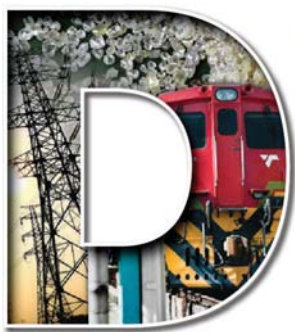
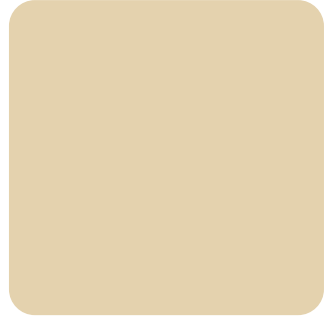


ANNUAL REPORT

2015/16



public enterprises

Department:
Public Enterprises
REPUBLIC OF SOUTH AFRICA

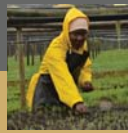




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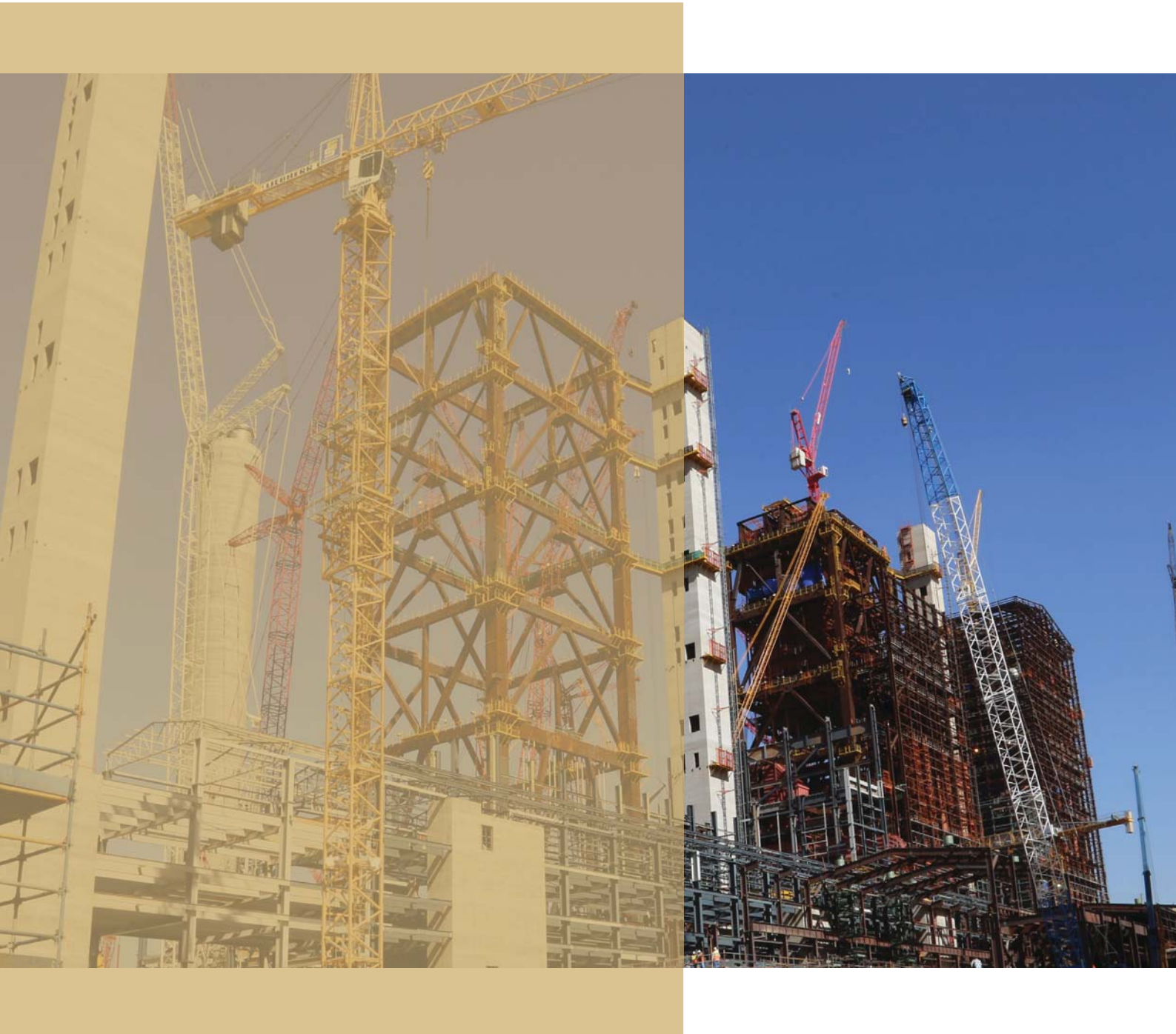
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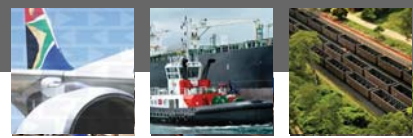
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PART A

GENERAL INFORMATION





i. DEPARTMENTAL INFORMATION

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Website Address: www.dpe.gov.za

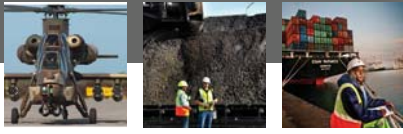


ii. LIST OF ABBREVIATIONS / ACRONYMS

AFDB	African Development Bank
AGM	Annual General Meeting
BB-BEE	Broad Based Black Economic Empowerment
CAPEX	Capital Expenditure
CFO	Chief Financial Officer
CS	Corporate Services
CSI	Corporate Social Investment
CSDP	Competitive Supplier Development Programme
DAFF	Department of Agriculture, Forestry and Fisheries
DCT	Durban Container Terminal
DEA	Department of Environmental Affairs
DDG	Deputy Director-General
DG	Director-General
DHET	Department of Higher Education and Training
DM	Deputy Minister
DMR	Department of Mineral Resources
DOD	Department of Defence
DOE	Department of Energy
DOT	Department of Transport
DPE	Department of Public Enterprises
DRDLR	Department of Rural Development & Land Reform
DTI	Department of Trade and Industry
EDI	Electricity Distribution Industry
EE	Economic Equity
EIA	Environmental Impact Assessments
EMP	Environmental Management Plan
EXCO	Executive Committee
FET	Further Education and Training
HR	Human Resources
ICASA	Independent Communications Authority of South Africa
ICT	Information and Communication Technology
IGR	Inter-Governmental Relations
IP	Intellectual Property
IPO	Initial Public Offering
IPP	Independent Power Producers



IRP	Integrated Resource Plan
ISMO	Independent System and Market Operator
EIPA	Economic Impact and Policy Alignment
JV	Joint Venture
KLF	Komatiland Forests
KPI	Key Performance Indicator
MISS	Minimum Information Security Standards
MOU	Memorandum of Understanding
MTEF	Medium-Term Expenditure Framework
MYPD	Multi-Year Price Determination
NCPM	National Corridor Performance Measurement
NDP	National Development Plan
NEDLAC	National Economic Development and Labour Council
NERSA	National Energy Regulator
NGP	New Growth Path
NT	National Treasury
PAIA	Promotion of Access to Information Act
PBMR	Pebble Bed Modular Reactor
PFMA	Public Finance Management Act
PICC	Presidential Infrastructure Coordinating Commission
PPP	Public-Private Partnerships
PSJV	Pooling and Sharing Joint Venture
PSP	Private Sector Participation
R&D	Research and Development
RMC	Richtersveld Mining Company
SAAT	South African Airways Technical
SAFCOL	South African Forestry Company Ltd
SAQA	South African Qualification Authority
SAX	South African Express Airways
SCM	Supply Chain Management
SIP	Supply Integrated Programme
SLA	Service Level Agreement
SOC	State Owned Company
TNPA	Transnet National Ports Authority
TOR	Terms of Reference
TFR	Transnet Freight Rail



1. FOREWORD BY THE MINISTER

As Executive Authority and sole Shareholder Representative of Government for ALEXKOR, DENEL, ESKOM, TRANSNET, SAFCOL and SAX, shareholder management is paramount. In fulfilling this complex mandate of shareholder representative with varied state owned companies (SoCs) in the field of mining, defence, energy, transport, forestry and aviation, the Department of Public Enterprises has provided me with strategic and operational administration, assistance and support as the Executive Authority of the Department. The administration and support from the Department were achieved through the development of tools, mechanisms, standards and frameworks that promote accountability and good cooperative, economic and financial governance, leadership and management on the part of State Owned Companies (SOCs).

