interventions to promote and develop small businesses and cooperatives. The Portfolio Committee was particularly

focused on ensuring that the review took into consideration the Department's ability to address the felt needs of women, youth and persons with disabilities;

- The Portfolio Committee was particularly concerned about the interventions that the Department will execute in order to address the effects of the racially biased development of the past that discriminated against the rural and township areas. To address these issues, the Department adopted an integrated approach that requires that 50% of all its interventions are directed at women, 30% are directed at the youth, 50% are directed at township enterprises and 30% are directed at rural enterprises. All programmes and entities reporting to the Department were required to report on their progress against these targets on a quarterly and annual basis. These reports were shared with the Portfolio Committee;
- The Portfolio Committee also highlighted the fact that creating an enabling environment for SMMEs and cooperatives was a shared responsibility of government and not necessarily the sole responsibility of the DSBD. The Portfolio Committee actively monitored the DSBD's engagements with other departments, state-owned enterprises and local government fairly closely. To ensure the coordination of government efforts in this regard, the DSBD entered into a number of transversal agreements with other departments and SOEs in an attempt to create an ecosystem that will enable SMMEs and cooperatives access to opportunities within the government procurement system and other value chains. Over and above this, the DSBD started implementing the projects agreed to in these transversal agreements;
- The Portfolio Committee was particularly concerned about the apparent lack of focus on cooperatives and their development. In order to address this issue, the DSBD placed special emphasis on cooperatives, including partnering with the Dutch Government in the the New Generation Cooperative Project, as well as piloting the Abalimi Cooperatives Development Project in KwaZulu-Natal. The Department also committed to exploring the possibility of managing the cooperatives at the level of a DDG.

9. STANDING COMMITTEE ON PUBLIC ACCOUNTS (SCOPA) RESOLUTIONS

None. The Department has not been invited to SCOPA. Thus, there are no standing resolutions

10 PRIOR MODIFICATIONS TO AUDIT REPORTS

None. The Department obtained an unqualified audit opinion in respect of its first 2015/16 audit.

11 INTERNAL CONTROL UNIT

The responsibility for Internal Control lies primarily with management. Monitoring of controls forms an integral part of the risk management system.

12 INTERNAL AUDIT

The Internal Audit unit provides independent assurance and insight to management on the adequacy and effectiveness of governance, risk management and internal control processes. The unit reports functionally to the Audit and Risk Committee, and administratively to the DG.

The risk-based audit plans were approved by the Audit and Risk Committee. All major risk areas of the Department were subjected to audit evaluation and assessment. The audits conducted covered a wide range of processes, including governance, performance information, information technology, finance and human resources management, development finance incentives, as well as other SMME research and implementation programmes. The Internal Audit unit provided value-adding recommendations, which were well received by the executive management in all these areas.

During the 2016/17 financial year, the unit supported the implementation of key internal control processes, such as the periodic reporting and monitoring of audit action plans, as well as the development of the combined assurance framework.



13. AUDIT AND RISK COMMITTEE

The Audit and Risk Committee provides oversight over internal control, risk management and governance matters in the Department. The Committee operates in terms of an approved Audit and Risk Committee Charter and in accordance with the requirements of the PFMA and Treasury Regulations.

The Audit and Risk Committee consists of four independent members, who are collectively qualified and experienced to fulfil their responsibilities. The Accounting Officer serves as an executive member of the Audit and Risk Committee. During the 2016/17 financial year the Audit and Risk Committee held eight meetings as stipulated below:

Table 17: Profile and attendance of Audit Committee members

Name	Qualifications	Internal/external	Date appointed	Number of meetings attended
Mr Ayanda Wakaba (Chairperson)	BCom (Hons), MBA	External	December 2015	6/7
Adv. Oliver Josie	BProc, LLB, LLM, MBL	External	December 2015	7/7
Ms Veronica du Preez	BA, BCom, MBA, CIA	External	December 2015	7/7
Mr Justice Motha	BCom (Hons), CA (SA)	External	December 2015	7/7
Ms Edith Vries	BA. SocSc (Hons), MSocSc.	Internal	September 2015	6/7 (DG attended the Forum of South African Director Generals (FOSAD))

13.1 REPORT OF THE AUDIT COMMITTEE

We are pleased to present our report for the financial year ended 31 March 2017.

13.1.1 AUDIT COMMITTEE RESPONSIBILITY

The Audit and Risk Committee reports that it has complied with its responsibilities arising from Section 38(1)(a)(ii) of the PFMA and Treasury Regulation 3.1.13. The Committee also reports that it has adopted appropriate formal terms of reference as its Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

Inter alia, the Audit Committee completed the following oversight function in respect of the 2016/17 financial year:

- Approved the Internal Audit strategic plans;
- Approved the Internal Audit Charter;
- Reviewed Internal Audit quarterly progress reports against plans;
- Approved the Audit Strategy for 2016/17;
- Reviewed the quarterly financial and performance information of the Department;
- Noted the adoption of a combined assurance framework for the Department;
- Reviewed the interim management letter from the Auditor-General and management action plans to address reported findings;
- Approved the draft annual financial statements and the annual performance report for 2016/17 before submission to the Auditor-General.

13.1.2 THE EFFECTIVENESS OF INTERNAL CONTROL

The Audit Committee reviewed reports presented by management and audit reports from both Internal and External Audits. The Committee considered all information at its disposal and concluded that the system of internal control is generally sound, with a need for improvement in certain areas. The Committee has accordingly advised management to focus its attention on the following areas: The implementation of the recommended actions and monitoring of compliance with operational policies and procedures with respect to human resources management, supply chain management, corporate governance, information technology and development finance incentives

- Improvements with regard to timeous reporting, and the usefulness and reliability of performance information;
- Close monitoring of litigation matters and following up on fraud cases and any related civil recovery.

13.1.3 RISK MANAGEMENT

The Committee reviewed the 2016/ 2017 Strategic Risk Register, as well as the progress reports on the implementation of risk management processes in the Department, and observed improvement in this process. The Committee noted with appreciation the appointment of the risk management officer, as well as regular meetings of the Risk and Ethics Management Committee. Going forward, the Committee anticipates further improvements, including ensuring that annual risk assessment takes place timeously, as well as comprehensive reporting on the Department's exposure to fraud and corruption risks.

13.1.4 IN-YEAR MANAGEMENT AND QUARTERLY REPORTS

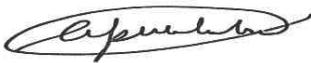
The Committee considered the in-year financial and performance information reports submitted by management. The Committee satisfied itself on the adequacy of these reports and sought the necessary assurance on their accuracy from the Internal Audit Unit, the Chief Financial Officer and the Performance Monitoring Unit.

13.1.5 EVALUATION OF FINANCIAL STATEMENTS

The Committee considered the annual financial statements, the Auditor-General's report and the management report, and concurred with the report of the Auditor-General.

13.1.6 APPRECIATION

The Audit and Risk Committee expresses its sincere appreciation to the executive authority, the Accounting Officer, the AGSA, management, and Internal Audit for their support and cooperation.



MR AYANDA WAKABA

CHAIRPERSON OF THE AUDIT COMMITTEE

Date: 31 July 2017

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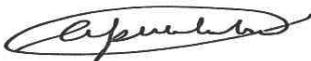
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MR AYANDA WAKABA

CHAIRPERSON OF THE AUDIT COMMITTEE

Date: 31 July 2017



PART D: HUMAN RESOURCE MANAGEMENT

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1 INTRODUCTION

The information contained in this part of the annual report has been 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 during 2014 and functioned via an MoU with **the dti** (providing support to the DSBD's Directorate: Human Resources) until 31 March 2016. With effect from 1 April 2016, the DSBD's Directorate: Human Resources was fully functional and responsible for all HR-related functions, albeit with numerous vacant posts across the various HR disciplines.

The department recorded a 22.6% increase in head count (37 employees) during the financial year under review. In the main, the increase in head count was due to the appointment of 30 permanent employees, and an additional seven employees.

At the start of the 2016/17 financial year the HRMD Unit prioritised the review of the Department's functional and organisational structure to ensure alignment to the DSBD's strategic direction.

The review of the functional and organisational structure progressed to the phase of agreement by top management (the Minister and DG) and was communicated to staff in September 2016. Consultations with all staff, as well as organised labour, ensued during October and November 2016, while the other activities towards the approval of the structure were underway.

During the submission of the first draft APP for 2017/18, feedback from the DPME and National Treasury recommended a change from implementation to focusing on strategic direction and oversight. This recommendation and subsequent amendments to the APP had a significant impact on implementing the reviewed structure. Therefore, the DSBD opted not to consult this structure further, but rather to finalise the APP and thereafter amend the structure to support the delivery of the strategic direction and APP. Delays in finalising the structure had a significant impact on the workload of staff, as capacity is a challenge and impacted negatively on the compensation of employees¹ budget of the DSBD.

Further priorities for the Department were to reduce the vacancy rate to less than 10%, and maintain 50% of women in senior management positions, as well as the representation of people with a disability at 2%.

The Department focused on the filling of vacant funded posts, as well as conducting a Personnel and Salary System (Persal) clean-up exercise to identify posts for abolishment. These processes resulted in a significant decrease in the vacancy rate. As of November 2016, the vacancy rate was maintained at between 9% and 11%, with a final vacancy of 9.8% at 31 March 2017.

The Department exceeded the public service target of 50% of women in senior management positions and reached a 53.5% representation during September 2016. It maintained this status for the remainder of the financial year. The Department also exceeded the public service target of 2% in respect of people with a disability and achieved 2.5% during November 2016. It maintained this status for the remainder of the financial year.

The Department, and specifically the leadership by the DG, instilled a performance culture within the Department. Therefore, the performance management process, as well as compliance to the process, was managed. Non-compliance was dealt with through consequence management and the disciplinary process. Evidence of performance was emphasised and formed the basis of all performance assessments within the Department.



The 22 HR policies were implemented and further consulted with organised labour, whose inputs will be incorporated into the review of these policies. Further to this, the DG approved three new policies and established several governance committees to better support policy implementation. The Departmental Bargaining Chamber was established and is fully functional.

The department also established the Health and Wellness discipline, and although the subdirector was under-resourced for most of the financial year, significant strides were made with regard to the implementation of programmes. These included the following:

- The introduction of health screening on a quarterly basis;
- Weekly sport and recreational activities;
- Counselling services, including bereavement, stress management, trauma and counselling ;
- The conducting of an occupational health and safety inspection in the building (Block G) and provision of a report with recommendations that are being addressed.

3. HUMAN RESOURCES OVERSIGHT STATISTICS

3.1 PERSONNEL-RELATED EXPENDITURE

The following tables summarise the final audited personnel-related expenditure by programme and salary bands. In particular, it provides an indication of the amount spent on personnel and the amount spent on salaries, overtime, homeowner's allowances (HOA) and medical aid.

Table 3.1.1: Personnel expenditure by programme for the period 1 April 2016 to 31 March 2017

Programme	Total expenditure (R'000)	Personnel expenditure (R'000)	Training expenditure (R'000)	Professional and special services expenditure (R'000)	Personnel expenditure as a percentage of total expenditure	Average personnel cost per employee (R'000)
Administration	98 925	52 230	383	1470	4%	562
SMMES and Cooperatives Policy and Research	13 848	10 252	66	1693	1%	732
SMMES and Cooperatives Programme Design and Support	1 084 267	51 541	16	2463	4%	548
Total	1 197 041	114 022	465	5 626	9.5%	567

Table 3.1.2: Personnel costs by salary band for the period 1 April 2016 to 31 March 2017

Salary band	Personnel expenditure (R'000)	Percentage of total personnel cost	Number of employees	Average personnel cost per employee (R'000)
Lower skilled (levels 1-2)	73	0.06%	1	73
Skilled (levels 3-5)	2 067	1.81%	16	129
Highly skilled production (levels 6-8)	24 160	21.19%	73	331
Highly skilled supervision (levels 9-12)	40 941	35.91%	68	602
Senior and top management (levels 13-16)	46 780	41.03%	43	1 088
Total	114 022		201	567

Table 3.1.3: Salaries, overtime, HOA and medical aid by programme for the period 1 April 2016 to 31 March 2017

Programme	Salaries		Overtime		HOA		Medical aid	
	Amount (R'000)	Salaries as a percentage of personnel costs	Amount (R'000)	Overtime as a percentage of personnel costs	Amount (R'000)	HOA as a percentage of personnel costs	Amount (R'000)	Medical aid as a percentage of personnel costs
Administration	46 875	41%	175	0.15%	414	0.36%	912	0.8%
SMMES and Cooperatives Policy and Research	9 166	8%	-	0.00%	30	0.03%	196	0.2%
SMMES and Cooperatives Programme Design and Support	45 598	40%	67	0.06%	681	0.60%	1 503	1.3%
Total	101 640	89%	242	0.21%	1 125	0.99%	2 610	2.3%

Table 3.1.4: Salaries, overtime, HOA and medical aid by salary band for the period 1 April 2016 to 31 March 2017

Salary band	Salaries		Overtime		HOA		Medical aid	
	Amount (R'000)	Salaries as a percentage of personnel costs	Amount (R'000)	Overtime as a percentage of personnel costs	Amount (R'000)	HOA as a percentage of personnel costs	Amount (R'000)	Medical aid as a percentage of personnel costs
Skilled (levels 1-2)	70	0.06%	-	0.00%	1	0.00%	2	0.00%
Skilled (levels 3-5)	1 764	2%	2	0.00%	74	0.06%	131	0.11%



Highly skilled production (levels 6-8)	20 811	18%	178	0.16%	701	0.61%	1 277	1.12%
Highly skilled supervision (levels 9-12)	36 497	32%	61	0.05%	278	0.24%	730	0.64%
Senior management (level 13-16)	42 439	37%	-	0.00%	70	0.06%	470	0.41%
Total	101 581	89%	242	0.21%	1 125	0.99	2 610	2.29%

3.2 EMPLOYMENT AND VACANCIES

The tables in this section summarise the position with regard to employment and vacancies.

The following tables summarise the number of posts on the establishment, the number of employees, the vacancy rate and whether there are any staff that are additional to the establishment.

This information is presented in terms of three key variables: programme, salary band and critical occupations.

Departments have identified critical occupations that need to be monitored. In terms of current regulations, it is possible to create a post on the establishment that can be occupied by more than one employee. Therefore, the vacancy rate reflects the percentage of posts that are not filled.

