

**Portfolio – Department of Public Enterprises**

**October 2015**

PC

PFMA audit outcomes of the 2014-15 financial year

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1. **Introduction**

**1.1 Reputation promise of the Auditor-General of South Africa**

The Auditor-General of South Africa (AGSA) has a constitutional mandate and, as the Supreme Audit Institution (SAI) of South Africa, it exists to strengthen our country’s democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.

**1.2 Purpose of document**

The purpose of this briefing document is for the AGSA to provide an overview of the audit outcomes and other findings in respect of the Department of Public Enterprises and its entities for the 2014/15 financial year.

Annually oversight committees set aside time to focus on assessing the performance of departments. On completion of the process, portfolio committees are required to develop department-specific reports, namely budgetary review and recommendations reports (BRRR) which express the committee`s view on the department’s budget for recommendation to the National Treasury ahead of the following year`s budget period.

Our role as the AGSA is to reflect on the audit work performed across this portfolio to assist the portfolio committee in its oversight role in assessing the performance of the department and its entities taking into consideration the objective of the committee to produce a BRRR. It also provides an opportunity for the committee to identify best practices across the portfolio which can be set for the rest of the portfolio in order to improve on the total audit outcome of the portfolio and therefore improve on its service delivery.

**1.3 Overview**

**Legislative mandate**

The Department of Public Enterprises provides shareholder oversight to six (previously eight) State Owned Companies (SOCs) namely Alexkor SOC Limited, Denel SOC Limited, Eskom SOC Limited, the South African Forestry Company SOC Limited, South African Express Airways SOC Limited and Transnet SOC Limited. The Department’s primary objective is to ensure that the State’s shareholdings in these companies are financially sustainable and deliver on Government’s strategic objectives. In addition the Government Shareholder Management Model was presented to the Presidency and will also be presented to cabinet in the near future.

**Vision**

To drive investment, productivity and transformation in the Department’s portfolio of SOCs, their customers and suppliers so as to unlock growth, drive industrialisation, create jobs and develop skills.

**Mission and objectives**

The SOCs, are strategic instruments of industrial policy and core players in the New Growth Path. The department aims to provide decisive strategic direction to the SOC, so that their businesses are aligned with the national growth strategies arising out of the New Growth Path. It will do this by ensuring that their planning and performance, and investments and activities, are in line with Government medium term strategic framework and the Minister’s service delivery agreement.

**1.4 Structure of the Public Enterprise portfolio**

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**Oversight department**

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**Public entities**

**(Audited by AGSA)**

**** 

**Public entities**

**(Not audited by AGSA)**



1. **Audit opinion history**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Audit opinions** | | | **2014** | **2013** | | **2012** | **2011** | **2010** |
| * Department of Public Enterprises (DPE) | | |  |  | |  |  |  |
| * South African Express Airways SOC Limited (SAX) | | |  |  | |  |  |  |
| * South African Forestry Company SOC Limited (SAFCOL) | | |  |  | |  |  |  |
| **Qualification areas** | | | **2014** | **2013** | | **2012** | **2011** | **2010** |
| * SAFCOL   ***2012-13 Audit cycle***   * Non-current assets * Expenditure | | |  |  | | **✓** |  |  |
| * SAX   **2014-15 audit cycle**   * Non-current assets * Current assets * Irregular expenditure   **2012-13 and 2013-14 audit cycles**   * Non-current assets * Current assets * Irregular expenditure * Other disclosure items   **2010-11 and 2011-12 audit cycles**   * Non-current assets * Current assets * Liabilities * Other disclosure items | | | **✓** | **✓** | | **✓** | **✓** | **✓** |
| **Predetermined objectives material findings** | | | **2014** | **2013** | | **2012** | **2011** | **2010** |
| * SAX | | | **✓** | **✓** | | **✓** | **✓** |  |
| * SAFCOL | | |  | **✓** | |  |  |  |
| **Compliance with legislation material findings** | | | **2014** | **2013** | | **2012** | **2011** | **2010** |
| * DPE | | | **✓** |  | | **✓** |  |  |
| * SAX | | | **✓** | **✓** | | **✓** | **✓** | **✓** |
| * SAFCOL | | | **✓** | **✓** | | **✓** |  |  |
| **AUDIT OPINION LEGEND** | | | |
|  | Clean audit opinion: No findings on predetermined objectives and compliance | | |
|  | Unqualified with findings on predetermined objectives and compliance | | |
|  | Qualified audit opinion (with/without findings) | | |
|  | Disclaimer/adverse audit opinion | | |
| **✓** | Department/entity had findings (in the related matter) | | |