Over the 2015/16 financial year, with the support of the Department of Public Enterprises and commitment of ALEXKOR, DENEL, ESKOM, TRANSNET, SAFCOL and SAX, I have implemented a turnaround strategy comprising three (3) critical areas of turnaround, that is, leadership stability, operational sustainability and financial sustainability. Leadership stability alignment between the board and executive management and the filling of critical vacancies directly linked to the core business of these SOCs were achieved. In the area of financial sustainability, a strong focus was placed on reducing the level of dependency on government over time, closer scrutiny on losses and debts and strengthening the capacity to independently raise funds through the financial investment institutions, to finance its operations. Also, given that direct investments and through services in the domestic economy, regular monitoring and supervision were undertaken within the context of operational sustainability to ensure limited disruption in operations.



Ms. Lynne Brown, MP
Minister

It therefore, gives me great pleasure to report to South Africa's citizens through Parliament that Government has successfully implemented its turnaround strategy, which has yielded stability and great benefits to the governance, leadership and management of these SOCs and in particular for ESKOM and TRANSNET.

During the 2015/16 financial year, we have started the process towards drafting a Shareholder Management Policy. Our research shows that drafting a Shareholder Management Policy for all State Owned Companies, in particular the Schedule 2 Major Public Entities in terms of the PFMA, as different public entities in diverse major industries of aviation, energy, transport, mining, water, manufacturing, information communication technology, pharmaceutical and agriculture is a complex undertaking.



It is envisaged that a discussion document or Green Paper on Shareholder Management Policy will be released soon for consideration and for comments by the public.

Moreover, during 2015/16 the exercise of shareholder management of oversight, supervision and monitoring of strategic business decisions were further solidified through Quarterly and Audited Annual Reports from ALEXKOR, DENEL, ESKOM, TRANSNET, SAFCOL and SAX. These reports, regularly submitted to me, as Shareholder Representative, based on constitutional law, Memorandum of Incorporation (MOI), Shareholders Compact, Statement of Intent, King III Report, South African Company Law and the Public Finance Management Act (PFMA) demonstrate effective qualitative performance on the part of State Owned Companies in the Public Enterprises portfolio based on a transparent rule-based system of corporate, economic and financial governance. Good and transparent governance matters!

Going forward to 2016/17 the strategic thrusts of the dual mandates of development and commercial interests will be further enhanced and balanced to contribute to both economic growth and development and helping to cushion and provide access to public goods and services for the poor and marginalised, from the mainstream economy.

Ms. Lynne Brown

Minister: Department of Public Enterprises



2. DEPUTY MINISTER'S STATEMENT

The National Development Plan vision 2030 positions the state owned companies as strategic and critical instruments towards the elimination of poverty and reduction of inequality.

The basis for bringing about transformation towards realisation of the vision requires state owned companies to have an appreciation of the extent of the existing inequality within the South African society.

In response to the call to develop more artisans for the economy, the SOCs collectively enrolled 224 artisan trainees, 385 technician trainees and 230 engineering trainees. On top of that there were 8 cadet pilots as well as 3134 learners enrolled in sector specific programmes (i.e. train drivers) in the previous financial year.

With the NDP advocating for a system of education, training and innovation that caters for different needs and capable of producing highly skilled individuals, the SOCs have consistently confirmed high driven capability of providing quality training to trainees. The financial commitment by the Department of Higher Education and Training serves as confirmation of confidence in the quality training capabilities that rest within the SOCs fold. This is evidenced by the DHET agreeing to commit R174 million to Eskom to train 1 250 artisans. Denel secured R58 million to train an additional 197 artisan trainees. Furthermore, Denel has already recruited 124 artisan trainees to be supported by R42 million received from the National Skills Fund.



Mr. Gratitude Magwanishe, MP
Deputy Minister

While we recognise that not all those who stand to graduate from the SOCs programmes are guaranteed absorption into SOCs, we are utilising the Provincial Engagement platform to engage provinces and the various municipalities to develop mechanisms to have the graduate artisans repairing and maintaining the municipal infrastructure. This programme we are pursuing in recognition of the constitutional imperative that bestows a duty on the national and provincial governments to strengthen the capacity of municipalities.

The execution of this programme is meant to benefit the needy municipalities by providing the lacking critical skills and to ensuring that service delivery is realised by all.



Therefore, it becomes critical that the SOCs continue to drive the transformation agenda towards the realisation of the NDP objectives.

We are using the very state owned companies to transform society. The transformation agenda contains within itself what the response programme to the economic situation of the country is.

Regard had to outcome 5 (NDP) on the creation of a skilled workforce for an inclusive growth. There is emphasis placed on innovation and on and education and training systems capable of producing skilled individuals.

Through the work undertaken under the CSI Forum directed at consolidating Enterprise and Supplier Development as part of the TFG, we have identified Design and Innovation as a key intervention to support creation of new enterprises and new products.

This programme is a critical tool to supporting localisation and possible industrialisation that empowers entrepreneurs to manufacture and bring to the market locally produced goods and services.

The Transnet Supplier Development & Localisation Unit initiated a partnership with SABS Design Institute and Wits to establish Design Centres in both these institutions. We believe that this will drastically influence the mindset of learners and re-direct the trajectory of economic transformation to another level. Schools, particularly those in both semi-urban and rural communities now have an opportunity to emerge and learners to realise their potential.

Mr. Gratitude Magwanishe, MP
Deputy Minister of Public Enterprises



3. OVERVIEW OF THE ACCOUNTING OFFICER

The 2015/16 Financial Year was a challenging year in general, with the increased call for the state to liquidate its shareholding in the State Owned Companies (SOCs) as part of protecting the fiscus.

These calls directly questioned the positioning of the state in the development process of our country and promoted limited participation of the state in the economy. Such approach would weaken the ability of the state to effect transformation and expand participation of the previously disadvantaged. The focus of the Department in the year under review was to support the implementation of the National Development Plan through ensuring that the SOCs contribute to the realisation of the objectives that have been set out in the Medium Term Strategic Framework.

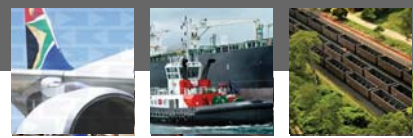
This encompassed improving the capacity of the SOCs to execute on the mandate of the state. The Department, supporting the Minister of Public Enterprises as the shareholder representative of these key Enterprises, has done serious work in the past year to leverage the assets of the state to guarantee the movement to a growth trajectory that promote investment and participation of the previously disadvantaged. Such confidence in the Department to execute on security of supply, the development of an economy of scale and the transformation agenda stems from acknowledgment of plans to ensure the progress in SOCs operational performance, policy re-orientation and mitigation measures for business in a constrained fiscal environment.



Mr. Richard Mogokare Seleke
Accounting Officer

In this respect, the mandate to reform SOCs across Southern Africa in collaboration with key Departments is core in the agenda of the Department which has at its centre, the full realisation of the imperatives of a developmental state. By every definition, the functions of the DPE SOCs are transformative in both scope and stature.

Realising the developmental objectives of the state is rooted in such functions. Progress in the electricity and freight logistics sectors is core to any progressive state and a prerequisite for a stable economy. Eskom, under the oversight of the DPE Minister supported by the Department, has reported zero load shedding for over 6 months.



Various factors in the policy, legislative and strategy spaces have ensured this during the year under review but key has been the commissioning of the Medupi Unit 6, improvement in generation performance and increased production from Independent Power Producers (IPPs).