Table 3.2.1: Employment and vacancies by programme as on 31 March 2017

Programme	Number of posts on approved establishment	Number of posts filled	Vacancy rate	Number of employees additional to the establishment
Administration ³	101	84	16.8	9
Cooperative Support and Development	14	14	0	0
Enterprise Development and Entrepreneurship	89	86	3.4	8
Total	204	184	9.8	17

Table 3.2.2: Employment and vacancies by salary band as on 31 March 2017

Salary band	Number of posts on approved establishment	Number of posts filled	Vacancy rate	Number of employees additional to the establishment
Lower skilled (levels 1-2)	0	0	0	0
Skilled (levels 3-5)	15	12	20	5
Highly skilled production (levels 6-8)	73	68	6.8	5
Highly skilled supervision (levels 9-12)	71	63	11.3	5
Senior management (levels 13-16)	45	41	8.9	2
Total	204	184	9.8	17

Table 3.2.3: Employment and vacancies by critical occupations as on 31 March 2017

Critical occupation	Number of posts on approved establishment	Number of posts filled	Vacancy rate	Number of employees additional to the establishment
Administrative related, permanent	24	19	20.8	7
Economists, permanent	1	1	0	0
Finance and economics related, permanent	3	2	33.3	0
Financial and related professionals, permanent	4	4	0	2
Financial clerks and credit controllers	4	3	25	1
Food service aids and waiters, permanent	3	3	0	1
Head of Department/Chief Executive Officer, permanent	1	1	0	0
Human resources and organisational development and related professionals, permanent	1	1	0	0
Human resources clerks, permanent	1	1	0	0
Human resources related, permanent	14	11	21.4	0
Legal related, permanent	4	2	50	0
Light vehicle drivers, permanent	2	2	0	0
Logistical support personnel, permanent	4	4	0	0
Messengers, porters and deliverers, permanent	1	1	0	0
Risk management and security services, permanent	2	2	0	0
Secretaries and other keyboard operating clerks, permanent	22	19	13.6	0
Senior managers, permanent	43	39	9.3	2
Trade/industry advisers and other related Professionals, permanent	70	69	1.4	4
Total	204	184	9.8	17



Notes:

Critical occupations are defined as occupations or sub-categories within an occupation:

- in which there is a scarcity of qualified and experienced persons currently or anticipated in the future, either because such skilled persons are not available or they are available but do not meet the applicable employment criteria;
- for which persons require advanced knowledge in a specified subject area or science or learning field and such knowledge is acquired by a prolonged course or study and/or specialised instruction;
- where the inherent nature of the occupation requires consistent exercise of discretion and is predominantly intellectual in nature; and

in respect of which a department experiences a high degree of difficulty to recruit or retain the services of employees.

3.3 FILLING OF SMS POSTS

The tables in this section provide information on employment and vacancies as they relate to members of the SMS by salary level. It also provides information on the advertising and filling of SMS posts, reasons for not complying with prescribed timeframes and disciplinary steps taken.

Table 3.3.1: SMS post information as on 31 March 2016

SMS level	Total number of funded SMS posts ¹	Total number of SMS posts filled	Percentage of SMS posts filled	Total number of SMS posts vacant	Percentage 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%

Table 3.3.2: SMS post information as on 30 September 2016

SMS level	Total number of funded SMS posts	Total number of SMS posts filled	Percentage of SMS posts filled	Total number of SMS posts vacant	Percentage 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	15	11	73.3%	4	26.7%
Salary level 13	32	28	87.5%	4	20.7%
Total	53	43	81.1%	10	18.7%

Table 3.3.3: Advertising and filling of SMS posts for the period 1 April 2016 to 31 March 2016

SMS level	Total number of funded SMS posts	Total number of SMS posts filled ²	Percentage of SMS posts filled	Total number of SMS posts vacant	Percentage 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	15	13	86.7%	2	13.3%
Salary level 13	26	26	100%	0	0%
Total	47	43	91.5%	4	8.5%

Table 3.3.4: Reasons for not having complied with the filling of funded vacant SMS posts advertised within six months and filled within 12 months after becoming vacant for the period 1 April 2016 to 31 March 2017

Reasons for vacancies not advertised and filled within six months
<p>The DSBD developed a functional and organisational structure to support the Strategic Plan during 2016/17 and the recommended functional and organisational structure was consulted with staff during September 2016. However, recommendations received from the Department of Planning, Monitoring and Evaluation and National Treasury in respect of the 1st Draft 2017/18 Annual Performance Plan and the strategic focus of the department required a change in the strategic focus for the department and that consequently impacted the current organisational structure. Therefore, the DSBD did not finalise the functional and organisational structure. Later in the 2016/17 financial year, the DSBD reverted back to the start-up structure</p>

Notes

In terms of the Public Service Regulations Chapter 1, Part VII C.1A.3, departments must indicate good cause or reason for not having complied with the filling of SMS posts within the prescribed timeframes.

No disciplinary steps for not complying with the prescribed timeframes for the filling SMS posts within 12 months for the period 1 April 2016 to 31 March 2017

Job evaluation

Within a nationally determined framework, executing authorities may evaluate or re-evaluate any job in their organisation. In terms of the regulations, all vacancies on salary levels 9 and higher must be evaluated before they are filled. The following table summarises the number of jobs that were evaluated. The table also provides statistics on the number of posts that were upgraded or downgraded.

While the table below shows that 24% of posts (49 employees) were evaluated, a number of these posts, such as the SMS Band C, were identified during the development of the new or proposed organisational structure. However, the significant changes requested by the DPME and National Treasury have impacted on a number of these posts, with specific reference to senior management posts. Therefore, a number of these posts may have to be regarded dependent on the changes to the job content, that is, should functions of implementation be removed and functions of oversight, monitoring and evaluation be included.



Table 3.4.1: Job evaluation by salary band for the period 1 April 2016 to 31 March 2017

Salary band	Number of posts on approved establishment	Number of Jobs evaluated	Percentage of posts evaluated by salary bands	Posts upgraded		Posts downgraded	
				Number	Percentage of posts evaluated	Number	Percentage of posts evaluated
Lower skilled (levels 1-2)	0	0	0	0	0	0	0
Skilled (levels 3-5)	15	2	13.3	0	0	0	0
Highly skilled production (levels 6-8)	73	6	8.2	0	0	0	0
Highly skilled supervision (levels 9-12)	71	13	18.3	0	0	0	0
SMS Band A	25	18	72	0	0	0	0
SMS Band B	14	7	50	0	0	0	0
SMS Band C	2	3	150	0	0	0	0
SMS Band D	4	0	0	0	0	0	0
Total	204	49	24.0	0	0	0	0

During the 2016/17 financial year, no posts were re-graded. While requests were received, these were based on requests when employees were still serving the **dti** and, were therefore not relevant or did not have to be reviewed.

Table 3.4.2: Profile of employees whose positions were upgraded due to their posts being upgraded for the period 1 April 2016 to 31 March 2017

Gender	African	Asian	Coloured	White	Total
Female	0	0	0	0	0
Male	0	0	0	0	0
Total	0	0	0	0	0
Employees with a disability					0

At present, eight employees (4%) are remunerated above the grade of the posts that they occupy. However, these cases are, in the main, due to employees that were transferred from **the dti** on the grade reflected, while the DPSA indicated that grading reflects the post on a lower level. Furthermore, employees such as the driver and administrative support within the Ministry are remunerated on a higher level than indicated in Department-specific graded posts.

Table 3.4.3: Employees with salary levels higher than those determined by job evaluation by occupation for the period 1 April 2016 to 31 March 2017

Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
N/A				
Total number of employees whose salaries exceeded the level determined by job evaluation				
Percentage of total employed				

Table 3.4.4: Profile of employees who have salary levels higher than those determined by job evaluation for the period 1 April 2016 to 31 March 2017

Gender	African	Asian	Coloured	White	Total
Female	2		1	2	5
Male	3				3
Total	5	0	1	2	8
Employees with a disability	1	0	0	0	1

Notes:

Total number of employees whose salaries exceeded the grades determine by job evaluation	8
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Employment changes

Table 3.5.1: Annual turnover rates by salary band for the period 1 April 2016 to 31 March 2017

Salary band	Number of employees at the beginning of the period (1 April 2016) ³	Appointments and transfers into the Department	Terminations and transfers out of the Department	Turnover rate
Lower skilled (levels 1-2)	0	0	0	
Skilled (levels 3-5)	7	11	1	14.3
Highly skilled production (levels 6-8)	58	20	4	6.9
Highly skilled supervision (levels 9-12)	57	17	4	7.0
SMS Band A	24	2	0	0
SMS Band B	10	1	0	0
SMS Band C	0	0	0	0
SMS Band D	3	0	0	0
Contracts	23	13	3	13.0
Total	159	51	9	5.7



Table 3.5.2: Annual turnover rates by critical occupation for the period 1 April 2016 to 31 March 2017

Critical occupation	Number of employees at the beginning of the period (April 2016)	Appointments and transfers into the Department	Terminations and transfers out of the Department	Turnover rate
Administrative	18	15	3	16.7
Economics	1	1	1	100
Finance and economics related	2	2	0	0
Financial and related professionals	0	4	0	0
Financial clerks and credit controllers	0	4	1	0
Food service aids and waiters	2	2	0	0
Head of Department/Chief Executive Officer	1	0	0	0
Human resources and organisational development and related	0	1	0	0
Human resources clerks	0	1	0	0
Human resource related	5	7	2	40
Legal related	0	1	0	0
Light vehicle drivers	2	0	0	0
Logistical support personnel	2	2	0	0
Messengers porters and deliverers	1	0	0	0
Risk management and security services	0	1	0	0
Secretaries and other keyboard operating clerks	14	4	0	0
Senior managers	37	3	0	0
Trade/industry advisors and other related professions	74	3	2	2.7
Total	159	51	9	5.7

Notes

Critical occupations are defined as occupations or sub-categories within an occupation:

- in which there is a scarcity of qualified and experienced persons currently or anticipated in the future, either because such skilled persons are not available or they are available, but do not meet the applicable employment criteria;
- for which persons require advanced knowledge in a specified subject area or science or learning field and such knowledge is acquired by a prolonged course or study and/or specialised instruction;
- where the inherent nature of the occupation requires consistent exercise of discretion and is predominantly intellectual in nature; and
- in respect of which a department experiences a high degree of difficulty to recruit or retain the services of employees.

The table below identifies the major reasons why staff left the Department.

Table 3.5.3: Reasons why staff left the Department for the period 1 April 2016 to 31 March 2017

Termination type	Number	Percentage of total resignations
Death	1	11.1
Resignation	5	55.6
Expiry of contract	0	0
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	3	33.3
Other	0	0
Total	9	100
Total number of employees who left as a percentage of total employment		4.4

Table 3.5.4: Promotions by critical occupation for the period 1 April 2016 to 31 March 2017

Occupation	Employees 1 April 2016	Promotions to another salary level	Salary level promotions as a percentage of employees by occupation	Progressions to another notch within a salary level	Notch progression as a percentage of employees by occupation
Administrative related	18	0	0	7	38.9
Economists	1	0	0	0	0
Finance and economics related	2	0	0	0	0
Financial and related professionals	0	0	0	1	0
Food services aids and waiters	2	0	0	0	0
Head of Department/ Chief Executive Officer	1	0	0	0	0
Human resources and organisational development and related	0	0	0	1	0
Human resources related	5	2	40	4	80
Legal related	0	0	0	0	0
Light vehicle drivers	2	0	0	0	0
Logistical support personnel	2	0	0	0	0



Occupation	Employees 1 April 2016	Promotions to another salary level	Salary level promotions as a percentage of employees by occupation	Progressions to another notch within a salary level	Notch progression as a percentage of employees by occupation
Messengers porters and deliverers	1	0	0	1	100
Secretaries and other keyboard operating clerks	14	0	0	8	57.1
Senior managers	37	1	2.7	16	43.2
Trade/industry advisors and other related professionals	74	0	0	52	70.3
Total	159	3	1.9	90	56.6

Table 3.5.5: Promotions by salary band for the period 1 April 2016 to 31 March 2017

Salary band	Employees 1 April 2016	Promotions to another salary level	Salary bands promotions as a percentage of employees by salary level	Progressions to another notch within a salary level	Notch progression as a percentage of employees by salary bands
Lower skilled (levels 1-2)	0	0	0	0	0
Skilled (levels 3-5)	7	0	0	2	28.6
Highly skilled production (levels 6-8)	58	0	0	44	75.9
Highly skilled supervision (levels 9-12)	57	2	3.5	28	49.1
Senior management (levels 13-16)	37	1	2.7	16	43.2
Total	159	3	1.9	90	56.6

Employment Equity

Table 3.6.1: Total number of employees (including employees with disabilities) in each of the following occupational categories as on 31 March 2017

Occupational category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	16	2	1	0	12	3	1	1	38
Professionals	39	2	2	0	46	1	2	2	94
Technicians and associate professionals	15	0	1	0	20	0	0	1	37
Clerks	5	1	0	0	13	2	0	1	22
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 occupation	1	0	0	0	4	0	0	0	5
Total	79	5	4	0	95	7	3	6	199
Employees with disabilities	3	0	0	0	2	0	0	0	5

Table 3.6.2: Total number of employees (including employees with disabilities) in each of the following occupational bands as on 31 March 2017

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	13	3	2	2	40
Professionally qualified and experienced specialists and mid-management	21	2	1	0	34	0	0	1	59



Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	36	1	1	0	38	3	1	3	83
Semi-skilled and discretionary decision making	5	0	1	0	9	0	0	0	15
Unskilled and defined decision making	0	0	0	0	1	0	0	0	1
Total	79	5	4	0	97	7	3	6	201

Table 3.6.3: Recruitment for the period 1 April 2016 to 31 March 2017

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	2	1	0	0	3
Professionally qualified and experienced specialists and mid-management	7	1	1	0	7	0	0	1	17
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	9	0	0	0	11	0	0	0	20
Semi-skilled and discretionary decision making	2	0	1	0	8	0	0	0	11
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
Total	18	1	2	0	28	1	0	1	51
Employees with disabilities	0	0	0	0	0	0	0	0	0

Table 3.6.4: Promotions for the period 1 April 2016 to 31 March 2017

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	1	0	0	0	1
Professionally qualified and experienced specialists and mid-management	1	0	1	0	0	0	0	0	2
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	0	0	0	0	0	0	0	0	0
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	1	0	1	0	1	0	0	0	3
Employees with disabilities	0	0	0	0	0	0	0	0	0

Table 3.6.5: Terminations for the period 1 April 2016 to 31 March 2017

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	0	0
Professionally qualified and experienced specialists and mid-management	2	0	0	0	2	0	0	0	4
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	1	0	0	0	3	0	0	0	4
Semi-skilled and discretionary decision making	0	0	0	0	1	0	0	0	1
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
Total	3	0	0	0	6	0	0	0	9
Employees with disabilities	0	0	0	0	0	0	0	0	0



Table 3.6.6: Disciplinary action for the period 1 April 2016 to 31 March 2017

Disciplinary action	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Verbal warning	2	0	0	0	1	0	0	0	3
Warning letters	4				4				8
Final written warning	1	0	0	0	0	0	0	0	1
Suspended without pay	1	0	0	0	0	0	0	0	1
Not guilty	1	0	0	0	0	0	0	0	1
Total	9	0	0	0	5	0	0	0	

Table 3.6.7: Skills development for the period 1 April 2016 to 31 March 2017

Occupational category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	4	2	1	0	10	1	0	1	19
Professionals	13	0	1	0	15	1	1	1	32
Technicians and associate professionals	2	0	0	0	2	0	0	0	4
Clerks	0	0	0	0	2	0	0	0	2
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	0	0	0	0	0	0	0	0	0
Elementary occupations	0	0	0	0	0	0	0	0	0
Total	19	2	2	0	29	2	1	2	57
Employees with disabilities	0	0	0	0	0	0	0	0	0

Signing of performance agreements by SMS members

All members of the SMS must conclude and sign performance agreements within specific timeframes. Information regarding the signing of performance agreements by SMS members, the reasons for not complying within the prescribed timeframes and disciplinary steps taken are presented here.