**2.1 Significant emphasis of matters**

| **Department/entity** | **Emphasis of matter raised** |
| --- | --- |
| SAX | **Government guarantee**  South African Express Airways SOC Limited was granted an extension of the existing guarantee relating to covenant breaches and working capital and an additional guarantee for further working capital and asset-based finance facilities. The guarantees were granted subject to certain conditions. The guarantee arrangements from the shareholder will reach capacity on 28 February 2020.  **Restatement of corresponding figures**  The corresponding figures for 31 March 2014 financial year have been restated as a result of an error discovered during 31 March 2015 financial year in the financial statements of South African Express Airways SOC Limited at, and for the year ended, 31 March 2014. |
| SAFCOL | **Restatement of corresponding figures**  For the consolidated and separate financial statements certain corrections were made during the current financial year relating to the prior financial years for non-current assets, current liabilities, profit before tax and the retained earnings. |

1. **Key focus areas**



**3.1 Material errors or omissions in submitted annual financial statements**

| **Department/entity** | **Finding** | **Root cause** | **Recommendation** |
| --- | --- | --- | --- |
| SAX | Material adjustment to inventory, property plant and equipment (PPE) and long term liabilities. | Delayed finalisation of the stock counts related to inventory and PPE resulting material adjustments being made to the financial statements together with inadequate review by the appropriate levels of governance within the entity of the financial statements before it was submitted for auditing. | Conduct frequent cyclical stock counts with reconcilliations to the accounting records and detailed review of financial statements by senior management providing first level of assurance to its audit committee around the accuracy and completeness of the financial statements. |
| SAFCOL | Material adjustment to intangible asset balance for SAFCOL entity. | Capital work in progress account used for tracking transactions relating to assets that do not yet meet requirements for use/depreciation/amortization was not appropriately cleared at year end as the control for the clearing of the account and reviewing such process was not effectively implemented | The entity should ensure that all suspense accounts are reconciled and sufficiently reviewed at the appropriate level on a regular basis. |

**3.1.1 Comments on additional AGSA interactions to help improve financial outcomes**

| **Department/entity** | **Additional interaction/ add service (eg. workshops etc)** | **Impact / outcome** |
| --- | --- | --- |
| SAX | Weekly audit steering committee meetings attended by the Chief Financial Officer (CFO). | Escalation of critical audit matters timously. |
| Additional weekly meetings with the Chief Executive Officer (CEO). |
| Presentation to the new board members on the audit outcomes and risks identified. | Ensure the executive and board members are up to date with audit challenges. |
| Workshop for executive management on the root cause for each significant component with recommendations for these. |
| Attendance at the annual stock take by senior audit staff with recommendations made at the stock take to ensure an accurate and complete stock take is conducted. | Improvement of audit outcome as there was no qualification on the current year inventory and rotables. |
| SAFCOL | Regular meetings with CFO and CEO throughout the audit period | More efficient processes that lead to the timely completion of the audit. Also there was timeous communication of all significant matters. |
| Workshops with staff members on significant components of the entity that affect the audit outcome |
| Regular interactions with the chairpersons of the audit committee and board |