This overall strengthening of both transmission and generation has resulted in the improved system status. In addition, Units 3 and 4 of Ingula were synchronised during March 2016, exceeding the target to synchronise the units in the 2016/17 financial year.

For the year ended 31 March 2016, the group achieved a net profit after tax of R5 659 million which is a significant improvement from the previous financial year.

Within the Department there is no naivety in acknowledging where areas for improvement are needed to urgently ensure continued security of supply in a sustainable and safe manner.

Amongst other areas such as energy diversification and smart procurement, the need to optimise the capital portfolio through prioritisation based on Eskom's core business, ensure revenue certainty through the regulatory mechanism and preparation for MYPD, drive cost containment by optimising primary energy as well as manpower and other external spend to ensure long-term sustainability of the business and finally, to stretch the balance sheet in the short term, while establishing long-term stability are key obstacles but not insurmountable.

For Bulk Freight logistics, there is global consensus that ease in this area is a necessary prerequisite for investment appetite.

By end of the 2015/16 year, the Gross Crane Move Per Hour for Pier 1 and Pier 2 container terminals were both at 27 moves per hour respectively, while for the Ngqura and Cape Town container terminals the KPI's were both at 32 moves per hour respectively.

In addition, the ship working hour at DCT Pier 2 has improved by 30% from the previous year significantly altering the posture of demand to dock in Southern Africa rather than continuing elsewhere. In the policy realm here, much has been concluded in the period under review not least including the Interim Rail Economic Regulatory capacity established and functional. The 2016/17 period has showcased the Department as having ensured the achievement of a number of targets in the APP. The DPE knows fully well that on the backs of success, there is much more to be done in all areas of leadership, operational and financial performance as well as governance and legal areas for optimisation. In this respect the SOCs reform programme led by the DPE in collaboration with 7 other key Departments have completed a draft shareholder policy during this past year. Herein contained is a codified policy compass for the proxy outlined above as well as the agenda for the shareholder, board members and government to ensure a cohesive 715- strong national portfolio of SOCs.

Overall, financial sustainability of our SOCs has been the order of the day within the period under review. CAPEX programmes across Eskom and Transnet have substantially increased and seen an injection into the already large collective asset value of these 2 SOCs currently at over R800 bn. For Eskom specifically, Group capital expenditure has amounted to R57 352 million for the year, which is in line with budget and



Other SOCs remain unrelenting in achieving targets specified in the NDP and MTSF and in some instances over the past year, even exceeded expectations.

Denel continues on a path to sustainability with the entities exports exceeding 50% of R5.6 billion in revenues which represents a 30% improvement and the order book has improved to over R30 billion. Such export capability is core to strengthening of the National manufacturing imperatives and Denel, with an increased focus on global partnerships in this space, may well pioneer further in the coming financial year.

Ingenuity in the SAX routes for operational performance optimization has seen continued withdrawal from routes that simply do not allow for profit generation, nor serve the passengers wishing to connect via different spaces. Such creativity is core to ensure DPE delivers on its mandate. With SAA, DPE is critical to National Treasury's processes and is firmly committed to ensure continued collaboration in this policy and financial space. Alexkor has delivered on Government's developmental agenda in ensuring people-centric policies.

The Department has ensured that Alexkor continues with the Richtersveld community development imperatives such as properties in the town being registered and title deeds handed to the community.

SAFCOL has generated income of R817 million which represents a 5% reduction compared to actual revenues and the SOCs have reported an R11 million loss. SAFCOL continues to partner with private players to ensure losses are mitigated and that continued lessons are learned to have positive growth going forward.

Introspection over this financial year has highlighted that the tumultuous shifts in the socio-political environment and constrained national fiscal environment have not thwarted the

DPE performance nor any of its SOCs.

If anything, the Department remains motivated by the obstacles in the economic terrain and encouraged by policy optimisation moves of SAA having been shifted to NT and BBI to DTSP, respectively.

The tone of realising the central objectives of the state via the NDP, MTSF, NGP and other key documents is alive within the Department and every muscle has been flexed to conceive additional ingenuity in this space.

I wish to express gratitude to Minister Lynne Brown, Deputy Minister, and all the DPE staff for their resilient support, leadership and unanimity in the serious role the DPE must play in the economy as we are mandated to do and doing so as is our duty.

Mr. Richard Mogokare Seleke
Accounting Officer



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

Statement of my Knowledge and Belief, I Confirm the Following:

- All information and amounts disclosed throughout the Annual Report are consistent. The Annual Report is complete, accurate and is 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 the National Treasury.
- The Accounting Officer is responsible for the preparation of the Annual Financial Statements and for the judgments 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 have been 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 2016.

Yours Faithfully

Mr. Richard Mogokare Seleke
Accounting Officer



5. STRATEGIC OVERVIEW

Vision

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

Mission

The SOCs are strategic instruments of industrial policy and core players in the New Growth Path (NGP). The Department aims to provide decisive strategic direction to the SOCs, so that their businesses are aligned with the national growth strategies arising out of the NGP. It will do this by ensuring that their planning, investments and activities are in line with Government's Medium Term Strategic Framework (MTSF) and the Minister's delivery agreement commitments.

Values

Bold - We must dare to be brave

Professional - We must deliver work that reflects a professional level of care and skill.

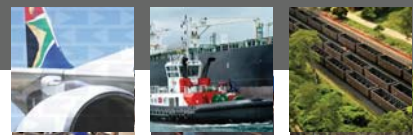
Caring - This must be expressed in how we watch over and support the Department's people.

Integrity - We must do the right thing irrespective of implications.

Fun - Create an environment where people look forward to coming to work.

Passion - We are out to make the South African economy competitive. This requires high passion.

Batho Pele Principles - Guide our engagement.