Table 3.7.1: Signing of performance agreements by SMS members as on 31 May 2016

SMS level4	Total number of funded SMS posts	Total number of SMS members	Total number of signed performance agreements	Signed performance agreements as a percentage of total number of SMS members
Director-General/Head of Department	1	1	1	2.7
Salary level 16	1	1	0	0
Salary level 15	2	0	0	0
Salary level 14	13	11	10	27.0
Salary level 13	29	24	23	62.2
Total	46	37	34	91.9

Table 3.7.2: Reasons for not having concluded performance agreements for all SMS members as on 31 March 2017

Reasons
One level 16: Special Advisor to the Minister. Not required due to special dispensation. One Chief Director did not provide a reason for the non-submission of his performance agreement. A warning letter was issued. One director submitted his performance agreement late. No reasons were provided for the late submission. The manager was advised to institute disciplinary measures.

Table 3.7.3: Disciplinary steps taken against SMS members for not having concluded performance agreements as on 31 March 2017

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



Performance rewards

To encourage good performance, the Department granted the following performance rewards during the year under review. The information is presented in terms of race, gender, disability, salary bands and critical occupations.

Table 3.8.1: Performance rewards by race, gender and disability for the period 1 April 2016 to 31 March 2017

Race and gender	Beneficiary profile			Cost	
	Number of beneficiaries	Number of employees	Percentage of total within group	Cost (R'000)	Average cost per employee
African	34	174	19.5%	1 071	31 500
Male	15	79	19%	393	26 209
Female	19	95	20%	678	35 059
Asian	0	12	0%	0	0
Male	0	5	0%	0	0
Female	0	7	0%	0	0
Coloured	1	7	14.3%	22	22 600
Male	0	4	0%	0	0
Female	1	3	33.3%	22	22 600
White	1	6	16.7%	39	39 018
Male	0	0	0%	0	0
Female	1	6	16.7%	39	39 018
Total	36	199	18.1%	1,133	31 482

Table 3.8.2: Performance rewards by salary band for personnel below SMS for the period 1 April 2016 to 31 March 2017

Salary band	Beneficiary profile			Cost	
	Number of beneficiaries	Number of employees	Percentage 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)	5	17	29.4	56	11,200
Highly skilled production (levels 6-8)	18	73	24.7	416	23 100
Highly skilled supervision (levels 9-12)	13	68	19.1	541	41 654
Total	36	158	22.8	1 013	28 146

Table 3.8.3: Performance rewards by critical occupation for the period 1 April 2016 to 31 March 2017

Critical occupation	Beneficiary profile			Cost	
	Number of beneficiaries	Number of employees	Percentage of total within occupation	Total cost (R'000)	Average cost per employee
Administrative related	3	26	11.5%	118	28 470
Economics	0	1	0%	0	0
Finance and economics related	1	2	50%	39	39 018
Financial and related professionals	0	6	0%	0	0
Financial clerks and credit controllers	0	4	0%	0	0
Food services aids and waiters	1	4	25%	12	12 276
Head of Department/Chief Executive Officer	0	1	0%	0	0
Human resources and organisational development and related professionals	0	1	0%	0	0
Human resources clerks	0	1	0%	0	0
Human Resource related	2	11	18,2%	52	26 238
Legal related	0	2	0%	0	0
Light vehicle drivers	2	2	100%	35	17 538
Logistical support personnel	0	4	0%	0	0
Messengers porters and deliverers	1	1	100%	8	8 926
Risk management and Security Services	0	2	0%	0	0
Secretaries and other keyboard operating clerks	4	19	21.1%	92	22 947
Senior managers	2	39	5.1%	120	60 040
Trade/industry advisors and other related professions	20	73	27.4%	688	34 390
Total	36	199	18.1%	1 133	31 482

Notes

Critical occupations are defined as occupations or sub-categories within an occupation:

- in which there is a scarcity of qualified and experienced persons currently or anticipated in the future, either because such skilled persons are not available or they are available, but do not meet the applicable employment criteria;
- for which persons require advanced knowledge in a specified subject area or science or learning field and such knowledge is acquired by a prolonged course or study and/or specialised instruction;
- where the inherent nature of the occupation requires consistent exercise of discretion and is predominantly intellectual in nature; and
- in respect of which a department experiences a high degree of difficulty to recruit or retain the services of employees.



Table 3.8.4: Performance-related rewards (cash bonus), by salary band for SMS for the period 1 April 2016 to 31 March 2017

Salary band	Beneficiary profile			Cost	
	Number of beneficiaries	Number of employees	Percentage of total within salary bands	Total cost (R'000)	Average cost per employee
Band A	2	28	7.1%	120	60 040
Band B	0	12	0%	0	0
Band C	0	0	0%	0	0
Band D	0	3	0%	0	0
Total	2	43	4.7%	120	60 040

Foreign workers

The tables below summarise the employment of foreign nationals in the Department in terms of salary band and major occupation.

Table 3.9.1: Foreign workers by salary band for the period 1 April 2016 to 31 March 2017

Salary band	1 April 2016		31 March 2017		Change	
	Number	Percentage of total	Number	Percentage of total	Number	Percentage change
Lower skilled (levels 1-2)	0	0	0	0	0	0
Highly skilled production (levels 6-8)	0	0	0	0	0	0
Highly skilled supervision (levels 9-12)	0	0	0	0	0	0
Contract (levels 9-12)	0	0	0	0	0	0
Contract (levels 13-16)	0	0	0	0	0	0
Total	0	0	0	0	0	0

Table 3.9.2: Foreign workers by major occupation for the period 1 April 2016 to 31 March 2017

Major occupation	1 April 2016		31 March 2017		Change	
	Number	Percentage of total	Number	Percentage of total	Number	Percentage change
None						

Leave utilisation

The Public Service Commission (PSC) identified the need for the careful monitoring of sick leave within the public service. The following tables provide an indication of the use of sick leave and disability leave. In both cases, the estimated cost of the leave is also provided.

Table 3.10.1: Sick leave for the period 1 January 2016 to 31 December 2016

Salary band	Total days	Percentage days with medical certification ⁶	Number of employees using sick leave	Percentage 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)	97	N/A	10	6.1	9.7	42
Highly skilled production (levels 6-8)	582	N/A	71	43.0	8.2	615
Highly skilled supervision (levels 9-12)	362	N/A	53	32.1	6.8	843
Top and senior management (levels 13-16)	194	N/A	31	18.8	6.3	612
Total	1235	N/A	165	100	7.5	2112

Table 3.10.2: Disability leave (temporary and permanent) for the period 1 January 2016 to 31 December 2016

While the Department has employees who have applied for disability leave, none of these have been approved yet, and will only be reflected on the statements upon approval. Therefore, the 2017/18 report is as follows:

Salary band	Total days	Percentage days with medical certification	Number of employees using disability leave	Percentage of total employees using disability leave	Average days per employee	Estimated cost (R'000)
Lower skilled (levels 1-2)	N/A	N/A	N/A	N/A	N/A	N/A
Skilled (levels 3-5)	N/A	N/A	N/A	N/A	N/A	N/A
Highly skilled production (levels 6-8)	N/A	N/A	N/A	N/A	N/A	N/A
Highly skilled supervision (levels 9-12)	N/A	N/A	N/A	N/A	N/A	N/A
Senior management (levels 13-16)	N/A	N/A	N/A	N/A	N/A	N/A
Total	N/A	N/A	N/A	N/A	N/A	N/A

The table below summarises the utilisation of annual leave. The wage agreement concluded with trade unions in the Public Service Coordinating Bargaining Council (PSCBC) in 2000 requires the management of annual leave to prevent high levels of accrued leave being paid out at the time of termination of service.



Table 3.10.3: Annual leave for the period 1 January 2016 to 31 December 2016

Salary band	Total days taken	Number of employees using annual leave	Average per employee
Lower skilled (levels 1-2)	5	1	5
Skilled (levels 3-5)	144	11	13
Highly skilled production (levels 6-8)	1 585	80	19.8
Highly skilled supervision (levels 9-12)	1 229	70	17.6
Senior management (levels 13-16)	945	41	23
Total	3 908	203	19.3

Table 3.10.4: Capped leave for the period 1 January 2016 to 31 December 2016

Salary band	Total days of capped leave taken	Number of employees using capped leave	Average number of days taken per employee	Average capped leave per employee as on 31 March 2017
Lower skilled (levels 1-2)	N/A	N/A	N/A	0
Skilled levels 3-5)	N/A	N/A	N/A	34
Highly skilled production (levels 6-8)	N/A	N/A	N/A	9.5
Highly skilled supervision (levels 9-12)	N/A	N/A	N/A	42.5
Senior management (levels 13-16)	N/A	N/A	N/A	14.9
Total	N/A	N/A	N/A	22.8

The following table summarises payments made to employees as a result of leave that was not taken.

Table 3.10.5: Leave payouts for the period 1 April 2016 to 31 March 2017

Reason	Total amount (R'000)	Number of employees	Average per employee (R'000)
Leave payout for current financial year due to non-utilisation of leave for the previous cycle	227	11	20
Capped leave payouts on termination of service	0	0	0
Current leave payout on termination of service	26	2	13
Total	253	13	19

HIV/AIDS and health promotion programmes

Table 3.11.1: Steps taken to reduce the risk of occupational exposure

Units/categories of employees identified to be at high risk of contracting HIV and related diseases (if any)	Key steps taken to reduce the risk
None	

Table 3.11.2: Details of health promotion and HIV/AIDS programmes

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 1 of the Public Service Regulations, 2001? If so, provide her or 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 wellbeing of its 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		Currently two employees are responsible for the Employee Health and Wellbeing Programme (EHWP) implementation. A designated budget of R45 000 has been allocated for the EHWP.
3. Has the Department introduced an employee assistance or health promotion programme for its employees? If so, indicate the key elements/services of this programme.	X		The focus is more on holistically promoting the health, safety and wellbeing of employees. Psychosocial counselling forms part of the programme. The aim is to improve the quality of work life of employees.
4. Has the Department established (a) committee(s) as contemplated in Part VI E.5 (e) of Chapter 1 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 or practices so reviewed.		X	The HIV/AIDS and TB Management Policy.
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		This is achieved through policy awareness and implementation (HIV/AIDS and TB Management Policy).
7. Does the Department encourage its employees to undergo voluntary counselling and testing? If so, list the results that you have you achieved.	X		The Employee Health and Wellness Unit was established in September 2016. Currently, 28 employees have undergone voluntary counselling and testing. Testing is conducted once a quarter.
8. Has the Department developed measures or indicators to monitor and evaluate the impact of its health promotion programme? If so, list these measures or indicators.		X	

Labour relations**Table 3.12.1: Collective agreements for the period 1 April 2016 to 31 March 2017**

Total number of collective agreements	None
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The following table summarises the outcome of disciplinary hearings conducted within the Department for the year under review.



Table 3.12.2: Misconduct and disciplinary hearings finalised for the period 1 April 2016 to 31 March 2017

Outcomes of disciplinary hearings	Number	Percentage of total
Correctional counselling		
Verbal warning	4	28.6
Written warning	7	50
Final written warning	1	7.1
Suspended without pay	1	7.1
Fine		
Demotion		
Dismissal		
Not guilty	1	7.1
Case withdrawn		
Total	14	100

Table 3.12.3: Types of misconduct addressed at disciplinary hearings for the period 1 April 2016 to 31 March 2017

Type of misconduct	Number	Percentage of total
Non-compliance: Treasury Regulations 8.2.3	3	21
Non-compliance: Performance Management Policy	4	29
Non-compliance: SMME Regulations	2	14
Dereliction of duty	5	36
Total	14	100

Table 3.12.4: Grievances lodged for the period 1 April 2016 to 31 March 2017

Grievances	Number	Percentage of total
Number of grievances resolved	3	75
Number of grievances not resolved (pending)	1	25
Total number of grievances lodged	4	100

Table 3.12.5: Disputes lodged with councils for the period 1 April 2016 to 31 March 2017

Disputes	Number	Percentage of total
Number of disputes upheld	0	0
Number of disputes dismissed (case pending)	1	100
Total number of disputes lodged	1	100

Table 3.12.6: Strike actions for the period 1 April 2016 to 31 March 2017

Total number of person working days lost	0
Total costs working days lost	0
Amount recovered as a result of no work, no pay (R'000)	0

Table 3.12.7: Precautionary suspensions for the period 1 April 2016 to 31 March 2017

Number of people suspended	0
Number of people whose suspension exceeded 30 days	0
Average number of days suspended	0
Cost of suspension (R'000)	0

Skills development

This section highlights the efforts of the Department with regard to skills development.

Table 3.13.1: Training needs identified for the period 1 April 2016 to 31 March 2017

Occupational category	Gender	Number of employees as at 1 April 2016	Training needs identified at start of the reporting period			
			Learnerships	Skills programmes and other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	15	0	2	0	2
	Male	18	0	0	0	0
Professionals	Female	47	0	56	2	58
	Male	34	0	41	0	41
Technicians and associate professionals	Female	13	0	10	0	10
	Male	12	0	3	0	3
Clerks	Female	12	1	10	0	10
	Male	2	0	1	0	1
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



Occupational category	Gender	Number of employees as at 1 April 2016	Training needs identified at start of the reporting period			
			Learnerships	Skills programmes and other short courses	Other forms of training	Total
Plant and machine operators and assemblers	Female	0	0	0	0	0
	Male	3	0	0	0	0
Elementary occupations	Female	2	0	4	0	4
	Male	1	0	0	0	0
Subtotal	Female	89	0	82	2	84
	Male	70	0	45	0	45
Total		159	0	127	2	129

Table 3.13.2: Training provided for the period 1 April 2016 to 31 March 2017

Occupational category	Gender	Number of employees as at 31 March 2017	Training provided within the reporting period			
			Learnerships	Skills programmes and other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	21	0	12	0	12
	Male	20	0	7	0	7
Professionals	Female	50	0	16	2	18
	Male	42	0	14	0	14
Technicians and associate professionals	Female	20	0	2	0	2
	Male	16	0	2	0	2
Clerks	Female	16	0	2	0	2
	Male	6	0	0	0	0
Service and sales workers	Female		0	0	0	0
	Male		0	0	0	0

Occupational category	Gender	Number of employees as at 31 March 2017	Training provided within the reporting period			
			Learnerships	Skills programmes and other short courses	Other forms of training	Total
Skilled agriculture and fishery workers	Female		0	0	0	0
	Male		0	0	0	0
Craft and related trades workers	Female		0	0	0	0
	Male		0	0	0	0
Plant and machine operators and assemblers	Female		0	0	0	0
	Male	3	0	0	0	0
Elementary occupations	Female	4	0	0	0	0
	Male	1	0	0	0	0
Subtotal	Female	111	0	32	2	34
	Male	88	0	23	0	23
Total		199	0	55	2	57

Injury on duty

The following tables provide basic information on injury on duty.