* 1. **Predetermined objectives**

| **Department/entity** | **Finding** | **Root cause** | **Recommendation** |
| --- | --- | --- | --- |
| SAX | Usefulness – 5 of the 7 objectives selected did not meet the usefulness criteria as they were not measurable in terms of being well defined and specific and targets were not consistent when compared to the corporate plan. | Lack of standard operating procedures implemented for predetermined objectives.  Strategic objectives were not ambiguous and not defined adequately. | Standard operating procedures should be implemented and monitored.  Strategic objectives should be specific and well defined. |
| Reliability – 6 of the 7 objectives selected did not meet the reliability criteria as they were not valid, accurate and complete. | Reviews performed on submitted information are not agreed to the actual supporting documentation to ensure accuracy, validity and completeness and therefore not reliable. | Reported performance on objectives should be verified to actual supporting documentation before being submitted for approval.  Different systems used for financial reporting and perfomance measurement purposes should be reconciled and aligned to ensure results generated are accurate and reliable. |
| SAFCOL | Material adjustments were made to the objectives of (i) area of forest under management and (ii) timber processing. | On submission date the entity submitted the performance report for quarter 4 instead of the report relevant for the full year. | Implement year to date quarterly reporting and also ensure that there is sufficient review of the performance report prior to submission date at relevant levels. |

**3.2.1 Comments on additional AGSA interactions to help improve predetermined objectives outcomes**

| **Department/entity** | **Additional interaction/ add service (eg. workshops etc)** | **Impact / outcome** |
| --- | --- | --- |
| SAX | Presentation to the new board members on the audit outcomes of the prior year highlighting the root causes and risks identified. During the plannning stage of the audit we conducted a workshop for executive management on the root cause for each significant component with recommendations for these root causes. | Ensure the executive and board members are up to date with audit challenges. The impact will impact the next audit cycle due to the fact that the board members where only appointed after the financial year end. |
| SAFCOL | Implementation of prior year recommendations provided in our management report by entity early on in the financial year.  Involvement of internal audit in the audit of AOPO during the financial year ensured that matters of concern is picked up early in the financial and corrected before the AGSA started with its audit. This was supplemented with our indended reliance on the audit work of internal audit to complement our audit work. | No materail findings that impacted the audit report on usefulness and reliability of the selected objectives. |