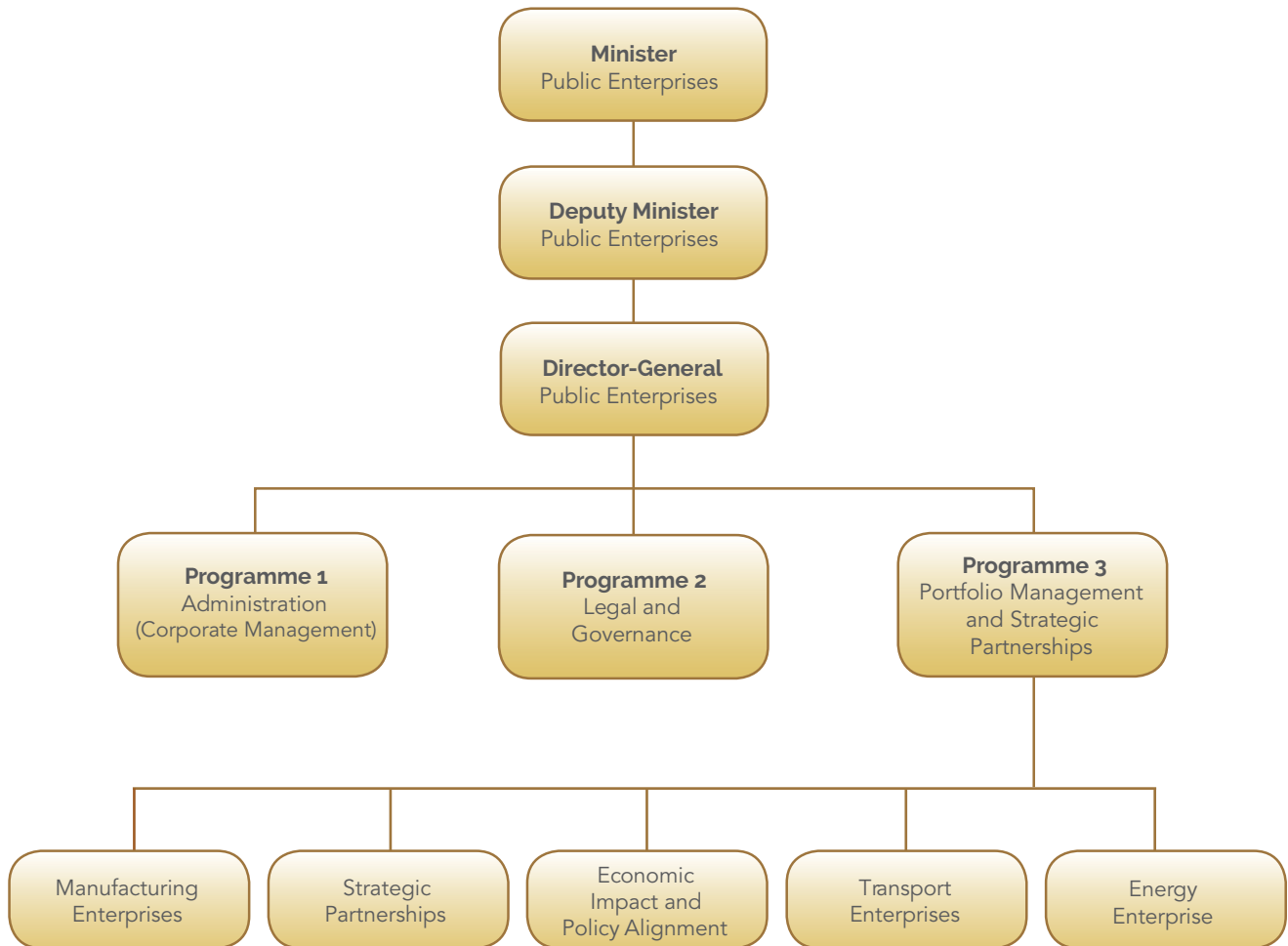
6. LEGISLATIVE AND OTHER MANDATES

The Department exercises shareholder oversight on six SOCs. All the SOCs are incorporated as companies in accordance with the provisions of the Companies Act, 2008. Except for Denel, all the SOCs are established in terms of their own enabling legislation which sets out the purpose, mandate and objectives for which they were founded.

The Department is the administrator and custodian of all legislation in relation to the establishment of SOCs. In terms of section 63 (2) of the Public Finance Management Act 1 of 1999, as amended (the PFMA), the Minister of Public Enterprises has, inter alia, the responsibility of ensuring that the SOCs comply with the PFMA.



7. ORGANISATIONAL STRUCTURE

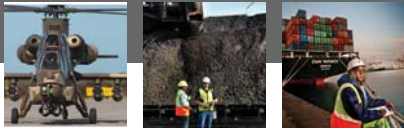




8. ENTITIES REPORTING TO THE MINISTER

The Table below indicates the entities that report to the Minister.

Name of entity	Legislative Mandate	Financial Relationship	Nature of operations
Alexkor	Alexkor Limited Act 116 of 1992	Shareholder Representative	Alexkor mines diamonds in the Alexander Bay area, including marine mining and land mining.
Denel	None	Shareholder Representative	Denel supplies South Africa's Defence force with strategic and sovereign capabilities. It also plays a major role in contributing to the development of South Africa's advanced manufacturing capabilities.
South African Express	South African Express Act 34 of 2007	Shareholder Representative	South African Express provides air transport for passengers, cargo and mail, air charters and other related aviation services on lower density routes within South Africa and the region.
South African Forestry Company	Management of State Forests Act 128 of 1992	Shareholder Representative	South African Forestry Company manages and develops commercial forests. The company's activities include forestry management and timber harvesting and processing.
Eskom	Eskom Conversion Act 13 of 2001	Shareholder Representative	Eskom generates 95 per cent of the electricity used in South Africa and 45 per cent of the electricity used in Africa.
Transnet	Legal Succession to the South African Transport Services Act 9 of 1989	Shareholder Representative	Transnet is the largest and most crucial part of the freight logistics chain that delivers goods in South Africa.



PART B

PERFORMANCE INFORMATION





1. AUDITOR GENERAL'S REPORT: PRE-DETERMINED OBJECTIVES

The Auditor General currently performs the necessary audit on the procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against the pre-determined objectives is included in the report to management, with no material findings on usefulness and reliability of the planned targets and that the Department has complied with all the statutory requirements.

Refer to page 105 of the report of the Auditor General, published as Part E: Financial Information

2. OVERVIEW OF DEPARTMENTAL PERFORMANCE

2.1 Performance Delivery Environment

The performance delivery environment was informed by both external factors that influenced the achievement of the pre-determined objectives linked to the realisation of the MTSF priorities and internal factors that influenced the delivery capacity of the Department. The most notable internal factors were the changes at leadership level, with the appointment of the New Director-General in the third quarter of the year under review. Whilst this was a positive occurrence, the alignment of the Department's work with the vision of the new Accounting Officer was necessary. This re-alignment process affected the approach in delivering on the strategic objectives of the Department.

The changes in approach to execute the mandate of the Department had not significantly impacted the final outcome of performance but stretched the delivery capacity of the Department as a result of the following:

- Reduction in the use of external service providers in the delivery of the projects linked to the annual performance plan of the Department;
- Strengthening partnerships and engagement with other spheres of government to support execution of economic development programmes and supporting work programmes of the SOCs.

The Strategic Plan and Annual Performance Plan of the Department identified the state of the domestic and global economy as the major risk. The current economic performance has had a significant impact on the realisation of outcomes such as the investment by SOCs, and rail volumes, which form part of the Minister's Performance Agreement with the President. It is important to highlight that the rate of investment by SOCs such as Eskom and Transnet remains an important part of re-igniting the South African economy. As outlined in the Nine Point Plan, the Department has continued to support the SOCs in sustaining the current levels of investment in spite of the challenging delivery environment. In this regard, the Department continued to support the activities of SOCs to secure funding to maintain the level of investments in the economy.

The performance of the Department in the period under review has remained strong, as the Department achieved over 80 percent of the APP targets.



2.2 Service Delivery Improvement Plan

The Department has started engagement with the DPSA to devise approaches that will suite the unique position of the Department in the service delivery environment. The mandate of the Department is directed towards the management of the Strategic Assets of the state and the current guidelines are focused on the delivery of services to the public. The current service delivery improvement plan largely entails governance related indicators such as payment of service providers, filling of vacancies and an audit performance, which may not have a direct bearing on the general public. On the above indicators, the Department has done relatively well and this has been confirmed in the MPAT results.

2.3 Organisational Environment

In 2015 the Department of Public Enterprises embarked on an initiative to reform the governance of SOCs. One of the initial phases of this project requires a review of the organisational design of the DPE to determine the extent to which the department is structurally configured to deliver its mandate.

Thereafter an analysis was conducted on the following organisational elements:

- The extent to which the strategy enables the organisation;
- The technical and practical rigour and effectiveness of the organisational structure and its varying components;
- The effectiveness of job profiles and evaluations; and
- Aspects relating to governance and decision-making.

The key findings were that overall, the DPE organisational design is technically and practically robust in terms of the evaluated dimensions, but there is room for improvement in the following areas:

- Clarification of the operating model and interfaces between different units of the Department;
- Addressing the completeness of job descriptions and job evaluations;
- Addressing structural anomalies to align them for internal consistency and / or organisational design and good practice; and
- Confirming capacity requirements to execute the DPE business processes.

In order to improve on the organisational design the Department will re-align the structure during 2016/17 and also address organisational challenges not directly related to the organisational design itself. Addressing these challenges would most likely reduce the pressure on the wider Department and enable the design to operate in line with the design intent.

2.4 Key Policy Developments and Legislative Changes

In July 2015, Government approved the Nine Point Plan as its response to address the current challenges in the economy. Whilst the Plan was not a departure from the current MTSF, it however, elevated initiatives that required increased government support. The approval of initiatives such as the Oceans Economy required the Department to re-direct some of its resources to support these initiatives. There were no legislative changes that affected the mandate of the Department on its plans.