Table 3.14.1: Injury on duty for the period 1 April 2016 to 31 March 2017

Nature of injury on duty	Number	Percentage of total
Required basic medical attention only	2	67
Temporary total disablement	1	33
Permanent disablement	0	0
Fatal	0	0
Total	3	100

Utilisation of consultants

The following tables relate to information on the utilisation of consultants in the Department. In terms of the Public Service Regulations, "consultant" means a natural or juristic person or a partnership who or which provides, in terms of a specific contract on an ad-hoc basis, any of the following professional services to a Department against remuneration received from any source:

- The rendering of expert advice;
- The drafting of proposals for the execution of specific tasks;
- The execution of a specific task that is of a technical or intellectual nature, but excludes an employee of a Department.



Table 3.15.1: Report on consultant appointments using appropriated funds for the period 1 April 2016 to 31 March 2017

Project title	Total number of consultants that worked on project	Duration (work days)	Contract value in rand
Conduct competency-based assessment testing for SMS and MMS members	1	2 days	8
Auditing of the 2015/16 Annual Financial Statements	3	5 days	58
Provide background screening on candidates	1	88 days	3
Conduct competency-based assessment testing for SMS and MMS members	1	18 days	101
2014 Review of the Small Business Act	1	120 days	229
Verification of qualifications	1	88 days	2
Provide background screening on candidates	1	88 days	1
Provide training and mentorship to franchisors	3	120 days	1 956
Facilitation during the stakeholder consultation on the annual review of the Small Business Act	1	1 day	30
Facilitation of the second strategic planning session and development of the 2017/18 APP	2	80 days	261
Consolidate and update research undertaken on the South African SMME definition	5	56 days	166
Development of the sectoral strategic framework and plan, including the revision and alignment of the Strategic Plan	2	60 days	211
Secretariat and Risk Management support	2	120 days	26
Development of a comprehensive policy and research agenda	2	60 days	149
Conduct research on small business ecosystem	2	60 days	138
Provide health risk management services	3	5 days	26
Implementation of an integrated strategy for the promotion of small enterprises	10	57 days	919
The 2016 Annual Review of small business and cooperatives in South Africa	3	60 days	125
Facilitation of the first strategic planning session for the 2017/18 planning cycle	1	2 days	31
Notes recorded during the International Cooperatives Day	1	2 days	10

Total number of projects	Total individual consultants	Total duration (work days)	Total contract value in rand
20	46		4 450

Table 3.15.2: Analysis of consultant appointments using appropriated funds, in terms of historically disadvantaged individuals (HDIs) for the period 1 April 2016 to 31 March 2017

Project title	Percentage ownership by HDI groups	Percentage management by HDI groups	Number of consultants from HDI groups that work on the project
Conduct competency-based assessment testing for SMS and MMS members	51% black ownership	51% black ownership	
Auditing of the 2015/16 Annual Financial Statements	100% black owned	100% black owned	
Provide background screening on candidates	28% black ownership	28% black ownership	
Conduct competency-based assessment testing for SMS and MMS members	51% black ownership	51% black ownership	
2014 Review of the Small Business Act	100% black owned	100% black owned	
Verification of qualifications	N/A	N/A	
Provide background screening on candidates	28% black ownership	28% black ownership	
Provide training and mentorship to franchisors			
Facilitation during the stakeholder consultation on the annual review of the Small Business Act	100% black ownership	100% black ownership	
Facilitation of the second strategic planning session and development of the 2017/18 APP	0% black ownership	0% black ownership	
Consolidate and update research undertaken on the South African SMME definition	0% black ownership	0% black ownership	
Development of the sectoral strategic framework and plan, including the revision and alignment of the Strategic Plan	0% black ownership	0% black ownership	
Secretariat and Risk Management support	51% black owned	51% black owned	
Development of a comprehensive policy and research agenda	15.5% black ownership	15.5% black ownership	
Conduct research on small business ecosystem	N/A	N/A	
Provide health risk management services	0% black ownership	0% black ownership	
Implementation of an integrated strategy for the promotion of small enterprises	N/A	N/A	
The 2016 Annual Review of small business and cooperatives in South Africa	N/A	N/A	
Facilitation of the first strategic planning session for the 2017/18 planning cycle	100% black ownership	100% black ownership	
Notes recording during the International Cooperatives Day	N/A	N/A	
Conduct competency-based assessment testing for SMS and MMS members	51% black ownership	51% black ownership	
Auditing of 2015/16 AFS	100% black owned	100% black owned	



Project title	Percentage ownership by HDI groups	Percentage management by HDI groups	Number of consultants from HDI groups that work on the project
Provide background screening on candidates	28% black ownership	28% black ownership	

Table 3.15.3: Report on consultant appointments using donor funds for the period 1 April 2016 to 31 March 2017

Project title	Total number of consultants that worked on the project	Duration (work days)	Donor and contract value in rand
N/A			

Total number of projects	Total individual consultants	Total duration (work days)	Total contract value in rand
N/A			

Table 3.15.4: Analysis of consultant appointments using donor funds, in terms of HDIs for the period 1 April 2016 to 31 March 2017

Project title	Percentage ownership by HDI groups	Percentage management by HDI groups	Number of consultants from HDI groups that worked on the project
N/A			

Severance packages

Table 3.16.1: Granting of employee-initiated severance packages for the period 1 April 2016 to 31 March 2017

Salary band	Number of applications received	Number of applications referred to the MPSA	Number of applications supported by MPSA	Number of packages approved by the Department
Lower skilled (levels 1-2)	0	0	0	0
Skilled (levels 3-5)	0	0	0	0
Highly skilled production (levels 6-8)	0	0	0	0
Highly skilled supervision (levels 9-12)	0	0	0	0
Senior management (levels 13-16)	0	0	0	0
Total	0	0	0	0



PART E:

FINANCIAL INFORMATION



PART E: FINANCIAL INFORMATION

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**REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON VOTE NO. 31:
DEPARTMENT OF SMALL BUSINESS DEVELOPMENT**

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Department of Small Business Development set out on pages 108 to 162, which comprise the appropriation statement, the statement of financial position as at 31 March 2017, 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 to the financial statements, including a summary of significant accounting policies.

2. 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 2017, and its financial performance and cash flows for the year then ended in accordance with the Modified Cash Standards and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.

4. I am independent of the department in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Emphasis of matter

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

Material underspending of the vote

7. As disclosed in the appropriation statement, the department has materially underspent the budget on programme 1: administration by R12 100 000, programme 2: SMMEs and co-operatives policy and research by R 11 987 000 and programme 3: SMMEs and co-operatives design and support by R97 312 000. Consequently, certain planned targets were not achieved.

Other matter

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

Unaudited supplementary schedules

9. The supplementary information set out on pages 160 to 164 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

Responsibilities of the accounting officer for the financial statements

10. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Modified Cash Standards and the requirements of the 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.



11. In preparing the financial statements, the accounting officer is responsible for assessing the Department of Small Business Development's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is an intention to liquidate the department or cease operations, or there is no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

12. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

13. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

Report on the audit of the annual performance report

Introduction and scope

14. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

15. My procedures address the reported performance information, which must be based on the approved performance planning documents of the department. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

16. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the department for the year ended 31 March 2017:

Programmes	Pages in the annual performance report
Programme 2 – SMMEs and Cooperatives Policy and Research	40 – 44
Programme 3 – SMMEs and Cooperatives Design and Support	44 – 56

17. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

18. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following programmes:

- Programme 2: SMMEs and cooperatives policy and research;
- Programme 3: SMMEs and cooperatives design and support.

Other matter

19. I draw attention to the matter below.

Achievement of planned targets

20. Refer to the annual performance report on pages 40 to 44; 44 to 56 for information on the achievement of planned targets for the year and explanations provided for the under/overachievement of a number of targets.

Adjustment of material misstatements

21. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Programme 2 and Programme 3. As management subsequently corrected the misstatements, I did not report any material findings on the usefulness and reliability of the reported performance information.

Report on audit of compliance with legislation

Introduction and scope

22. In accordance with the PAA and the general notice issued in terms thereof I have a responsibility to report material findings on the compliance of the department with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

23. The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

Transfer of funds

24. Appropriate measures were not maintained to ensure that transfers to entities relating to the Black Business Supplier Development Programme (BBSDP) and Cooperative Incentive scheme (CIS) were applied for their intended purposes, as required by treasury regulation 8.4.1.

Other information

25. The Department of Small Business Development's accounting officer is responsible for the other information. The other information comprises the information included in the annual report which includes the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported on in the auditor's report.

26. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

27. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

28. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

Leadership

29. Senior management did not effectively oversee performance reporting and the approval and monitoring of transfer



payments relating to incentive schemes.

30. Management's action plans to address the previous year's audit findings were appropriately developed, but were not effective in addressing the findings relating to complete and accurate performance reporting.

Auditor-General



Pretoria

31 July 2017

Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected programmes and on the department's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in the auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit 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 department's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer;
- conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Department of Small Business Development's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a department to cease operating as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

Annual Financial Statement for the year ended 31 March 2017

APPROPRIATION STATEMENT

ANNUAL FINANCIAL STATEMENTS FOR THE DEPARTMENT OF SMALL BUSINESS DEVELOPMENT

Appropriation per programme									
2016/17					2015/16				
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as a percentage of final appropriation	Final appropriation	Actual expenditure
Programme	R000	R000	R000	R000	R000	R000	%	R000	R000
Administration	113 956	-	(2 931)	111 025	98 925	12 100	89.1%	80 857	66 447
SMMES and Cooperatives Policy and Research	25 835	-	-	25 835	13 848	11 987	53.6%	12 241	11 692
SMMES and Cooperatives Programme Design and Support	1 178 648	-	2 931	1 181 579	1 084 267	97 312	91.8%	1 034 422	1 020 752
Total	1 318 439	-	-	1 318 439	1 197 041	121 398	90.8%	1 127 520	1 098 891
2016/17					2015/16				
	Final appropriation	Actual expenditure		Final appropriation	Actual expenditure		Final appropriation	Actual expenditure	
TOTAL (brought forward)									
Reconciliation with statement of financial performance									
ADD									
Departmental receipts				88	-			121	-
NRF receipts				-				-	-
Aid assistance				413	-			-	-

Annual Financial Statement For the year ended 31 March 2017

APPROPRIATION STATEMENT

Appropriation per economic classification	2015/16	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as a percentage of final appropriation	Final appropriation	Actual expenditure
2016/17	Adjusted appropriation	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Minor assets	71	258	-	329	279	50	84.8%	116	40
Audit costs: External	3 274	416	(500)	3 190	3 189	1	100.0%	1 141	1 072
Bursaries: Employees	300	-	-	300	172	128	57.3%	8	7
Catering: Departmental activities	2 174	1 539	-	3 713	3 507	206	94.4%	1 420	957
Communication (goods and services)	1 684	(332)	-	1 352	1 001	351	74.0%	1 820	1 481
Computer services	7 072	(2 166)	(1 951)	2 955	2 949	6	99.8%	4 310	3 897
Consultants: Business and advisory services	12 420	(1 258)	(280)	10 882	5 067	5 815	46.6%	1 239	745
Legal services	-	202	-	202	142	60	70.2%	-	-
Contractors	1 306	415	-	1 721	1 352	369	78.6%	1 131	673
Agency and support/ outsourced services	120	(17)	-	103	10	93	9.7%	-	-
Entertainment	30	(25)	-	5	-	5	-	43	-
Fleet services (including government motor transport)	522	599	-	1 121	947	174	84.5%	362	277

Annual Financial Statement For the year ended 31 March 2017

APPROPRIATION STATEMENT

Appropriation per economic classification	2015/16	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as a percentage of final appropriation	Final appropriation	Actual expenditure
2016/17	Adjusted appropriation						%		
	R'000	R'000	R'000	R'000	R'000	R'000		R'000	R'000
Consumable supplies	1 097	(618)	-	479	170	309	35.6%	496	354
Consumable: Stationery, printing and office supplies	1 263	1 133	-	2 396	2 083	313	86.9%	1 491	907
Operating leases	15 640	939	-	16 579	16 014	565	96.6%	7 857	6 840
Property payments	-	3	-	3	-	3	-	5	4
Transport provided: Departmental activity	1	(1)	-	-	-	-	-	-	-
Travel and subsistence	22 819	(1 680)	-	21 139	18 229	2 910	86.2%	22 695	19 309
Training and development	1 116	(304)	-	812	501	311	61.7%	3 958	3 738
Operating payments	513	882	-	1 395	978	417	70.1%	994	336
Venues and facilities	2 698	(298)	2 931	5 331	4 906	425	92.0%	1 482	1 234
Rental and hiring	65	70	-	135	62	73	45.9%	-	-
Transfers and subsidies	1 105 786	197	-	1 105 983	1 015 396	90 587	91.8%	958 402	958 250

Annual Financial Statement for the year ended 31 March 2017

APPROPRIATION STATEMENT

Appropriation per economic classification	2015/16	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as a percentage of final appropriation	Final appropriation	Actual expenditure
2016/17	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as a percentage of final appropriation	Final appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Departmental agencies and accounts	633 814	-	19 100	652 914	652 914	-	100.0%	622 835	622 835
Departmental agencies (non-business entities)	633 814	-	19 100	652 914	652 914	-	100.0%	622 835	622 835
Public corporations and private enterprises	471 972	-	(19 100)	452 872	362 288	90 584	80.0%	318 751	318 625
Public corporations	10 000	-	-	10 000	10 000	-	100.0%	318 751	318 625
Subsidies on products and production (pc)	-	-	-	-	-	-	-	10 000	10 000
Other transfers to public corporations	10 000	-	-	10 000	10 000	-	100.0%	308 751	308 625
Private enterprises	461 972	-	(19 100)	442 872	352 288	90 584	79.5%	308 751	308 625
Other transfers to private enterprises	461 972	-	(19 100)	442 872	352 288	90 584	79.5%	300 000	299 874
Non-profit institutions	-	100	-	100	100	-	100.0%	16 726	16 726