* 1. **Compliance with legislation**

| **Department/entity** | **Finding** | **Root cause** | **Recommendation** |
| --- | --- | --- | --- |
| DPE  DPE (continue) | **Procurement management**   * Procurment processes including inviting competitive bids and obtaining 3 quotations where necessary were not followed. * The bid adjudication committee composition did not comply with the requirements of Treasury Regulations. * Contracts were awarded to bidders who did not submit a declaration of past supply chain practices such as fraud, abuse of SCM system and non-performance, which is prescribed in order to comply with Treasury regulation 16A9.2. * Contracts and quotations were awarded to suppliers whose tax matters had not been declared by the South African Revenue Services to be in order as required by Treasury Regulations 16A9.1 (d) and the Preferential Procurement Regulations. * Contracts and quotations were awarded to bidders based on points given for criteria that differed from those stipulated in the original invitation for bidding and quotations, in contravention of Treasury Regulations 16A6.3 (a) and the Preferential Procurement Regulations. * Quotations were awarded to bidders based on preference points that were not allocated and/or calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations.   **Expenditure Management**  Effective steps were not taken to prevent irregular expenditure. | **Procurement and contract management together with expenditure management**  Lack of adherence to laws and regulations by department officials.   * Officials who contravene the relevant legislation and policies should be subjected to the appropriate consequences. * Daily and monthly oversight processes and sign offs by senior management should also include key monitoring and evaluation of compliance with legislation with specific focus on SCM which tends to be a weakness within the portfolio | **Procurement and contract management together with expenditure management**  A less tolerant approach should be taken which will result in accountability being enforced and consequences for those who intentionally fail to comply with legislation. |
| SAX | **Procurement management**  Goods, works or services were not always procured through a procurement process which is fair, equitable, transparent and competitive as required by section 51(1)(a)(iii) of the PFMA.  **Expenditure Management**  The accounting authority did not take effective steps to prevent irregular expenditure and fruitless and wasteful expenditure, as required by section 51(1)(b)(ii) of the PFMA.  **Strategic Planning and Performance Management**  The corporate plan did not include the strategic objectives and outcomes agreed upon by the executive authority in the shareholder's compact or key performance measures and indicators for assessing the entity's performance in delivering the desired outcomes and objectives as required by treasury regulation 29.1.1(c). Asset management Proper control systems to safeguard and maintain assets were not implemented throughout the financial year, as required by sections 50(1)(a) and 51(1)(c) of the PFMA. | **Procurement management**  Lack of consequences for poor performance and transgressions  **Expenditure Management**  Lack of implementation of a process for tracking and monitoring contracts to determine when contract amounts have been exceeded or contracts have expired.  Lack of understanding and consistent application of all the procurement policy.  Inadequate monitoring of the application of the procurement policy.  **Strategic Planning and Performance Management**  Slow response by management to implement corrective actions as identified in previous audits as inadequate review of the corporate plan was performed for alignment with the agreed strategic objectives in the shareholders compact prior to submission to the executive authority. Asset management Slow response by management to implement corrective action as idenfied in previous audits as standard operating procedure were not in place over the stock control processes and reconciliation to the financial system. | **Procurement management**  Officials who contravene the relevant legislation and policies should be subjected to the appropriate consequences.  Daily and monthly oversight processes and sign offs by senior management should also include key monitoring and evaluation of compliance with legislation with specific focus on SCM which tends to be a weakness within the portfolio  **Expenditure Management**  Implementation of a process to monitor all contracts in order to determine whether contracts are expiring or amounts are exceeded.  Training of staff in the application of procurement laws and regulations and the procurement policy.  Monitoring by the supply chain management department of the adherence to the procurement policy for all expenditure incurred.  **Strategic Planning and Performance Management**  Detialed review of the corporate plan by leadership and internal audit in order to ensure alignment to the shareholders compact. Asset management Implementation of frequent stock counts that are closely monitored and reconciled to accounting records.  Investigation of all significant losses resulting from stock counts. |
| SAFCOL | **Procurement management**  In some instances the bidder who scored the highest during bidding process was not selected and awarded the contractresulting in the procurement process not being fair, equitable or transparent.  **Expenditure Management**  Effective steps were not taken to prevent irregular expenditure. | **Procurement management**  Senior management did not take immediate action and hold officials accountable for not adhering to the implemented internal controls.  **Expenditure Management**  Internal investigations conducted on specific high value contracts  Implementation of internal controls by entity for the detection of non-compliance  Decentralized nature of entity hampers how processes are conducted as proper procurement processes are no always viable at remote locations  Lack of knowledge, understanding and consistent communication to all staff on procurement policy | **Procurement management**  Officials who contravene the relevant legislation and policies should be subjected to the appropriate consequences.  The leadership within the entities must fully enforce the requirements of their SCM policies and procedures which should be continuously aligned to all applicable legislation while maintaining the ability of the entities to be profitable businesses.  Daily and monthly oversight processes and sign offs by senior management should also include key monitoring and evaluation of compliance with legislation with specific focus on SCM which tends to be a weakness within the portfolio  **Expenditure Management**  Appointment of a EXCO level Chief Procurement Officer with the required skills and capabilities  Develop and implementation of the procurement policies and processes that are geared towards the decentralized nature of the entity  Implementation of internal controls that assist in the prevention of irregular expenditure  Education of all staff members on legislation and internal policies, with consistent processes being adhered to. |

* 1. **Financial health**

|  |  |  |  |
| --- | --- | --- | --- |
| **Department/entity** | **Finding** | **Root cause** | **Recommendation** |
| SAX | Going concern – Government guarantee granted | Inadequate working capital to ensure creditors are paid timously and sufficient capital for fleet expansion and renewals are available for business processes forced the entity to apply for a government guarantee which was granted in February 2015. | Working capital should be monitored and managed closely in order to plan ahead for possible shortfalls in cash.  Implementation of its SAX 20/20 vision objectives which aligns with the overall state aviation turnaround strategy. |

* 1. **Human resource management and consequence management**

| **Department/entity** | **Finding** | **Root cause** | **Recommendation** |
| --- | --- | --- | --- |
| SAX | Sufficient appropriate audit evidence could not be obtained that effective and appropriate disciplinary steps were taken against all officials who incurred or permitted irregular expenditure in the prior year, as required by section 51(1)(e)(iii) of the PFMA. | Inadequate implementation of processes to ensure that all irregular expenditure relating to the prior year is investigated due to the entity not having an adequate system in the prior year for identifying and taking appropriate action against those who caused irregular expenditure. | The approved policy for monitoring processes to prevent and detect irregular expenditure were introduced in the current year. Frequent review and monitoring of the approved processes should occur with corrective action against those individuals responsible for causing irregular expenditure. |
| DPE | Employees were appointed without following a proper process to verify the claims made in their applications in contravention of Public Service Regulation 1/VII/D.8 | Lack of adherence to laws and regulations by department officials. | Policies and procedures must be developed by HR to implement consequence management for officials who fail to comply with applicable legislation.  Appropriate and timely action must be taken against transgressors. |