3. STRATEGIC OUTCOME ORIENTED GOALS

The Minister entered into a Performance Agreement with the President, which outlines her commitments to contribute to the achievement of Outcome 6, which is focused on accelerating infrastructure investments in the economy. The Minister of Public Enterprises performance agreement forms part of the delivery agreement on Outcome 6 which seeks to achieve an efficient, competitive and responsive economic infrastructure network. This forms the core mandate of the Department in the current administration period. The progress below reflects achievements by the SOCs reporting to the Department:

3.1 Addressing the Electricity Challenge

Eskom Build Programme

The Eskom build programme has achieved a significant milestone culminating in the improved capacity in the 2015/16 financial year. Medupi 6 units has been delivering energy to the grid and reached commercial operation in August 2015. Sere Wind farm, which is a renewable energy technology, has been operating at full capacity of 100 MW. The improved capacity enabled Eskom to increase maintenance to improve plant availability which has been on the declining trajectory.

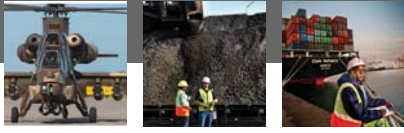
Lessons learned in the delivery of Medupi Unit 6 are being utilised to accelerate completion of the remaining 5 units of Medupi and six units at Kusile Power Station. The measures that are currently implemented include the appointment of an independent consultant to advise Eskom, enforcement of construction milestone management, quality management and engineering, and contractor claims management.

In the next five years, Eskom will continue delivering additional and reliable generating capacity, expand and strengthen transmission grid, and electrification, while ensuring compliance with the network regulation. In order to support the implementation of the build programme, Eskom has a borrowing plan of R327 billion until financial year 2020/21. The borrowing programme is backed by the government guarantee of R350 billion to ensure that the company completes the build programme.

3.2 Enhancing Performance of Freight Corridors

Ports Productivity Overview

Over the years, ports have evolved radically to become integrated commercial gateways of trade providing fast and cost-effective transfer of goods in a global transport and logistics system. Global competitiveness of ports is driven by how well they are integrated in the global supply chain. The changing global landscape has also necessitated that countries reconsider their port management model to ensure that ports support national goals and countries competitiveness. The key risk identified to date impacting the domestic competitiveness is the deteriorating macro-economic climate which is characterised by lower demand for imports and exports as well as commodity prices.



During the period under review, ship working hours have improved the service levels rendered to customers within the port sector. The time taken by vessels within the terminals and at anchorage areas has reduced affording customer's efficiency levels, especially at prime ports. The berth outages, due to expansionary or maintenance activities by the National Port Authority's present planning and operational challenges that may impose a threat to volume growth. However, improved planning and operational planning efficiencies have improved due to collaborations of terminal operators with the shipping lines to ensure a trend of aggressive volume growth. The port productivity improvements and costs remain the key focus areas of the Department as they directly relate to the need to support the industrialisation programme of Government, particularly at the port of Durban. Across the strategic container terminals within the port system, anchorage time has improved. This has enabled more focused customer satisfaction services and inefficiency levels declining in critical areas of the port operations.

The ship turnaround time and average waiting time in the container terminal continues to improve across the various berths of the container terminal. Despite the dwindling economic performance in the global markets, the port operations have depicted operational improvements in reducing the inefficiencies that have been in the system from previous years.

Volumes transported by rail

The 2015/16 financial year has been an extremely challenging year for the South African economy and has had a profound impact on the transport environment. The demand for rail services has been affected by the combined impact of falling commodity prices, drought conditions, plant closures and a number of customers resorting to business rescue. These factors have placed significant strain on rail operations and the financial strength of Transnet. Consequently, Transnet moved only 214mt in the 2015/16 financial year compared to the 226.3mt moved in 2014/15.

The continued implementation of the Market Demand Strategy will enable volume growth from the current 214mt volume projection to 289,4mt over the next seven years, with the resultant increase in rail market share as a result of a shift of traffic from road to rail. The delivery and deployment of new locomotives will enable freight rail to retire the existing fleet of old and unreliable locomotives.

The new locomotives fleet will enable significant improvements in operational efficiencies and service levels. The freight rail's growth projections over the planning period are slower than previously anticipated as this projected growth will largely accrue from current customers and capturing rail-addressable volumes back from road to rail and exploring opportunities in new markets.



4. PERFORMANCE INFORMATION BY PROGRAMME

4.1 Programme 1: Administration

Purpose

Provides strategic management, direction and administrative support to the Department, which enables the Department to meet its strategic objectives.

Programme Overview

The programme includes the Ministry, the Office of the Director-General and Support Services. The programme is currently made up of the following sub-programmes:

- Ministry
- Corporate Management Services
- Chief Financial Officer
- Human Resources
- Communications
- Strategic Planning, Monitoring and Evaluation
- Inter-Governmental and Stakeholder Relations

Internal Audit and Office Accommodation

Office of the Director-General is Responsible for Corporate Management.

Corporate Management is responsible for the following entities with their respective mandates:

- **Security and Facilities Management** provides a safe and secure environment for internal and external customers and is also responsible for ensuring effective and efficient facilities management services.
- **Information Management and Technology** oversees IT Infrastructure and Support, Records Management and Library Services.
- **Office of the Chief Financial Officer** is responsible for Financial Management Services to ensure compliance with the Public Finance Management Act, 1999 (Act No 1 of 1999) and Treasury Regulations and efficient and effective Supply Chain Management services.
- **Human Resources** is responsible for assisting line management to implement operational excellence and for developing the human capital potential in the Department.
- **Communications** is responsible for positioning the DPE as an activist shareholder for making the DPE brand relevant and meaningful to ordinary South Africans for effective media relations and media communication and for improved employee engagement.
- **Strategic Planning, Monitoring and Evaluation** is responsible for the coordination, management and oversight of the outcomes based performance reporting of the Department, the implementation of performance monitoring and evaluation processes for individual programmes and business units as a mechanism for measuring delivery of strategic objectives. and for reporting to various stakeholders.



- **Inter-Governmental and Stakeholder Relations** is responsible for coordination, support and provision of advice to the Minister, Deputy Minister, Director-General and the Department on matters relating to Inter-Governmental, International and Stakeholder Relations.
- **Internal Audit** provides independent and objective assurance and consulting services designed to add value and improve the Department's operations and assist the Department to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Strategic Objectives, Performance Indicators Planned Targets and Actual Achievements

Strategic Objectives

- Continuously improving financial management mechanisms to ensure solid financial management practice and compliance as required by PFMA.
- Reviewing and implementing the communication strategy, including the improvement of provincial engagements and public participation programmes.
- Strengthening of Human Resource functions within the Department.

Performance Indicators

Programme 1: Administration					
Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation From Planned Target To Actual Achievement for 2015/16	Comment on Deviations
Inter-Governmental Relations					
DPE International Engagement Programme	Public Participation Engagements	DPE International Engagement programme	Achieved	None	None
Human Resources					
Reviewed DPE HR Plan	Approved Human Resources Plan	HR Implementation Plan	Achieved	None	None
		HR MTEF Plan	Achieved	None	None
Approved EA and HOD Delegations	None	Approved EA and HOD Delegations	Achieved	None	None



2015/16 Key Achievements

During 2015/16, the Department embarked on an initiative to reform the governance of SOC's and one of the phases of the project required a review of the as-is organisational design to determine the extent to which the Department is structurally configured to deliver on its mandate.

The findings of the review provided results of the DPE's organisational design effectiveness, with a view of providing insights into areas of potential improvement and to determine the suitability of any organisational design initiatives. Capacity models were developed for each business unit based on business processes and the final report will be presented in 2016/17. The capacity models will provide support during the re-alignment of the structure to ensure the DPE organises its employees in the most effective and efficient manner to ensure a significant improvement in its delivery capacity.

During the year under review, the Department advanced its mandate and those of its own SOC to strengthen relations with strategic partners throughout the world. To this end, a comprehensive International Engagement programme was developed and vigorously implemented. The following are some of the key achievements:

Engagement with the BRICS countries: during the Chinese State Visit to South Africa in December 2015 more than 26 agreements were signed including an MOU between DPE and SASAC to conduct exchanges and co-operation in the areas of common interest, as well as to share information and expertise in their respective enterprises.