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APPROPRIATION STATEMENT

Appropriation per economic classification	2015/16	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as a percentage of final appropriation	Final appropriation	Actual expenditure
2016/17	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Households	-	97	-	97	94	3	97.3%	90	64
Social benefits	-	86	-	86	84	2	97.5%	90	64
Other transfers to households	-	11	-	11	11	1	95.5%	-	-
Payments for capital assets	4 180	117	-	4 297	2 957	1 340	68.8%	4 210	3 185
Machinery and equipment	4 180	117	-	4 297	2 957	1 340	68.8%	4 190	3 169
Other machinery and equipment	4 180	117	-	4 297	2 957	1 340	68.8%	4 190	3 169
Software and other intangible assets	-	-	-	-	-	-	-	20	17
Payment for financial assets	-	29	-	29	28	1	96.7%	-	-
Total	1 318 439	-	-	1 318 439	1 197 041	121 398	90.8%	1 127 520	1 098 891

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APPROPRIATION STATEMENT

1.2 Departmental Management									
2016/17					2015/16				
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as a percentage of final appropriation	Final appropriation	Actual expenditure
Economic classification	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments	18 600	(1 798)	(500)	16 302	14 502	1 800	89.0%	19 328	14 928
Compensation of employees	12 825	(1 930)	-	10 895	10 308	587	94.6%	7 537	5 272
Goods and services	5 775	132	(500)	5 407	4 194	1 213	77.6%	11 791	9 656
Payments for capital assets	60	(20)	-	40	12	28	30.1%	435	304
Machinery and equipment	60	(20)	-	40	12	28	30.1%	435	304
Total	18 660	(1 818)	(500)	16 342	14 514	1 828	88.8%	19 763	15 232
1.3 Corporate Services									
2016/17					2015/16				
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as a percentage of final appropriation	Final appropriation	Actual expenditure
Economic classification	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments	39 377	(1 031)	(2 431)	35 915	30 829	5 086	85.8%	26 595	18 773
Compensation of employees	12 143	1 160	-	13 303	11 228	2 075	84.4%	17 374	10 597
Goods and services	27 234	(2 191)	(2 431)	22 612	19 601	3 011	86.7%	9 220	8 176
Transfers and subsidies	-	25	-	25	25	0	99.9%	-	-
Households	-	25	-	25	25	0	99.9%	-	-
Payments for capital assets	3 430	63	-	3 493	2 601	892	74.5%	2 652	2 544
Machinery and equipment	3 430	63	-	3 493	2 601	892	74.5%	2 632	2 527
Software and other intangible assets	-	-	-	-	-	-	-	20	17
Total	42 807	(943)	(2 431)	39 433	33 455	5 978	84.8%	29 246	21 317

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APPROPRIATION STATEMENT

1.4 Financial Management									
2016/17									
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as a percentage of final appropriation	Final appropriation	Actual expenditure
Economic classification	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments	15 404	539	-	15 943	14 838	1 105	93.1%	-	-
Compensation of employees	11 621	(1 354)	-	10 267	9 261	1 006	90.2%	-	-
Goods and services	3 783	1 893	-	5 676	5 577	99	98.3%	-	-
Payments for capital assets	110	7	-	117	63	54	53.5%	-	-
Machinery and equipment	110	7	-	117	63	54	53.5%	-	-
Payment for financial assets	-	29	-	29	28	1	96.7%	-	-
Total	15 514	575	-	16 089	14 929	1 160	92.8%	-	-

1.5 Communications									
2016/17									
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as a percentage of final appropriation	Final appropriation	Actual expenditure
Economic classification	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments	11 682	(3 340)	-	8 342	6 313	2 029	75.7%	-	-
Compensation of employees	5 639	(3 250)	-	2 389	1 024	1 365	42.9%	-	-
Goods and services	6 043	(90)	-	5 953	5 289	664	88.8%	-	-
Payments for capital assets	300	(22)	-	278	23	255	8.2%	-	-
Machinery and equipment	300	(22)	-	278	23	255	8.2%	-	-
Total	11 982	(3 362)	-	8 620	6 335	2 285	73.5%	-	-
Programme 2: SMMEs AND COOPERATIVES POLICY AND RESEARCH									
2016/17									
								2015/16	

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APPROPRIATION STATEMENT

1.5 Communications							2015/16		
2016/17	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as a percentage of final appropriation	Final appropriation	Actual expenditure
Economic classification	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as a percentage of final appropriation	Final appropriation	Actual expenditure
Sub-programme	R000	R000	R000	R'000	R000	R000	%	R'000	R000
Policy, Research and Legislation	21 563	2 193	-	23 756	13 645	10 111	57.4%	12 241	11 692
Monitoring and Evaluation	4 272	(2 193)	-	2 079	204	1 875	9.8%	-	-
Total for sub-programmes	25 835	-	-	25 835	13 848	11 987	53.6%	12 241	11 692
Economic classification									
Current payments	25 775	(33)	-	25 742	13 813	11 929	53.7%	12 149	11 676
Compensation of employees	14 186	-	-	14 186	10 252	3 934	72.3%	10 075	9 908
Salaries and wages	12 590	(752)	-	11 838	9 166	2 672	77.4%	8 975	8 873
Social contributions	1 596	752	-	2 348	1 085	1 263	46.2%	1 100	1 035
Goods and services	11 589	(33)	-	11 556	3 562	7 994	30.8%	2 074	1 768
Administrative fees	306	(87)	-	219	85	134	38.9%	21	-
Minor assets	3	14	-	17	13	4	75.5%	-	-
Catering: Departmental activities	362	(96)	-	266	217	49	81.5%	35	9
Communication (Goods and services)	260	(79)	-	181	47	134	26.2%	76	52
Consultants: Business and advisory services	6 763	(86)	-	6 677	1 687	4 990	25.3%	-	-
Contractors	-	19	-	19	5	14	28.4%	-	-

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APPROPRIATION STATEMENT

1.5 Communications									
2016/17							2015/16		
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as a percentage 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	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Agency and support / outsourced services	-	10	-	10	10	-	100,0%	-	-
Fleet services (including government motor transport)	67	1	-	68	6	62	8,8%	19	12
Consumable supplies	-	2	-	2	1	1	51,7%	0	0
Consumable: Stationery, printing and office supplies	133	35	-	168	78	90	46,3%	254	239
Operating leases	115	-	-	115	4	111	3,5%	46	-
Travel and subsistence	2 925	212	-	3 137	1 118	2 019	35,7%	1 229	1 166
Training and development	-	125	-	125	88	37	70,7%	48	-
Operating payments	5	147	-	152	0	152	0,2%	10	-
Venues and facilities	650	(250)	-	400	200	200	50,1%	335	288
Transfers and subsidies	-	1	-	1	0	1	26,9%	-	-
Households	-	1	-	1	0	1	26,9%	-	-
Social benefits	-	1	-	1	0	1	26,9%	-	-
Payments for capital assets	60	32	-	92	35	57	37,8%	92	16
Machinery and equipment	60	32	-	92	35	57	37,8%	92	16
Other machinery and equipment	60	32	-	92	35	57	37,8%	92	16
Total	25 835	-	-	25 835	13 848	11 987	53,6%	12 241	11 692

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APPROPRIATION STATEMENT

2.1 Policy, Research and Legislation									
2016/17							2015/16		
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as a percentage of final appropriation	Final appropriation	Actual expenditure
Economic classification	R000	R000	R000	R000	R000	R000	%	R000	R000
Current payments	21 503	2 161	-	23 664	13 610	10 054	57.5%	12 149	11 676
Compensation of employees	11 688	2 208	-	13 896	10 252	3 644	73.8%	10 075	9 908
Goods and services	9 815	(47)	-	9 768	3 359	6 409	34.4%	2 074	1 768
Transfers and subsidies	-	1	-	1	0	1	26.9%	-	-
Households	-	1	-	1	0	1	26.9%	-	-
Payments for capital assets	60	31	-	91	34	57	37.5%	92	16
Machinery and equipment	60	31	-	91	34	57	37.5%	92	16
Total	21 563	2 193	-	23 756	13 645	10 111	57.4%	12 241	11 692

2.2 Monitoring and Evaluation									
2016/17							2015/16		
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as a percentage of final appropriation	Final appropriation	Actual expenditure
Economic classification	R000	R000	R000	R000	R000	R000	%	R000	R000
Current payments	4 272	(2 194)	-	2 078	203	1 875	9.8%	-	-
Compensation of employees	2 498	(2 208)	-	290	-	290	-	-	-
Goods and services	1 774	14	-	1 788	203	1 585	11.4%	-	-
Payments for capital assets	-	1	-	1	1	0	57.9%	-	-
Machinery and equipment	-	1	-	1	1	0	57.9%	-	-
Total	4 272	(2 193)	-	2 079	204	1 875	9.8%	-	-

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APPROPRIATION STATEMENT

Programme 3: SMMEs AND COOPERATIVES PROGRAMME DESIGN AND SUPPORT								2015/16	
2016/17								Final appropriation	Actual expenditure
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as a percentage of final appropriation		
	R000	R000	R000	R000	R000	R000	%	R000	R000
Sub-programme									
Competitiveness Support	109 174	950	(42 100)	68 024	11 991	56 033	17.6%	44 871	42 555
Enterprise Development	656 768	11 447	22 031	690 246	689 920	326	100.0%	660 265	652 834
Cooperatives Development	6 847	(1 098)	-	5 749	5 447	302	94.7%	4 838	3 949
Market Development and Stakeholder relations	61 346	(11 857)	-	49 489	20 940	28 549	42.3%	108	-
SMME Development Finance	344 513	558	23 000	368 071	355 970	12 101	96.7%	324 341	321 414
Total for sub-programmes	1 178 648	-	2 931	1 181 579	1 084 267	97 312	91.8%	1 034 422	1 020 752
Economic classification									
Current payments	72 742	(174)	2 931	75 499	68 824	6 675	91.2%	75 321	62 299
Compensation of employees	57 730	-	-	57 730	51 541	6 189	89.3%	57 413	48 633
Salaries and wages	50 284	1 184	-	51 468	45 598	5 870	88.6%	50 856	43 318
Social contributions	7 446	(1 184)	-	6 262	5 942	320	94.9%	6 557	5 315
Goods and services	15 012	(174)	2 931	17 769	17 283	486	97.3%	17 908	13 666
Administrative fees	318	117	-	435	408	27	93.7%	115	81
Advertising	-	224	-	224	0	224	0.1%	6	1
Minor assets	-	-	-	-	-	-	-	5	3
Bursaries: Employees	-	-	-	-	-	-	-	1	1
Catering: Departmental activities	527	1 494	-	2 021	2 062	(41)	102.1%	920	676
Communication (Goods and services)	346	(179)	-	167	163	4	97.6%	545	364

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APPROPRIATION STATEMENT

Programme 3: SMMES AND COOPERATIVES PROGRAMME DESIGN AND SUPPORT									
2016/17	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as a percentage of final appropriation	Final appropriation	Actual expenditure
	R000	R000	R000	R000	R000	R000	%	R000	R000
Consultants: Business and advisory services	2 882	(847)	-	2 035	2 034	1	100.0%	471	-
Contractors	-	522	-	522	429	93	82.2%	601	268
Entertainment	-	-	-	-	-	-	-	13	-
Fleet services (including government motor transport)	143	(65)	-	78	66	12	84.6%	142	115
Consumable supplies	8	-	-	8	3	5	35.8%	127	123
Consumable: Stationery, printing and office supplies	326	17	-	343	337	6	98.2%	338	2
Operating leases	424	(367)	-	57	54	3	94.4%	473	-
Property payments	-	-	-	-	-	-	-	5	4
Travel and subsistence	8 657	(1 549)	-	7 108	7 031	77	98.9%	9 184	7 533
Training and development	325	(309)	-	16	16	0	98.8%	3 870	3 699
Operating payments	106	81	-	187	113	74	60.2%	183	35
Venues and facilities	950	687	2 931	4 568	4 568	0	100.0%	911	760
Transfers and subsidies	1 105 786	171	-	1 105 957	1 015 371	90 586	91.8%	958 402	958 250
Departmental agencies and accounts	633 814	-	19 100	652 914	652 914	-	100.0%	622 835	622 835
Departmental agencies (non-business entities)	633 814	-	19 100	652 914	652 914	-	100.0%	622 835	622 835
Public corporations and private enterprises	471 972	-	(19 100)	452 872	362 288	90 584	80.0%	318 751	318 625
Public corporations	10 000	-	-	10 000	10 000	-	100.0%	18 751	18 751
Subsidies on products and production (pc)	-	-	-	-	-	-	-	10 000	10 000
Other transfers to public corporations	10 000	-	-	10 000	10 000	-	100.0%	8 751	8 751

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APPROPRIATION STATEMENT

Programme 3: SMIES AND COOPERATIVES PROGRAMME DESIGN AND SUPPORT									
2016/17							2015/16		Actual expenditure
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as a percentage of final appropriation	Final appropriation	Actual expenditure
Private enterprises	R000	R000	R000	R000	R000	R000	%	R000	R000
Other transfers to private enterprises	461 972	-	(19 100)	442 872	352 288	90 584	79.5%	300 000	299 874
Non-profit institutions	-	100	-	100	100	-	100.0%	16 726	16 726
Households	-	71	-	71	69	2	97.4%	90	64
Social benefits	-	60	-	60	59	1	97.7%	90	64
Other transfers to households	-	11	-	11	11	1	95.5%	-	-
Payments for capital assets	120	3	-	123	72	51	58.9%	699	203
Machinery and equipment	120	3	-	123	72	51	58.9%	699	203
Other machinery and equipment	120	3	-	123	72	51	58.9%	699	203
Total	1 178 648	-	2 931	1 181 579	1 084 267	97 312	91.8%	1 034 422	1 020 752
3.1 Competitiveness Support									
2016/17							2015/16		
Economic classification	R000	R000	R000	R000	R000	R000	%	R000	R000
Current payments	13 356	960	-	14 316	11 929	2 387	83.3%	19 249	17 046
Compensation of employees	8 936	2 272	-	11 208	8 780	2 428	78.3%	9 871	8 528
Goods and services	4 420	(1 312)	-	3 108	3 149	(41)	101.3%	9 378	8 519
Transfers and subsidies	95 698	-	(42 100)	53 598	-	53 598	-	25 482	25 480
Public corporations and private enterprises	95 698	-	(42 100)	53 598	-	53 598	-	8 751	8 751
Non-profit institutions	-	-	-	-	-	-	-	16 726	16 726

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Households	-	-	-	-	-	-	-	5	3
Payments for capital assets	120	(10)	-	110	62	48	56.4%	140	28
Machinery and equipment	120	(10)	-	110	62	48	56.4%	140	28
Total	109 174	950	(42 100)	68 024	11 991	56 033	17.6%	44 871	42 555