1. **Other matters of interest**
2. Irregular expenditure: Expenditure incurred in contravention of key legislation

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Department/ entity** | | **Irregular expenditure** | | | | |
| **Movement** | **Amount R 2014-15** | **Amount R 2013-14** | **Root cause** | **Recommendation** |
| 1 | DPE |  | R10 983 000 | R 711 000 | * Lack of adherence to compliance with laws and regulations and no consequence management for transgressors. | * More stringent approach with regards to the review process of supply chain processes and implementing consequence management for transgressors. |
| 2 | SAX |  | R20 035 813 | R3 407 717 | * Lack of implementation of a process for tracking and monitoring contracts to determine when contract amounts have been exceeded or contracts have expired. * Lack of understanding and consistent application of all the procurement policy. * Inadequate monitoring of the application of the procurement policy. | * Implementation of a process to monitor all contracts in order to determine whether contracts are expiring or amounts are exceeded. * Training of staff in the application of procurement legislation and the procurement policy. * Monitoring by the supply chain management department of the adherence to the procurement policy for all expenditure incurred. |
| 3 | SAFCOL |  | R72 183 000 | R16 391 000 | * Internal investigations conducted on specific high value contracts * Implementation of internal controls by entity for the detection of non-compliance * Decentralized nature of entity hampers how processes are conducted as proper procurement processes are no always viable at remote locations * Lack of knowledge, understanding and consistent communication to all staff on procurement policy | * Appointment of a EXCO level Chief Procurement Officer with the required skills and capabilities * Develop and implementation of the procurement policies and processes that are geared towards the decentralized nature of the entity * Implementation of internal controls that assist in the prevention of irregular expenditure * Education of all staff members on legislation and internal policies, with consistent processes being adhered to. |

1. Fruitless and wasteful expenmditure: Expenditure that should not have been incurred (incurred in vain that could have been avoided and no value for money received)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Department/ entity** | | **Fruitless and Wasteful expenditure** | | | | |
| **Movement** | **Amount R 2014-15** | **Amount R 2013-14** | **Root cause** | **Recommendation** |
| 1 | DPE |  | R260 000 | R530 000 | * Lack of adherence to compliance with laws and regulations resulting in bonuses being paid to employees who did not qualify and no show for accommodation and car hire. | * Although the position has improved from the prior year it is recommended that a stringent approach is applied with regards to causing fruitless and wasteful expenditure is with concessive action taken to prevent further instances. |
| 2 | SAX |  | R23 703 332 | R33 703 534 | * Lack of adequate cash flow to pay creditors when due resulting in interest and penalties incurred. | * Implementation of adequate working capital management techniques in order to prevent interest and penalties incurred. |
| 3 | SAFCOL |  | R366 000 | R1 842 000 | * Implementation of internal controls in the prevention of fruitless and wasteful expenditure. | * An improved in the amount of fruitless and wasteful expenditure from the prior year should be sustained by continued implementation of internal controls in the prevention of fruitless and wasteful expenditure. |

1. **Drivers of internal controls**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Drivers of internal control** | | | | | | | | | | | | | | |
| **Department & entities** | **Leadership** | | | | | | **Financial & performance management** | | | | | **Governance** | | |
| **Effective leadership culture** | **Oversight responsibility** | **HR management** | **Policies and procedures** | **Action plans** | **IT governance** | **Proper record keeping** | **Processing and reconciling controls** | **Reporting** | **Compliance** | **IT system controls** | **Risk management** | **Internal audit unit** | **Audit committee** |
| Department of Public Enterprises |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| South African Express Airways SOC Limited |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| South African Forestry Company SOC Limited |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