The Minister and Deputy Minister undertook a number of working visits to support the SOC's. Below are some of the strategic visits undertaken:

- The Minister visited United Arab Emirates (UAE) to attend the Abu Dhabi International Defence Exhibition (IDEX), which is the most strategically important tri-service defence exhibition in the world and showcased Denel's capacity to deliver on the contract related to the UAVs and artillery estimated at a cost of R5.7 billion.
- The Deputy Minister went to China to track progress on the partnership between Denel and Poly Technologies.
- The Minister accompanied the South African Deputy President to China to track progress on the implementation of the 5 to 10 Comprehensive Strategic Partnerships and host the SOC Governance Seminar, which was also held in South Africa.

Reasons for all Deviations

None

Changes to Planned Targets

During the review process of the APP, the Human Resource quarterly milestones were refined.



Sub-Programme Expenditure

Sub-Programme Administration	2015/16			2014/15		
	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	31 420	28 937	2 483	32 554	28 411	4 143
Management (Prog.1)	20 992	12 834	8 158	15 443	15 152	291
Internal Audit	5 506	5 314	192	4 493	3 565	928
Corporate Services	32 009	30 108	1 901	29 993	28 075	1 918
Chief Financial Officer	14 375	13 866	509	12 962	12 578	384
Communication	12 335	12 014	321	16 771	16 072	699
Office Accommodation	8 518	9 988	(1 470)	8 082	8 101	(19)
Human Resources	24 884	22 167	2 717	23 547	23 396	151
Strategic Planning, Monitoring and Evaluation	5 121	4 824	297	7 143	4 377	2 766
Inter-Governmental Relations	6 714	5 708	1 006	5 871	5 871	41
Total	161 874	145 760	16 114	156 859	145 557	11 302

Expenditure Narrative

Expenditure on the programme amounted to R145.760 million or 90.0% of the total budget in 2015/2016 as compared to R145.557 million or 92.8% of the total budget in 2014/2015. The proportionate increase in expenditure is relatively insignificant, which is the result of projects which were not initiated and/or not completed in the current financial year and the funds of the Economic Competitive Support funds amounting to R5 million that were not fully utilised. The delay in the filling of vacant posts has further contributed to the under spending in the Compensation of Employees (COE) budget.



4.2 Programme 2: Legal and Governance

Purpose

Provides legal services and corporate governance systems, as well as facilitates the implementation of all legal aspects of transactions that are strategically important to the Department and SOCs and ensures alignment with Government's strategic intent.

The sub-programmes in this programme are as follows:

Management comprises the office of the Deputy Director-General, which provides strategic leadership and management of the programme personnel. The sub-programme has a staff complement of 2 and 82.07 per cent of the budget is used for compensation of employees.

- **Legal** - internal legal services and support to oversight of the SOCs. The unit provides legal services, including transaction and contract management support to the Department as well as work specifically related to the commercial activities of the sector teams in respect of the SOCs within their oversight. The sub-programme has a staff complement of 12 and 62.5 per cent of the budget is used for compensation of employees whilst the balance of the budget is used on goods and services, which includes, expert legal advice and normal operational expenditure.
- **Governance** – develops and maintains effective corporate governance, systems and processes for the Department and its portfolio of SOCs, which includes providing an overarching policy framework for the shareholder oversight.
- **Risk Management** - identifies reports and monitors both the operational and shareholder risks including but not limited to SOC specific and cross cutting risks.

Strategic Objectives, Performance Indicators Planned Targets and Actual Achievements

Strategic Objectives

Over the MTEF period the programme will ensure effective shareholder oversight of state owned companies by:

- Providing legal services and co-ordinating governance systems
- Facilitating the implementation of all legal aspects of transactions that are strategically important to the department and state owned companies.
- Ensuring that financial and operational risk management processes are embedded throughout the department as and when required, over the medium term.

Addressing constraints on state owned companies contract negotiations and management to improve commercial competence and contribute to economic growth and development on a regular basis. Providing advice on developing the SOC strategic intent statements and negotiating the shareholder compact framework annually in terms of the Public Finance Management Act (1999). Providing guidance on appropriate delegation frameworks between the SOC boards and executive management on a regular basis. Advising the Minister regularly on the appointments of boards of Directors, including remuneration, preparation for Annual General Meetings (AGMs) and conducting annual reviews of ownership policies.



Performance Indicators

Programme 2: Legal and Governance					
Performance Indicator	Actual Achievement 2014/15	Planned Target 2014/16	Actual Achievement 2015/16	Deviation from Planned to Actual Achievement for 2015/16	Comment on Deviations
Conduct Risk Feasibility Study		Feasibility Report on Risk Modelling Tool	Achieved	None	None

2015/16 Key Achievements

In February 2015, Cabinet Lekgotla approved 12 recommendations that were to facilitate the implementation of the PRC recommendations on the SOCs. These recommendations formed part of the work programme for the SOC Reform IMC chaired by the Deputy President. The Department continues to play an active role in supporting the reform process and ensures that it strengthens the delivery capacity of the state to realise its developmental objectives. The Department has commenced the process to develop the Shareholder Policy Concept Paper. The Policy Concept Paper will be completed in the 2016/17 financial year.

As part of the SOCs reform the Department executed the Stabilisation Programme for the SOCs, which comprised of the financial intervention to improve the financial stability of SOCs, leadership enhancement focused on board and executive appointments and general improvement in the ability of the SOCs to execute their mandate. Furthermore, the Department provided a clear policy framework through the Minister's interaction with the boards during the AGM cycle to ensure that SOCs strategies support the implementation of government's policy whilst they remain financially sustainable. The Department also concluded the liquidation of Aventura and the process for the repeal of the Overvaal Act has commenced. The Department also introduced the Transformation Guidelines for the legal profession. In this regard, the Department has increased the briefing of black law firms and advocates. In the last financial year only, the Department spent just below R2 million on black attorneys and R3,5 million on black practicing advocates. The Department has over the years been committed to the transformation of the legal profession and has always given preference to black practitioners (in particular black advocates) when giving briefs. A target of 99.5% has been achieved in this regard.

The Department of Performance Monitoring and Evaluation independently assessed the DPE's risk management practices against the requirements of the MPAT. The DPE was found to have met all the requirements of Level 4 (Highest Level), which far exceeded the acceptable level of risk management maturity (Level 3) applicable to government departments. This achievement is consistent with the desire to ensure that the Department and its SOCs maintain cutting edge business practices. Therefore, the attainment of the aforementioned milestones and the successful completion of feasibility studies into risk modelling should augur well for the Department as it continues to incrementally enhance its practices through the introduction of risk quantification tools and guidelines. Further information on achievements relating to risk management is available under Governance (PART C) of this Annual Report.



Reasons for all Deviations

None

Changes to Planned Targets

None

Sub-Programme Expenditure						
2015/16				2014/15		
Sub-Programme Legal and Governance	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
Management	2 825	2 756	69	3 059	2 879	180
Legal	12 231	10 663	1 568	12 603	11 703	900
Governance	8 453	6 311	2 142	8 649	5 731	2 918
Total	23 509	19 730	3 779	24 311	20 313	3 998

Expenditure Narrative

Expenditure on the programme amounted to R19.730 million in 2015/2016, as compared to R20.313 million in 2014/2015. The expenditure variance of R583 000 is the result of delays in completion of projects such as the Remuneration Standard Projects. The expenditure that is linked to the litigations was also below budget as a result of delays in the submission of invoices to the Department by the State Law Advisor.



4.3 Programme 3: Portfolio Management and Strategic Partnerships

Purpose

To align the corporate strategies of the SOC with government’s strategic intent, as well as monitoring and benchmarking their financial and operational performance and capital investment plans. To align shareholder oversight with overarching government’s economic, social and environmental policies as well as building of focused strategic partnerships between the SOC, strategic customers, suppliers and financial institutions.