3.2 Enterprise Development									
2016/17					2015/16				
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as a percentage of final appropriation	Final appropriation	Actual expenditure
Economic classification	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments	12 954	11 273	2 931	27 158	26 833	325	98.8%	27 112	19 809
Compensation of employees	9 081	9 357	-	18 438	18 384	54	99.7%	22 535	16 997
Goods and services	3 873	1 916	2 931	8 720	8 449	271	96.9%	4 577	2 812
Transfers and subsidies	643 814	169	19 100	663 083	663 082	1	100.0%	632 880	632 874
Departmental agencies and accounts	633 814	-	19 100	652 914	652 914	-	100.0%	622 835	622 835
Public corporations and private enterprises	10 000	-	-	10 000	10 000	-	100.0%	10 000	10 000
Non-profit institutions		100		100	100	-	100.0%	-	-
Households	-	69	-	69	68	1	98.1%	45	39
Payments for capital assets	-	5	-	5	5	0	91.9%	273	152
Machinery and equipment	-	5	-	5	5	0	91.9%	273	152
Total	656 768	11 447	22 031	690 246	689 920	326	100.0%	660 265	652 834

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APPROPRIATION STATEMENT

3.3 Cooperatives Development									
2016/17									
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as a percentage of final appropriation	Final appropriation	Actual expenditure
Economic classification	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments	6 847	(1 105)	-	5 742	5 441	301	94,8%	4 833	3 946
Compensation of employees	5 205	(1 789)	-	3 416	3 310	106	96,9%	4 060	3 639
Goods and services	1 642	684	-	2 326	2 131	195	91,6%	773	307
Transfers and subsidies	-	2	-	2	1	1	70,6%	5	2
Households	-	2	-	2	1	1	70,6%	5	2
Payments for capital assets	-	5	-	5	4	1	80,8%	-	-
Machinery and equipment	-	5	-	5	4	1	80,8%	-	-
Total	6 847	(1 098)	-	5 749	5 447	302	94,7%	4 838	3 949

3.4 Market Development and Stakeholder Relations									
2016/17									
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as a percentage 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	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments	15 072	(11 858)	-	3 214	540	2 674	16,8%	-	-
Compensation of employees	13 162	(10 507)	-	2 655	-	2 655	-	-	-
Goods and services	1 910	(1 351)	-	559	540	19	96,6%	-	-

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APPROPRIATION STATEMENT

Transfers and subsidies	46 274	-	-	46 274	20 400	25 874	44.1%	-	-
Public corporations and private enterprises	46 274	-	-	46 274	20 400	25 874	44.1%	-	-
Payments for capital assets	-	1	-	1	-	1	-	108	-
Machinery and equipment	-	1	-	1	-	1	-	108	-
Total	61 346	(11 857)	-	49 489	20 940	28 549	42.3%	108	-

3.5 SMMEs DEVELOPMENT FINANCE

2016/17										2015/16	
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as a percentage of final appropriation	Final appropriation	Actual expenditure		
Economic classification	R000	R000	R000	R000	R000	R000	%	R000	R000		
Current payments	24 513	556	-	25 069	24 081	988	96.1%	24 128	21 498		
Compensation of employees	21 346	667	-	22 013	21 066	947	95.7%	20 947	19 470		
Goods and services	3 167	(111)	-	3 056	3 014	42	98.6%	3 181	2 028		
Transfers and subsidies	320 000	-	23 000	343 000	331 888	11 112	96.8%	300 035	299 893		
Public corporations and private enterprises	320 000	-	23 000	343 000	331 888	11 112	96.8%	300 000	299 874		
Households	-	-	-	-	-	-	-	35	19		
Payments for capital assets	-	2	-	2	2	0	91.2%	178	23		
Machinery and equipment	-	2	-	2	2	0	91.2%	178	23		

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NOTES TO THE APPROPRIATION STATEMENT

Detail of transfers and subsidies as per the Appropriation Act (after virement):

Detail of these transactions can be viewed in the note on transfers and subsidies, disclosure notes and Annexure 1 (A-H) to the annual financial statements.

Detail of specifically and exclusively appropriated amounts voted (after virement):

Detail of these transactions can be viewed in Note 1 (annual appropriation) to the annual financial statements.

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.

Explanations of material variances from amounts voted (after virement):

4.1 Per programme

	Final appropriation	Actual expenditure	Variance R'000	Variance as a percentage of final appropriation
	R'000	R'000	R'000	%
1. Administration	111 025	98 925	12 100	10.9%
2. SMMEs and Cooperatives Policy and Research	25 835	13 848	11 987	46.4%
3 SMMEs and Cooperatives Programme Design and Support	1 181 579	1 084 267	97 312	8.2%
Total	1 318 439	1 197 041	121 398	9.2%

Administration: The programme spent 89.1% of the adjusted budget and underspent largely due to a commitment to SITA that was reduced as a result of the late implementation of the SLA. Vacant posts also contributed to underspending in the programme.

SMMEs and Cooperatives: Policy and Research: The programme spent 53.6% of the adjusted budget due to benefits derived from partnerships formed with various stakeholders that led to reduced costs. The delay in finalising some of the research projects and critical vacant posts contributed to the underspending of R12 million.

SMMEs and Cooperatives Programme Design and Support: The programme spent 91.8% of the adjusted budget mainly on the NIBUS (R53.6 million) which could only provide training to 7 519 informal businesses, but could not disburse funds for the infrastructure support provided for, and the EIP (R26 million) that approved all seven incubation programmes, but could only disburse 40% of the first tranches in line with the approved guidelines. The CIS also contributed to the underspending by R11.1 million.

Annual Financial Statement for the year ended 31 March 2017

NOTES TO THE APPROPRIATION STATEMENT

4.2 Per economic classification

	Final appropriation R000	Actual expenditure R000	Variance R000	Variance as a percentage of final appropriation %
Current payments	208 130	178 660	29 470	14.2%
Compensation of employees	129 681	114 022	15 659	12.1%
Goods and services	78 449	64 638	13 811	17.6%
Transfers and subsidies	1 105 983	1 015 396	90 587	8.2%
Provinces and municipalities				
Departmental agencies and accounts	652 914	652 914	-	0.0%
Higher education institutions				
Public corporations and private enterprises	452 872	362 288	90 584	20%
Non-profit institutions	100	100	-	0.0%
Households	97	94	3	2.7%
Payments for capital assets	4 297	2 957	1 340	31.2%
Machinery and equipment	4 297	2 957	1 340	31.2%
Payment for financial assets	29	28	1	3.3%
Total	1 318 439	1 197 041	121 398	9.2%

Compensation of employees: The item underspent by R15.7 million (12.1%) due to vacancies that could not be filled due to the structure review.

Goods and services: The item underspent by R13.8 million (17.6%) of the allocated budget as a result of the non-achievement of some of the targets.

Transfer payments: The item underspent by R90.6 million (8.2%) due to the reasons provided in the SMMEs and Cooperatives Programme Design and Support Programme.

Annual Financial Statement For the year ended 31 March 2017

STATEMENT OF FINANCIAL PERFORMANCE

	Note	2016/17 R000	2015/16 R000
REVENUE			
Annual appropriation	1	1 318 439	1 127 520
Departmental revenue	2	88	121
Aid assistance	3	413	-
TOTAL REVENUE		1 318 940	1 127 641
EXPENDITURE			
Current expenditure			
Compensation of employees	4	114 022	93 132
Goods and services	5	64 638	44 323
Aid assistance	3	221	-
Total current expenditure		178 881	137 455
Transfers and subsidies			
Transfers and subsidies	Z	1 015 396	958 250
Total transfers and subsidies		1 015 396	958 250
Expenditure for capital assets			
Tangible assets	8	2 957	3 169
Intangible assets	8	-	17
Total expenditure for capital assets		2 957	3 186
Unauthorised expenditure approved without funding		-	-

Annual Financial Statement For the year ended 31 March 2017

STATEMENT OF FINANCIAL PERFORMANCE

Payments for financial assets	6	28	-
TOTAL EXPENDITURE		1 197 262	1 098 891
SURPLUS FOR THE YEAR		121 678	28 750
Reconciliation of net surplus for the year			
Voted funds		121 398	28 629
Departmental revenue and NRF receipts	<u>13</u>	88	121
Aid assistance	3	192	-
SURPLUS FOR THE YEAR		121 678	28 750

Annual Financial Statement for the year ended 31 March 2017

STATEMENT OF FINANCIAL POSITION

	Note	2016/17	2015/16
		R'000	R'000
ASSETS			
Current assets		29 640	15 903
Cash and cash equivalents	9	29 384	14 781
Prepayments and advances	10	14	989
Receivables	11	242	133
TOTAL ASSETS		29 640	15 903
LIABILITIES			
Current liabilities		29 640	15 903
Voted funds to be surrendered to the Revenue Fund	12	29 409	15 900
Departmental revenue and NRF receipts to be surrendered to the Revenue Fund	13	39	2
Payables		-	1
Aid assistance unutilised	3	192	-
TOTAL LIABILITIES		29 640	15 903
NET ASSETS		-	-

Annual Financial Statement for the year ended 31 March 2017

CASH FLOW STATEMENT

	Note	2016/17	2015/16
		R000	R000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		1 226 951	1 114 912
Annual appropriated funds received	1.1	1 226 450	1 114 791
Departmental revenue received	2	88	121
Aid assistance received	3	413	-
Net (increase)/decrease in working capital		865	(1 121)
Surrendered to Revenue Fund		(15 951)	(119)
Surrendered to RDP Fund/donor		-	-
Current payments		(178 881)	(137 455)
Payments for financial assets		(28)	-
Transfers and subsidies paid		(1 015 396)	(958 250)
Net cash flow available from operating activities	15	17 560	17 967
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for capital assets	8	(2 957)	(3 186)
Net cash flows from investing activities		(2 957)	(3 186)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase/(decrease) in cash and cash equivalents		14 603	14 781
Cash and cash equivalents at beginning of period		14 781	-
Unrealised gains and losses within cash and cash equivalents		-	-
Cash and cash equivalents at end of period	16	29 384	14 781

Annual Financial Statement For the year ended 31 March 2017

ACCOUNTING POLICIES

Summary of significant accounting policies

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

The historical cost convention has been used, except where otherwise indicated. Management has used assessments and estimates in preparing the annual financial statements. These are 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 to comply with the statutory requirements of the Public Finance Management Act, Act 1 of 1999 (PFMA) (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 R1 000 (R000).
5.	Comparative information
5.1	Prior-period comparative information Prior-period comparative information has been presented in the current year's financial statements. 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.
5.2	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.
6.	Revenue
6.1	Appropriated funds Appropriated funds comprise departmental allocations, as well as direct charges against the Revenue Fund (i.e. statutory appropriation). 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.
6.2	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.
7.	Any amount owing to the relevant revenue fund at the reporting date is recognised as a payable in the statement of financial position.
7.1	Expenditure
7.1	Compensation of employees

Annual Financial Statement For the year ended 31 March 2017

ACCOUNTING POLICIES

7.1.1	Salaries and wages Salaries and wages are recognised in the statement of financial performance on the date of payment.
7.1.2	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.
7.2	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.
7.3	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.
7.4	Leases
7.4.1	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.
7.4.2	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 are 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. Monthly subscriptions as per the signed contracts
8.	Aid Assistance
8.1	Aid assistance received Aid assistance received in cash is recognised in the statement of financial performance when received. In-kind aid assistance is recorded in the notes to the financial statements on the date of receipt and is measured at fair value. Aid assistance not spent for the intended purpose and any unutilised funds from aid assistance that are required to be refunded to the donor are recognised as a payable in the statement of financial position.
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.

Annual Financial Statement For the year ended 31 March 2017

ACCOUNTING POLICIES

10.	<p>Prepayments and advances</p> <p>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 immediately expensed if the terms and conditions of the contract require upfront payment.</p>
11.	<p>Loans and receivables</p> <p>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.</p>
12.	Financial assets
12.1	<p>Financial assets (not covered elsewhere)</p> <p>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.</p>
12.2	<p>Impairment of financial assets</p> <p>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.</p>
13.	<p>Payables</p> <p>Loans and payables are recognised in the Statement of Financial Position at cost.</p>
14.	Capital assets
14.1	<p>Movable capital assets</p> <p>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.</p> <p>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 R1.</p> <p>All assets acquired prior to 1 April 2002 (or a later date as approved by the Office of the Auditor-General) may be recorded at R1.</p> <p>Movable capital assets are subsequently carried at cost and are not subject to depreciation or impairment.</p> <p>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.</p>

Annual Financial Statement For the year ended 31 March 2017

ACCOUNTING POLICIES

14.2	<p>Intangible assets</p> <p>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.</p> <p>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 R1.</p> <p>All assets acquired prior to 1 April 2002 (or a later date as approved by the Office of the Auditor-General) may be recorded at R1.</p> <p>Intangible assets are subsequently carried at cost and are not subject to depreciation or impairment.</p> <p>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.</p>
15.	Provisions and contingents
15.1	<p>Provisions</p> <p>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.</p>
15.2	<p>Contingent liabilities</p> <p>Contingent liabilities are recorded in the Notes to the Financial Statements when there is a possible obligation that arises from past events, and 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.</p>
15.3	<p>Contingent assets</p> <p>Contingent assets are recorded in the Notes to the Financial Statements when a possible asset arises from past events, and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not within the control of the Department.</p>
15.4	<p>Commitments</p> <p>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.</p>
16.	<p>Unauthorised expenditure</p> <p>Unauthorised expenditure is recognised in the Statement of Financial Position until such time as the expenditure is:</p> <ul style="list-style-type: none"> approved by Parliament or the Provincial Legislature with funding and the related funds are received; 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. <p>Unauthorised expenditure is measured at the amount of the confirmed unauthorised expenditure.</p>
17.	<p>Fruitless and wasteful expenditure</p> <p>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.</p> <p>Fruitless and wasteful expenditure is removed from the Notes to the Financial Statements when it is resolved or transferred to receivables for recovery.</p> <p>Fruitless and wasteful expenditure receivables are measured at the amount that is expected to be recoverable and are derecognised when settled or subsequently written-off as irrecoverable.</p>