1. **Other AGSA reports**

6.1 Investigations

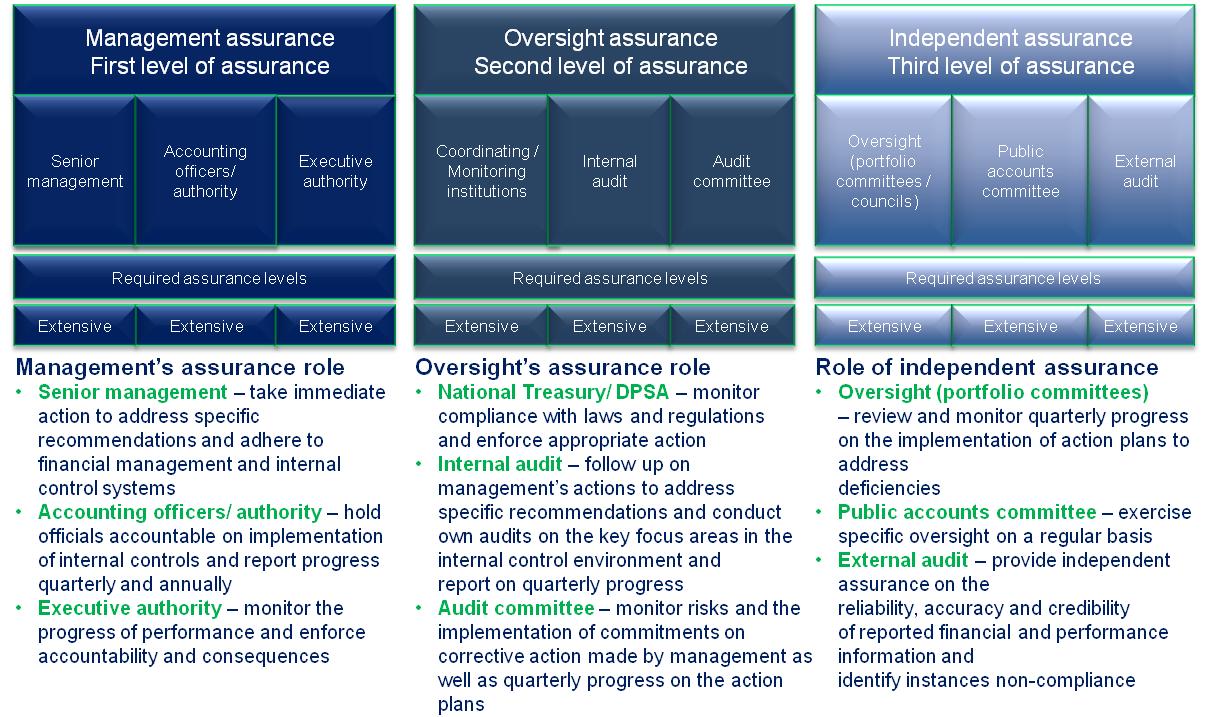
**DPE**

One (1) investigation into allegations of maladministration, fraud and corruption reported during the year under review is still in progress.Investigation being done by SAB & T covering cases of non compliance with regulations with regards to Supply Chain Management (SCM) and allegations of circumvention of controls with regards to appointments.

**SAFCOL**

As disclosed in the CEO’s report and notes to the financial statements independent consulting firms are performing investigations at the request of SAFCOL, which covers the period April 2014 to March 2015. The investigations were initiated based on allegations of the possible misappropriation of the entity’s assets as discovered during the audit. The outcome of the investigation is expected during the 2015/16 financial year.

1. **Combined Assurance on Risk Management in the Public Sector**



1. **Minister commitments and progress on these commitments**

The following include previous year commitments and new commitments:

|  |  |  |  |
| --- | --- | --- | --- |
| **Focus area** | **Commitment** | **Due date** | **Status** |
| Action plan to address internal and external audit findings | All SOCs in the portfolio must provide the DPE with action plans and progress made to address audit findings and achieve clean audits | By 31 March 2015 |  |
| Regular meetings of chairpersons | The engagements between the audit committee and board chairpersons of SOC and the executive as per the DPE calendar. | By 31 March 2015 and 2016 |  |
| Review by internal audit | Internal audit must implement processes to review actions taken by SOCs to improve audit outcomes. | By 31 March 2015 and 2016 |  |
| Interim financial statements | DPE and SOCs must prepare interim financial statements subject to an interim audit | By 31 March 2015 and 2016 |  |
| Clean audit and clean administration by the department | Focus on sustainability of the clean audit and clean administration in order to lead by example for the SOCs | By 31 March 2015 and 2016 |  |
| Attendance of meetings by portfolio managers | DPE portfolio managers to attend audit committee and board meetings to pick up and identify issues earlier to avoid surprises | By 31 March 2015 and 2016 |  |
| Sustainability of business | Support measures for SOCs to conduct business in a sustainable manner with no financial support from the state | By March 2016 |  |
| Enactment of legislation | Conclude the Government Shareholder Management Act | By March 2016 |  |

|  |  |
| --- | --- |
|  | |
| **STATUS LEGEND** | |
|  | Commitment has been implemented |
|  | Commitment in progress |
|  | Commitment has not been implemented |
|  | New commitment made |

1. **Entities included in the portfolio not audited by the Auditor-General of South Africa (section 4(3) audit entities)**

**9.1 Audit opinion history**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **AUDIT OPINIONS** | | | **14/15** | **13/14** | | **12/13** | **11/12** |
| * Alexkor SOC Limited | | |  |  | |  |  |
| * Denel SOC Limited | | |  |  | |  |  |
| * ESKOM Holdings SOC Limited | | |  |  | |  |  |
| * Transnet SOC Limited | | |  |  | |  |  |
| **PREDETERMINED OBJECTIVES** | | | **14/15** | **13/14** | | **12/13** | **11/12** |
| * Alexkor SOC Limited | | |  |  | |  | **✓** |
| * Transnet SOC Limited | | | **✓** |  | |  |  |
| **COMPLIANCE WITH LAWS AND REGULATIONS** | | | **14/15** | **13/14** | | **12/13** | **11/12** |
| * Alexkor SOC Limited | | | **✓** | **✓** | | **✓** | **✓** |
| * Transnet SOC Limited | | | **✓** | **✓** | | **✓** | **✓** |
| * Eskom Holdings SOC Limited | | | **✓** |  | | **✓** |  |
| **AUDIT OPINION LEGEND** | | | |
|  | Clean audit opinion: No findings on predetermined objectives and compliance | | |
|  | Unqualified with findings on predetermined objectives and compliance | | |
|  | Qualified audit opinion (with/without findings) | | |
|  | Disclaimer/adverse audit opinion | | |
|  | Entity not yet established | | |
| **✓** | Department/entity had findings (in the related matter) | | |

**9.2 Comments related to section 4(3) entities**

**Predetermined objectives**

| **Entity** | **Matters reported on the audit report** |
| --- | --- |
| Transnet | **Strategic deliverables – Annexure A of the Shareholder’s Compact**  Performance indicators or measures must be well defined by having clear data definitions so that data can be collected consistently and is easy to understand and use. A total of 33% of the performance indicators in this annexure were not well defined, specific and measurable.  The period or deadline for delivery of targets must be specified. A total of 29% of the targets were not time bound.This was due to the requirements of the National Treasury Framework for Managing Programme Performance Information (FMPPI) not being embedded into the current process for determining the key performance indicators and targets. |

**9.3 Irregular expenditure related to section 4(3) entities**

|  |  |  |  |
| --- | --- | --- | --- |
| **Entity** | **2014/15 (R)** | **2013/14 (R)** | **Movement** |
| Eskom | 713 000 000 | 83 000 000 |  |
| Transnet | 32 200 000 | 49 600 000 |  |
| Denel | 0 | 0 |  |
| Alexkor | 0 | 0 |  |

**10.3 Fruitless and wasteful expenditure related to section 4(3) entities**

|  |  |  |  |
| --- | --- | --- | --- |
| **Entity** | **2014/15 (R)** | **2013/14 (R)** | **Movement** |
| Eskom | 51 000 00 | 47 000 000 |  |
| Transnet | 23 000 000 | 13 000 000 |  |
| Denel | 0 | 0 |  |
| Alexkor | 1 431 000 | 0 |  |