The sub-programmes in this programme are as follows:

- **Energy Enterprises** – includes Eskom.
- **Manufacturing Enterprises** - includes Denel, Alexkor and SAFCOL.
- **Transport Enterprises** - includes South African Express (SAX) and Transnet.
- **Economic Impact and Policy Alignment** – aligns SOC with overarching government economic, social and environmental policies.
- **Strategic Partnerships** – ensures SOC commercial sustainability and attainment of desired strategic outcomes and objectives by SOC.

Sub-Programme Expenditure						
Sub-Programme Portfolio Management and Strategic Partnership	2015/16			2014/15		
	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
Energy Enterprises	23 017 145	23 012 153	4 992	17 492	15 507	1 985
Manufacturing Enterprises	52 659	47 193	5 466	80 392	77 541	2 851
Transport Enterprises	22 897	18 336	4 561	22 453	20 598	1 855
Economic Impact and Policy Alignment	14 500	11 016	3 484	11 570	10 677	893
Strategic Partnerships	10 010	5 487	4 523	9 850	8 253	1 597
Total	23 117 211	23 094 185	23 026	141 757	132 576	9 181



Expenditure Narrative

Expenditure on the programme amounted to R23.094 billion in 2015/2016, including the transfer to Denel SOC Limited to the amount of R33.106 million in terms of the Denel Indemnity claim and a further transfer of R23 billion disbursed to Eskom Holdings SOC Limited in terms of the Eskom Special Appropriation Act of 2015.

The underspending on compensation of employees is due to delays in filling vacant posts, while the underspending on goods and services is due to projects that have been deferred to the next financial year, such as the Off Balance Sheet Project.

The programme had a number of projects where the delivery approach was changed that affected the expenditure.



Detailed information on the five sub-programmes are as follows:

4.3.1 Sub-Programme: Energy Enterprises

Purpose

The shareholder management and oversight of the Eskom business, including the generation, transmission and distribution, with particular emphasis on ensuring security of supply. To also provide strategic financial and transactional analysis of Eskom businesses as well as monitoring of its capital investment programme.

Strategic Objectives, Performance Indicators Planned Targets and Actual Achievements

Strategic Objectives

Over the MTEF period the sub-programme will ensure the following:

- Strengthening of the department's oversight role by ensuring the alignment of its strategic intent in relation to the state owned companies' role in achieving government objectives in the energy and information and communication technology sector on an ongoing basis.
- Contributing to the enhancement of the performance of state owned companies by:
 - Evaluating corporate plans to determine whether state owned companies' performance aligns with agreed key performance indicators, and providing advice and guidance to their boards on an ongoing basis.
 - Monitoring the implementation of corporate plans and shareholder compacts quarterly.
 - Assessing shareholder and enterprise risk quarterly and advising Eskom boards.

Eskom

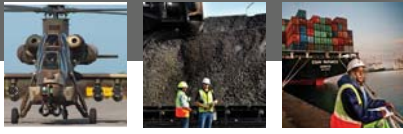
Support the security of electricity supply by:

- Reviewing Eskom's maintenance plans, operational practices, electricity generation and distribution efficiency and its reserve margins on an ongoing basis.
- Ensuring that Eskom supplies electricity by monitoring, evaluating and engaging with Eskom on system security and the new Build Programme to alleviate constraints on an ongoing basis.
- Monitoring the rollout of the Capital Investment Programme to ensure it is delivered on time, is of appropriate quality and within budget.
- Ensuring the legal and regulatory compliance of Eskom by regularly engaging with relevant stakeholders such as the Department of Energy, Environmental Affairs and Water Affairs and with the National Energy Regulator of South Africa regarding policies and regulations affecting Eskom.



Programme Performance Indicators

Sub-Programme: Energy Enterprises					
Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Target to Actual Achievement For 2015/16	Comment on Deviations
Improved Eskom's Financial Sustainability					
Improved Eskom's financial sustainability	None	Improved Eskom financial metrics and company financial sustainability	Achieved	None	None
Ensure Improved and Sustainable Operations within Eskom					
Improved operation and minimised load shedding trends	None	Improved operations to minimise load shedding	Achieved	None	None
Ensure Delivery of Eskom's Build Programme					
Progress on the Delivery of Eskom's Capital Programme	Status report of the Eskom CAPEX Programme	Review and Monitor the delivery of the Build Programme	Achieved	None	None



2015/16 Key Achievements

In December 2014, government approved the Five Point Plan that was intended to resolve the electricity challenges that resulted in Eskom implementing load shedding. As a result, the Department supported Eskom to implement interventions contained in the plan to improve energy availability and ensure that the company remained financially viable. Thus Eskom has significantly improved through the implementation of the maintenance programme as well as adding new capacity to the grid. In the year under review, Eskom commissioned the first unit at Medupi, which provided the much-needed capacity to the grid. Furthermore, the Department has supported Eskom to conclude the Power Purchase Agreement as part of the Renewable Energy Independent Power Producer Programme.

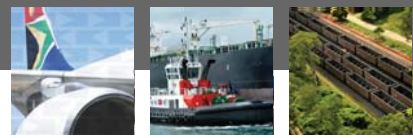
The key highlight for the 2015/16 financial year was the successfully co-ordination in terms of the disbursement of the R23 billion equity injection to Eskom by the end of March 2016. The Department will continue to monitor the compliance with the equity conditions of the Government Support Package (GSP).

Reasons for all Deviations

None

Changes to Planned Targets

During the review process of the APP, the quarterly milestones were refined.



Sub-Programme: Expenditure						
2015/16				2014/15		
Sub- Programme Manufacturing Enterprises	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
Management	1 398	1 248	150	2 318	2 157	161
Financial Analysts	4 138	2 343	1 795			
Broadband				8 317	7 145	1 172
Eskom	23 011 609	23 008 562	3 047	6 857	6 205	652
Total	23 017 145	23 012 153	4 992	17 492	15 507	1 985

Expenditure Narrative

Expenditure on the sub-programme amounted to R12.153 million in 2015/16, compared to R15.507 million in 2014/15, excluding the transfer payment of R23 billion that was disbursed in 2015/16 to Eskom Holdings SOC Limited in terms of the Eskom Special Appropriation Act of 2015. The decrease in expenditure on compensation of employees of R3.0 million can be attributed to unfilled posts within the unit. The programme did not appoint a service provider for the review of Eskom's build Programme as well as the evaluations of the company's distribution infrastructure, which had a total budget of R13 million.



4.3.2 Sub-Programme: Manufacturing Enterprises

Purpose

To provide shareholder management and oversight of:

- **DENEL'S** financial performance and strategy.
- **ALEXKOR**, including redirecting Alexkor's commercial focus and sustainability and overseeing the implementation of the Richtersveld deed of settlement.
- **SAFCOL**, including forestry management, timber harvesting, timber processing and related activities, both domestically and internally, as well as oversight of the entity's restructuring.

Strategic Objectives, Performance Indicators Planned Targets and Actual Achievements

Strategic Objectives

Over the MTEF period the sub-programme will ensure the following:

- Continuous alignment between shareholder strategic intent and the objectives of state owned companies in the defence, mining and forestry sector by annually reviewing their enterprise strategies and mandates in the context of industry and sectoral policy shifts and alert their boards and enterprises to material deviations, if any.
- Support of state owned companies in delivering on their objectives, as set out in shareholder compacts and corporate plans, by benchmarking key performance measures annually and analysing quarterly and annual reports in order to assess the extent of progress.
- Collaboration with other state owned companies to contribute towards achieving national economic development objectives on an ongoing basis.