Annual Financial Statement For the year ended 31 March 2017

ACCOUNTING POLICIES

18.	<p>Irregular expenditure</p> <p>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 for the irregular expenditure are provided in the note.</p> <p>Irregular expenditure is removed from the note when it is 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 derecognised when settled or subsequently written-off as irrecoverable.</p>
19.	<p>Changes in accounting policies, accounting estimates and errors</p> <p>Changes in accounting policies that are effected by management have been applied retrospectively in accordance with Modified Cash Standard 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.</p> <p>Changes in accounting estimates are applied prospectively in accordance with Modified Cash Standard requirements.</p> <p>Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with Modified Cash Standard 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.</p>
20.	<p>Events after the reporting date</p> <p>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.</p>
21.	<p>Recoverable revenue</p> <p>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.</p>
22.	<p>Related-party transactions</p> <p>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.</p> <p>Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Department. The number of individuals and their full compensation are recorded in the Notes to the Financial Statements.</p>
23.	<p>Inventories (effective from 1 April 2017)</p> <p>At the date of acquisition, inventories are recorded at cost price in the Notes to the Financial Statements.</p> <p>Where inventories are acquired as part of a non-exchange transaction, the cost of inventory is its fair value at the date of acquisition.</p> <p>Inventories are subsequently measured at the lower of cost and net realisable value or the lower of cost and current replacement value.</p>
24.	<p>Inventories (effective from 1 April 2017)</p> <p>At the date of acquisition, inventories are recorded at cost price in the notes to the financial statements</p> <p>Where inventories are acquired as part of a non-exchange transaction, the cost of inventory is its fair value at the date of acquisition.</p> <p>Inventories are subsequently measured at the lower of cost and net realisable value or the lower of cost and current replacement value.</p>

Annual Financial Statement For the year ended 31 March 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENT

1. Annual appropriation

1.1 Annual appropriation
Included are funds appropriated in terms of the Appropriation Act and the Adjustments Appropriation Act for National Departments (voted funds):

	2016/17		2015/16		
	Final appropriation	Actual funds received	Funds not requested/ not received	Final appropriation	Appropriation received
	R000	R000	R000	R000	R000
Administration	111 025	106 114	4 911	80 857	68 128
Cooperatives Support and Development	25 835	22 404	3 431	12 241	12 241
Enterprise Development and Entrepreneurship	1 181 579	1 097 932	83 647	1 034 422	1 034 422
Total	1 318 439	1 226 450	91 989	1 127 520	1 114 791

2. Departmental revenue

	2016/17	Note	2016/17	2015/16
Tax revenue			R000	R000
Sales of goods and services other than capital assets		2.1	88	46
Transactions in financial assets and liabilities		2.2	-	75
Total revenue collected			88	121

Annual Financial Statement For the year ended 31 March 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENT

Departmental revenue collected	88	121
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The departmental revenue consists of monies received in respect of rental parking from DSBD employees and commission received on the deduction of insurance/premiums from employees' salaries.

2.1 Sales of goods and services other than capital assets

	Note	2016/17 R'000	2015/16 R'000
Sales of goods and services produced by the Department	2	R'000	R'000
		88	46
Sales by market establishment		28	27
Other sales		60	19
Total		88	46

2.2 Transactions in financial assets and liabilities

	Note	2016/17 R'000	2015/16 R'000
Receivables	2	-	75
Total		-	75

3 Aid assistance

	Note	2016/17 R'000	2015/16 R'000
Opening balance		-	-
Transferred from Statement of Financial Performance		192	-

Annual Financial Statement For the year ended 31 March 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENT

Closing balance	192	-
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The balance of a donation received from the African Development Bank of South Africa (R413 000) and spent (R221 000) for the Enterprise Development Pilot Project for local economic development support, of which R192 000 remains unspent.

3.1 Analysis of balance by source

	Note	2016/17	2015/16
Aid assistance from other sources	3	R000	R000
Closing balance		192	-

Compensation of employees

4. Salaries and wages

	Note	2016/17	2015/16
Basic salary	4	R000	R000
Performance award		77 379	62 625
Service based		1 069	1 132
Compensative/circumstantial		280	9
Periodic payments		2 467	2 715
Other non-pensionable allowances		640	-
		19 805	16 801
Total		101 640	83 282

4.2 Social contributions

	Note	2016/17	2015/16
Employer contributions	4	R000	R000
Pension		9 758	7 697
Medical		2 611	2 143
Bargaining council		13	10
Total		12 382	9 850

Annual Financial Statement For the year ended 31 March 2017
NOTES TO THE ANNUAL FINANCIAL STATEMENT

Total compensation of employees		114 022	93 132
Average number of employees		186	154

5. Goods and services

	Note	2016/17	2015/16
		R000	R000
Administrative fees		1 008	508
Advertising		2 072	1 945
Minor assets	5.1	279	40
Bursaries (employees)		172	7
Catering		3 507	957
Communication		1 001	1 481
Computer services	5.2	2 949	3 897
Consultants: Business and advisory services		5 066	745
Legal services		142	-
Contractors		1 352	673
Agency and support/outsourced services		10	-
Audit cost - external	5.3	3 189	1 072
Fleet services		947	277
Consumables	5.4	2 253	1 260
Operating leases		16 014	6 840
Property payments	5.5	1	4
Rental and hiring		62	-
Travel and subsistence	5.6	18 229	19 309
Venues and facilities		4 906	1 234
Training and development		501	3 738
Other operating expenditure	5.7	978	336
Total		64 638	44 323

Annual Financial Statement For the year ended 31 March 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENT

Key cost drivers

- **Travel and subsistence:** This is the highest spending item under goods and services and is due to the nature of the business that the Department provides, which often requires officials to travel constantly for inspections of projects related to incentive schemes;
- **Operating lease:** The operating lease expenditure is largely made of payments made towards the dti for office space rental. The Department assumed occupation of two full floors on Block G;
- **Consultants:** Research is vital for the reduction of red tape and amendments of laws and Acts that hamper the growth and sustainability of small business. Research projects were undertaken in Programme 2;
- **Venues and facilities:** The Department supported the Global Entrepreneurship Congress, held in Johannesburg, the first on the continent, and contributed towards the venue and catering;
- **Catering:** The expenditure is largely due to the annual International Cooperatives Day event. The Department also provided refreshments when training informal traders;
- **Audit costs:** The expenditure is for the audit work carried out by Auditor-General during the period under review;
- **Computer services:** This is in line with the migration of programmes from the dti to the DSBD, the migration of email facilities from Novell to Microsoft Outlook, and the provision of IT support by SITA.

5.1 Minor assets

	Note	2016/17	2015/16
Tangible assets	5	R000	R000
Machinery and equipment		279	40
Total		279	

5.2 Computer services

	Note	2016/17	2015/16
SITA computer services	5	R000	R000
External computer service providers		2 797	3 897
		152	-
Total		2 949	3 897

Annual Financial Statement For the year ended 31 March 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENT

SITA mainframe time, desktop support and server management services.

5.3 Audit cost – external

	Note	2016/17 R000	2015/16 R000
Regularity audits	5	3 189	1 072
Total		3 189	1 072

The audit by the Auditor-General South Africa (AGSA) was conducted over a shorter period in the prior year as opposed to the reporting period.

5.4 Consumables

	Note	2016/17 R000	2015/16 R000
Consumable supplies	5	170	353
Uniform and clothing		6	13
Household supplies		116	7
Building material and supplies		10	-
Communication accessories		-	2
IT consumables		5	8
Other consumables		33	323
Stationery, printing and office supplies		2 083	907
Total		2 253	1 260

Annual Financial Statement For the year ended 31 March 2017
NOTES TO THE ANNUAL FINANCIAL STATEMENT

5.5 Property payments

	Note	2016/17	2015/16
	5	R000	R000
Other		1	4
Total		1	4

5.6 Travel and subsistence

	Note	2016/17	2015/16
	5	R000	R000
Local		13 745	14 215
Foreign		4 484	5 094
Total		18 229	19 309

High spending is due to the nature of service that the Department provides, which often requires officials to travel constantly for the inspection of projects related to incentive schemes

5.7 Other operating expenditure

	Note	2016/17	2015/16
	5	R000	R000
Professional bodies, membership and subscription fees		1	-
Resettlement costs		163	34
Other		814	302
Total		978	336

6. Payments for financial assets

	Note	2016/17	2015/16
		R000	R000
Debts written off		28	-
Total		28	-

Annual Financial Statement For the year ended 31 March 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENT

This relates to advances issued to four high school learners who travelled to Brazil during the 2015/16 financial year as part of the Techno Girls' Programme, as well as a long outstanding (2012) recoverable performance bonus that was disputed by an employee and recommended by the Office of the State Attorney to be written off.

7. Transfers and subsidies

		R000	R000
	Note		
Departmental agencies and accounts	Annex 1A	652 914	622 835
Public corporations and private enterprises	Annex 1B	362 288	318 625
Non-profit institutions	Annex 1C	100	16 726
Households	Annex 1D	94	64
Total		1 015 396	958 250
Unspent funds transferred to the above beneficiaries			126

8. Expenditure for capital assets

	Note	2016/17	2015/16
		R000	R000
Tangible assets		2 957	3 169
Machinery and equipment	26	2 957	3 169
Intangible assets			
Software	27	-	17
Total		2 957	3 186

8.1 Analysis of funds to acquire capital assets – 2016/17

	Voted funds	Aid assistance	Total
	R000	R000	R000
Tangible assets	2 957	-	2 957
Machinery and equipment	2 957	-	2 957
Intangible assets	-		-

Annual Financial Statement For the year ended 31 March 2017
NOTES TO THE ANNUAL FINANCIAL STATEMENT

Software	-				-
Total	2 957		-		2 957

8.2 Analysis of fund to acquire capital assets - 2015/16

	Voted funds	Aid assistance	Total
	R000	R000	R000
Tangible assets	3 169	-	3 169
Machinery and equipment	3 169	-	3 169
Intrangible assets			
Software	17	-	17
Total	3 186	-	3 186

8.3 Finance lease expenditure included in expenditure for capital assets

	2016/17	2015/16
	R000	R000
Tangible assets		
Machinery and equipment	79	-
Total	79	-

Cell phone and data contract-related expenditure.

9. Cash and cash equivalents

	2016/17	2015/16
	R000	R000
Consolidated Paymaster-General Account	29 318	14 715
Cash on hand	66	66
Total	29 384	14 781

Annual Financial Statement For the year ended 31 March 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENT

Cash in the official bank account and the petty cash on hand as at 31 March 2017.

10. Prepayments and advances

	Note	2016/17	2015/16
		R000	R000
Staff advances		14	5
Travel and subsistence		-	106
Advances paid	10.1	-	878
Total		14	989

Salary advanced to officials in line with the departmental policy.

10.1 Advances paid

	Note	2016/17	2015/16
		R000	R000
National departments: DIRCO	10	-	878
Total		-	878

DIRCO submitted and cleared an advance paid for international official trips coordinated on behalf of the Department.

11. Receivables

		2016/17	2015/16
		Current	Current
		R000	R000
		Non-current	Non-current
		R000	R000
		Total	Total
		R000	R000
Claims recoverable	Note	-	64
Trade receivables	11.1	-	3
Recoverable expenditure	11.2	-	5
Staff debt	11.3	94	61
Other debtors	11.4	148	-
	11.5	-	-
Total		242	133

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11.1 Claims recoverable

Description	Note	2016/17	2015/16
National departments	11	R000	R000
		-	64
Total		-	64

11.2 Trade receivable

Description	Note	2016/17	2015/16
Trade receivable	11	R000	R000
		-	3
Total		-	3

11.3 Recoverable expenditure (disallowance accounts)

Description	Note	2016/17	2015/16
Tax debt	11	R000	R000
		-	5
Total		-	5

11.4 Staff debt

Description	Note	2016/17	2015/16
Performance bonus overpayment	11	R000	R000
Allowances		-	25
Salary overpayment		-	31
Tax debt		80	5
		14	-
Total		94	61

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NOTES TO THE ANNUAL FINANCIAL STATEMENT

11.5 Other debtors

Description	Note	2016/17	2015/16
	11	R000	R000
Grants incentives		148	-
Total		148	-

Balance owing from an overpayment to a service provider related to the BSSDP

12. Voted funds to be surrendered to the Revenue Fund

	Note	2016/17	2015/16
		R000	R000
Opening balance		15 900	-
Prior period error		-	-
As restated		15 900	-
Transfer from statement of financial performance (as restated)		121 398	28 629
Voted funds not requested/not received		(91 989)	(12 729)
Paid during the year		(15 900)	
Closing balance		29 409	15 900

Funds requested but not utilised by 31 March 2017.

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

	Note	2016/17	2015/16
		R000	R000
Opening balance		2	-
Prior period error		-	-
As restated		2	-
Transfer from the Statement of Financial Performance (as restated)		88	121
Paid during the year		(51)	(119)
Closing balance		39	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 47

Annual Financial Statement For the year ended 31 March 2017
NOTES TO THE ANNUAL FINANCIAL STATEMENT

employees' salaries.

14. Payables – current

	Note	2016/17	2015/16
		R000	R000
Clearing accounts		-	1
Total		-	1

14.1. Clearing accounts

	Note	2016/17	2015/16
	14	R000	R000
Description			
Insurance deduction		-	1
Total		-	1

15. Net cash flow available from operating activities

	Note	2016/17	2015/16
		R000	R000
Net surplus/(deficit) as per Statement of Financial Performance		121 678	28 750
Add back non-cash/cash movements not deemed operating activities		(104 118)	(10 783)
(Increase)/decrease in receivables – current		(109)	(133)
(Increase)/decrease in prepayments and advances		975	(989)
Increase/(decrease) in payables – current		(1)	1
Expenditure on capital assets		2 957	3 186
Surrenders to Revenue Fund		(15 951)	(119)
Voted funds not requested/not received		(91 989)	(12 729)
Net cash flow generated by operating activities		17 560	17 967

Annual Financial Statement For the year ended 31 March 2017
NOTES TO THE ANNUAL FINANCIAL STATEMENT

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

	Note	2016/17	2015/16
Consolidated Paymaster-General Account		R000	R000
Cash on hand		29 318	14 715
		66	66
Total		29 384	14 781

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.

17. Contingent asset

	Note	2016/17	2015/16
Incentives		R000	R000
		1 125	1 125
Total		1 125	1 125

The dti transferred two grant incentive-related litigation matters worth R1.125 million during the 2015/16 financial year that have been handed over to the Office of the State Attorney. During 2016/17, the DSBD was informed of 72 litigation matters that had no supporting documents, which disempowers the Accounting Officer from taking further action.

18. Commitments

	Note	2016/17	2015/16
Current expenditure		R000	R000
		6 529	3 748
Approved and contracted		6 529	3 748
Approved but not yet contracted			
Capital expenditure		-	724
Approved and contracted		-	724
Approved but not yet contracted		-	-
Total commitments		6 529	4 472

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NOTES TO THE ANNUAL FINANCIAL STATEMENT

Commitments longer than one year: a balance of R3.9 million on a three-year contract on the training and mentoring of franchisors.

19. Accruals and payables not recognised: 19.1 Accruals

			2016/17		2015/16
			R000		R000
Listed by economic classification					
	30 days	30+ days	Total		Total
Goods and services	1 308	1 029	2 338		1 482
Capital assets					11
Other					
Total	1 308	1 029	2 338		1 493
		Note	2016/17		2015/16
			R000		R000
Programme					
Administration			1 319		948
Cooperatives Support and Development			56		65
Enterprise Development and Entrepreneurship			962		480
Total			2 338		1 493

Include reasons for material accruals.

20. Employee benefits

	Note	2016/17		2015/16
		R000		R000
Leave entitlement		4 027		3 888
Service bonus (thirteenth cheque)		2 631		2 232
Performance awards		1 771		-
Capped leave commitments		777		556
Total		9 206		6 676

Annual Financial Statement For the year ended 31 March 2017
NOTES TO THE ANNUAL FINANCIAL STATEMENT

21. Finance leases expenditure

2016/17	Specialised military equipment	Land	Buildings and other fixed structures	Machinery and equipment	Total
Not later than one year	-	-	-	899	899
Later than one year and not later than five years	-	-	-	1 671	1 671
Total lease commitments	-	-	-	2 570	2 570
2015/16	Specialised military equipment	Land	Buildings and other fixed structures	Machinery and equipment	Total
Not later than one year	-	-	-	160	160
Later than one year and not later than five years	-	-	-	29	29
Total lease commitments	-	-	-	189	189

Cell phone contracts and lease contract for printing machines with Konica Minolta.

22. Irregular expenditure

22.1 Reconciliation of irregular expenditure

	2016/17	2015/16
	R000	R000
Opening balance	1 834	-
As restated	1 834	
Add: Irregular expenditure - relating to current year	-	1 834
Less: Prior-year amounts condoned	(1 834)	-
Total	1 834	1 834

Related to the Bawumile Training. The Department did not comply with paragraph 3.4 of PN 8 of 2007/08, which requires a competitive bidding process to be followed for transactions with a value of above R500 000. An investigation into the matter was conducted and no official was found to have personally benefited. It was confirmed that the

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NOTES TO THE ANNUAL FINANCIAL STATEMENT

Department derived value in the form of training provided to beneficiaries.

22.2 Details of irregular expenditure condoned

		2015/16
		R000
Incident	Condoned by (condoning authority)	
Bavumile Training: The Department did not comply with paragraph 3.4 of PN 8 of 2007/08, which requires a competitive bidding process to be followed for transactions with a value of above R500 000. The Department derived value in the form of training provided to beneficiaries.	Director - General	1 834
Total		1 834

23. Related-party transactions

The DSBD has oversight responsibility over the following public and trading entities:
 Small Enterprise Development Agency (SEDA)
 Small Enterprise Finance Agency (SEFA)
 Transfers to SEFA are still done by the Economic Development Department.

24. Key management personnel

	Number of Individuals	2016/17	2015/16
Political office bearers (provide detail below)	2	R000	R000
Officials:		4 194	3 533
Level 15 to 16	1	3 367	958
Level 14 (including CFO if at a lower level)	12	16 493	13 721
Family members of key management personnel		-	-
Total		24 053	18 211

The 2015/16 figure is mainly a part payment for the Director-General, who joined the Department in September 2015, while the R3.4 million comprises amounts for two officials

Annual Financial Statement For the year ended 31 March 2017

NOTES TO THE ANNUAL FINANCIAL STATEMENT

that acted as DDGs during the 2016/17 financial year. The R16.5 million includes six directors that acted as chief directors for the 2016/17 financial year.

25. Provisions

	Note	2016/17	2015/16
		R000	R000
Cooperatives Incentive Scheme (CIS)		13 357	11 471
Black Business Supplier Development Programme (BBSDP)		216 736	158 316
Total		230 093	169 787

25.1 Reconciliation of movement in provisions – 2016/17

	Provision 1	Provision 2	Total provisions
	R000	R000	R000
Opening balance	11 472	158 316	169 788
Increase in provision	66 139	392 842	458 981
Settlement of provision	(63 878)	(268 009)	(331 887)
Unused amount reversed	(798)	(67 108)	(67 906)
Reimbursement expected from third party	-	-	-
Change in provision due to change in estimation of inputs	422	695	1 117
Closing balance	13 357	216 736	230 093

25.1 Reconciliation of movement in provisions – 2015/16

	Provision 1	Provision 2	Total provisions
	R000	R000	R000
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)

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Unused amount reversed	(2 549)	(71 666)	(74 216)	
Reimbursement expected from third party	-	-	-	
Change in provision due to change in estimation of inputs	326	(255)	7	1
Closing balance	11 472	158 316	169 787	

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

26. Movable tangible capital assets

MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2017					
	Opening balance R000	Value adjustments R000	Additions R000	Disposals R000	Closing balance R000
MACHINERY AND EQUIPMENT					
Transport assets	9 269		3 515		12 784
Computer equipment	2 596		-		2 596
Furniture and office equipment	3 613		1 717		5 330
Other machinery and equipment	2 142		984		3 126
	918		814		1 732
Capital work-in-progress					
TOTAL MOVABLE TANGIBLE CAPITAL ASSETS	9 269	-	3 515	-	12 784

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NOTES TO THE ANNUAL FINANCIAL STATEMENT

Movable tangible capital assets under investigation

	Note	Number	Value
Machinery and equipment		7	R000
			91
Total		7	91

These are assets reported stolen or lost that are being investigated by the newly appointed Security Manager

26.1 Additions

ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2016/17					
	Cash	Non-cash	Capital work in progress (current costs and finance lease payments)	Received current, not paid (paid current year, received prior year)	Total
	R000	R000	R000	R000	R000
MACHINERY AND EQUIPMENT	2 957	636	(78)	-	3 515
Transport assets	-	-	-	-	-
Computer equipment	1 717	-	-	-	1 717
Furniture and office equipment	492	492	-	-	984
Other machinery and equipment	748	144	(78)	-	814
TOTAL ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS	2 957	636	(78)	-	3 515

The R636 000 for non-cash assets relates to assets added from verifications done in Cape Town.

26.2 Movement for 2015/16/1

MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2017					
	Opening balance	Value adjustments	Additions	Disposals	Closing balance
	R000	R000	R000	R000	R000
MACHINERY AND EQUIPMENT	-	-	9 269	-	9 269
Transport assets	-	-	2 596	-	2 596
Computer equipment	-	-	3 613	-	3 613

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NOTES TO THE ANNUAL FINANCIAL STATEMENT

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

27. Minor assets

MOVEMENT IN MINOR ASSETS PER THE ASSET REGISTER FOR THE YEAR ENDED AS AT 31 MARCH 2017						
	Specialised military assets	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Total
	R000	R000	R000	R000	R000	R000
Opening balance	-	-	-	157	-	157
Additions				487	-	487
TOTAL MINOR ASSETS	-	-	-	644	-	644
	Specialised military assets	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Total
Number of minor assets at cost	-	-	-	228	-	228
TOTAL NUMBER OF MINOR ASSETS	-	-	-	228	-	228

Minor capital assets under investigation

	Number	Value
Included in the above total of the minor capital assets as per the asset register are assets that are under investigation:		R000

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NOTES TO THE ANNUAL FINANCIAL STATEMENT

Machinery and equipment	2	2
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The assets are under investigation as some of the officials are on maternity leave and out of office.

MOVEMENT IN MINOR ASSETS PER THE ASSET REGISTER FOR THE YEAR ENDED AS AT 31 MARCH 2016						
	Specialised military assets	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Total
	R000	R000	R000	R000	R000	R000
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 R1 minor assets	-	-	-	-	-	-
Number of minor assets at cost	-	-	-	68	-	68
TOTAL NUMBER OF MINOR ASSETS	-	-	-	68	-	68

28 Intangible capital assets

MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2016/17					
	Opening balance	Value adjustments	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000	R'000

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SOFTWARE	17	-	-	-	17
TOTAL INTANGIBLE CAPITAL ASSETS	17	-	-	-	17

28.1 Additions

ADDITIONS TO INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2016/17					
	Cash	Non-cash	(Development work in progress – current costs)	Received current year, not paid (paid current year, received prior year)	Total
	R000	R000	R000	R000	R000
SOFTWARE	-	-	-	-	-
TOTAL ADDITIONS TO INTANGIBLE CAPITAL ASSETS	-	-	-	-	-

MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2016					
	Opening balance	Value adjustments	Additions	Disposals	Closing balance
	R000	R000	R000	R000	R000
SOFTWARE	-	-	17		17
TOTAL INTANGIBLE CAPITAL ASSETS	-	-	17		17

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ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

**ANNEXURE 1A
STATEMENT OF TRANSFERS TO DEPARTMENTAL AGENCIES AND ACCOUNTS**

DEPARTMENT/ AGENCY/ ACCOUNT	TRANSFER ALLOCATION				Total available	TRANSFER		2015/16 Appropriation Act
	Adjusted appropriation	Roll-overs	Adjustments	Actual transfer		Percentage of available funds transferred		
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000
Small Enterprise Development Agency	481 495			15 000	496 495	496 495	100%	478 183
SEDA: Technology Programme	139 187				139 187	139 187	100%	132 181
SEDA Capacity-building Programme	13 132			4 100	17 232	17 232	100%	12 471
TOTAL	633 814	-	-	19 100	652 914	652 914	100%	622 835

**ANNEXURE 1B
STATEMENT OF TRANSFERS/SUBSIDIES TO PUBLIC CORPORATIONS AND PRIVATE ENTERPRISES**

NAME OF PUBLIC CORPORATION/PRIVATE ENTERPRISE	TRANSFER ALLOCATION				EXPENDITURE				2015/16 Appropriation Act
	Adjusted Appropriation Act	Roll-overs	Adjustments	Total available	Actual transfer	Percentage of available funds transferred	Capital	Current	
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000
Public corporations									
Transfers									
Industrial Development Corporation: Craft-customised Sector Programme (IDC CSP)	10 000	-	-	10 000	10 000	100.0%	-	10 000	10 000
Industrial Development Corporation Isivande Women's Fund	-	-	-	-	-	-	-	8 751	8 751
Sub-total: Public corporations	10 000	-	-	10 000	10 000	100.0%	-	18 751	18 751
Private enterprises									
Transfers	461 972	-	(19 100)	442 872	352 288	79.5%	-	352 287	300 000

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NAME OF PUBLIC CORPORATION/PRIVATE ENTERPRISE	TRANSFER ALLOCATION			EXPENDITURE			2015/16 Appropriation Act		
	Adjusted Appropriation Act R'000	Roll-overs R'000	Adjustments R'000	Total available R'000	Actual transfer R'000	Percentage of available funds transferred %		Capital R'000	Current R'000
Black Business Supplier Development Programme (BBDSP)	245 000	-	23 010	268 010	268 009	100.0%	-	268 009	225 000
Cooperatives Incentive Scheme (CIS)	75 000	-	(10)	74 990	63 879	85.2%	-	63 878	75 000
Enterprise Incubation Programme (EIP)	46 274	-	-	46 274	20 400	44.1%	-	20 400	-
National Informal Business Upliftment Scheme (NIBUS)	95 698	-	(42 100)	53 598	-	-	-	-	-
Subtotal: Private enterprises	461 972	-	(19 100)	442 872	352 288	79.5%	-	352 287	300 000
TOTAL	471 972	-	(19 100)	452 872	362 288	80.0%	-	371 038	318 751

**ANNEXURE 1C
STATEMENT OF TRANSFERS TO NON-PROFIT INSTITUTIONS**

NON-PROFIT INSTITUTIONS	TRANSFER ALLOCATION			EXPENDITURE			2015/16 Appropriation Act
	Adjusted Appropriation Act R'000	Roll-overs R'000	Adjustments R'000	Total available R'000	Actual transfer R'000	Percentage of available funds transferred %	
Transfers							
Primesters Marketing	100	-	-	100	100	100%	-
South African Women Entrepreneurs Network (SAWEN)	-	-	-	-	-	-	16 726
TOTAL	100	-	-	100	100	100%	16 726

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**ANNEXURE 1D
STATEMENT OF TRANSFERS TO HOUSEHOLDS**

HOUSEHOLDS	TRANSFER ALLOCATION				EXPENDITURE		2015/16 Appropriation Act R'000
	Adjusted Appropriation Act R'000	Roll-overs R'000	Adjustments R'000	Total available R'000	Actual transfer R'000	Percentage of available funds transferred %	
Transfers							
Households	97	-	-	97	94	97%	90
TOTAL	97	-	-	97	94	97%	90

**ANNEXURE 1E
STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS RECEIVED**

NAME OF ORGANISATION	NATURE OF GIFT, DONATION OR SPONSORSHIP	2016/17		2015/16	
		R'000		R'000	
Received in kind					
SABS	Jazz festival tickets, accommodation and air travel	8	-	-	-
Timbali	Gift received with Timbali's annual report	-	-	-	-
Netherlands House of Future	Received a corporate gift during the signing of the MoU between the Netherlands and South Africa	-	-	327	-
International Labour Organisation		-	-	327	-
United Nations Women		-	-	27	-
DPME	UK study tour and Policy Making and Implementation Programme	113	-	-	-
Netherlands Government	TIPS workshop: Macroeconomics for Policy Makers	8	-	-	-
India Government	BRICS meeting in India	8	-	-	-
Black Bottom	Women's SMME Development Summit	1	-	-	-
TOTAL		138		354	

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**ANNEXURE 1F
STATEMENT OF AID ASSISTANCE RECEIVED**

NAME OF DONOR	PURPOSE	OPENING BALANCE	REVENUE	EXPENDITURE	CLOSING BALANCE
		R'000	R'000	R'000	R'000
Received in cash					
The African Development Bank of South Africa	Enterprise Development Pilot Project for LED support	413	-	221	191
TOTAL		413	-	221	191

**ANNEXURE 1G
STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS MADE AND REMISSIONS, REFUNDS AND PAYMENTS MADE AS AN ACT OF GRACE**

NATURE OF GIFT, DONATION OR SPONSORSHIP	2016/17	2015/16
	R'000	R'000
Made in kind		
M Samuel Mampapota	8	-
Cooperatives	81	-
Mr L Mpangoshe	71	-
TOTAL	160	-

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ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

**ANNEXURE 2
CLAIMS RECOVERABLE**

GOVERNMENT ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	Cash in transit at year end 2016/17*
	31 March 2017	31 March 2016	31 March 2017	31 March 2016		
	R'000	R'000	R'000	R'000	R'000	R'000
DEPARTMENTS						
the dti	-	-	9	-	9	-
DAFF	-	-	55	-	55	-
TOTAL	-	-	64	-	64	-

**ANNEXURE 3
INTER-ENTITY ADVANCES PAID (Note 10)**

ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		TOTAL
	31 March 2017	31 March 2016	31 March 2017	31 March 2016	
National departments	R'000	R'000	R'000	R'000	R'000
DIRCO	(34)	-	-	878	(34)
TOTAL	(34)	-	-	878	(34)

The reconciliations submitted by DIRCO were more than the amount advanced by R34 000.



**small business
development**

Department:
Small Business Development
REPUBLIC OF SOUTH AFRICA