Programme Performance Indicators

Sub-Programme: Manufacturing Enterprise					
Ensure financial stability of Denel, SAFCOL and Alexkor					
Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Target to Actual Achievement for 2015/16	Comment on Deviations
Denel Capital structure reviewed	None	Recommendations of the Capital Structure appropriate for Denel	Achieved	None	None
Financial and Operational Review of Denel Divisions	None	Recommendations on strategic, financial and operational interventions	Achieved	None	None
Review of SAFCOL financial position	None	Recommendation on the optimal Capital Structure	Achieved	None	None
Develop a co-operation model for "State Owned" mining companies Alexkor and AEMFC	None	Develop an Alexkor -AEMFC repositioning paper for engagement with DOE and DMR	Achieved	None	None
SAFCOL's new strategy	None	Recommendation of the Corporate Strategy Independent review of SAFCOL's proposed Strategic Plan 2015/16 to 2017/18	Achieved Not Achieved	None Independent study not undertaken due to the delay by SAFCOL to submit the new strategy	None The project forms part of the Programme's plans for the 2016/17 financial year.
SAFCOL's Cabinet Decision of 2007	None	Rescindment of the 2007 Cabinet decision to privatise SAFCOL	Achieved	None	None



2015/16 Key Achievements

Denel

During the financial year, Minister approved Denel's acquisition of Land Systems South Africa (LSSA), now known as Denel Vehicle System (DVS). The acquisition will enhance Denel's landward capability. The acquisition has positioned Denel to design and manufacture multi-purpose armoured vehicles that will enable the company to compete in lucrative International markets.

The Department's oversight on Denel Aero structures has assisted the company over the years to reduce its claims against the 2007 Indemnity Agreement. Over the past 8 years the value of the claims has declined from R222 million per annum in 2007 to R33.1 million in 2015.

Alexkor

During the 2015/16 financial year, the Department conducted a review of Alexkor's capital structure. Based on the Department's assessment, Alexkor will be able to use the strength of its balance sheet to raise funds to finance its future projects that are critical for its future sustainability.

Despite having reported one of the strongest full year profits for the past five years in 2014/15, Alexkor experienced challenges during the 2015/16 financial year. The diamond production decreased considerably as a result of several operational challenges. The financial and carat production targets for 2015/16 were not achieved.

The Department's focus for the year was to initiate discussions on the role of the two state-owned mining companies, Alexkor and African Exploration and Mining Finance Company (AEMFC). While the Department sought to establish a collaboration model for the two SOCs, it was necessary to consult with the relevant structures. The initiative was deferred for the year under review pending political direction. The SOCs reform exercise currently being undertaken by the Department emanating from the Presidential Review Committee Report (PRC) will also inform the direction in which Alexkor will take as a state owned mining company going forward.

In order to satisfy the directives of the Deed of Settlement (DOS) and the Unanimous Resolution, certain processes and structures needed to be in place to conclude the two remaining restitution obligations. The Department will continue its endeavors to ensure that proper structures are in place and that the payment of R45 million and the transfer of properties are concluded.

The rehabilitation activities on the historical disturbances have commenced and this will result in creation of jobs for the community of the Richtersveld, over 40 employment opportunities will be created from the rehabilitation activities.

SAFCOL

During the 2015/16 financial year, the Department conducted a review of SAFCOL's financial position. SAFCOL's has a strong balance that can afford to take on debt to support the company's capital expenditure programme over the medium term.



Reasons for all Deviations

SAFCOL

SAFCOL had a difficult year end as the changes in the company's executive committee highly impacted on the company meeting deadlines. The Board was appointed in the middle of the second quarter of 2015/16 and the Chief Executive Officer resigned at the end of the third quarter.

Due to management issues in the company, SAFCOL was unable to submit a project implementation plan as requested during the second quarter of the year. The implementation plan was required in order for the Department to conduct an independent review on the corporate strategy.

Changes to Planned Targets

During the review process of the APP, the quarterly milestones and performance indicators were refined. Performance indicators that relate to SAFCOL and Alexkor were also included in the plan, while Denel's Long Term Strategy indicator was excluded because it was completed in the 2014/15 financial year.

Sub-Programme: Expenditure

Sub-Programme: Manufacturing Enterprises	2015/16			2014/15		
	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
Management	4 091	3 116	975	4 285	4 273	12
Denel	38 381	37 035	1 346	68 333	67 226	1 107
Alexkor	3 639	1 279	2 360	1 792	927	865
SAFCOL	6 548	5 763	785	5 982	5 115	867
Total	52 659	47 193	5 466	80 392	77 541	2 851



Expenditure Narrative

Expenditure on the sub-programme amounted to R47.193 million in 2015/16, compared to R77.541 million in 2014/15. The decrease was a result of a decrease in the Denel indemnity claim of R33.106 million (2014/15: R63.141 million).

The proportionate decrease in expenditure for the current financial year is as a result of delays in filling vacant positions and projects that were undertaken internally instead of outsourcing.

These projects included the review of SAFCOL's strategy as well as Denel's capital structure.



4.3.3 Transport Enterprises

Purpose

To align the corporate strategies of Transnet and South African Express Airways (SAX) with government's strategic intent and to monitor and benchmark their financial and operational performances.

The programme comprises of the following sub-programmes:

- **Transnet** – responsible for shareholder management and oversight of Transnet, which includes the capital expansion programme and effective operation of the entity and its business units.
- **SAX** – responsible for shareholder management and oversight of SA Express, as well as overseeing the re-alignment of the activities of the state owned airlines for optimal collaboration to achieve maximum shareholder benefit.

Strategic Objectives, Performance Indicators Planned Targets and Actual Achievements

Strategic Objectives

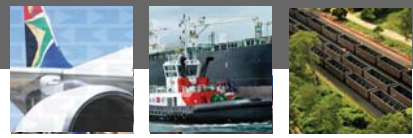
Over the MTEF period the sub-programme will ensure the following:

- Ensuring the alignment of the corporate strategies of Transnet and South African Express Airways with government's strategic intent and ensuring that these companies remain competitive, financially sustainable and deliver an optimal service to the economy, on an ongoing basis.
- Supporting Transnet and South African Express Airways in delivering on their objectives by identifying appropriate benchmarks and key performance measures for their respective shareholder compacts and corporate plans, on an ongoing basis.
- Creating an enabling environment for Transport enterprises and ensuring an appropriate balance between the enterprises' interests, stability and developmental objectives by engaging with policy departments and relevant regulators on an ongoing basis.
- Implementing the National Corridor Performance Management system (NCPM), which will identify inefficiencies in the logistics system of South Africa, contributing to increased competitiveness and ensuring an appropriate modal split between road, rail and pipeline services, over the medium term.
- Ensuring the effective utilisation of existing logistics infrastructure and identifying those areas that legitimately qualify for investment and upgrade, on an ongoing basis.
- Contributing to and facilitating the national transport policy formulation, as and when required, to achieve improvements in passenger and cargo movements.



Sub-Performance Indicators

Sub-Programme : Transport Enterprises					
Sub-programme Transport Enterprises	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Target to Actual Achievement for 2015/16	Comment on Deviations
Ensure SOC Financial Sustainability					
Create a path to financial sustainability of SAX	Monitored the implementation of the SAX Turnaround Strategy	Results of the assessment of the implementation of SAX austerity measures and 20:20 Vision	Achieved	None	None
	None	Review financial sustainability and identify gaps and potential funding options	Achieved	None	None
Create a path to financial sustainability of Transnet	None	Review financial sustainability and identify gaps	Achieved	None	None
Path to increase volumes across rail and ports	Monitoring of the Transnet rails and ports volumes	On path to increased volumes across rail and ports (Transnet)	Achieved	None	None
Path to accelerate Transnet Capital Programmes	Monitoring of Transnet Capital Programme	On path to accelerate Transnet Capital Programme	Achieved	None	None
	Development of the NCPM	NCPM go live	Not Achieved	None	Collection is almost finalised for the system to go live. Project has been deferred to 2016/17 financial year



2015/16 Key Achievements

Aviation

SA Express developed austerity measures in November 2014 to bring the airline back on to a path of recovery following the slow progress in implementing the 20:20 Vision Strategy. SA Express has rationalised its schedule, achieved efficiencies in maintenance, reduced catering costs, optimised labour costs through natural attrition and reduced its fuel costs.

This has resulted in a reduction in the airline's cost base contributing to an improvement in profitability. Based on these austerity measures the airline was granted an extension of an existing guarantee for R539 million and a new guarantee for R567 million. This has enabled SA Express to continue operating as a going concern.

The Department has been working with SA Express, SAA and other Departments to facilitate the implementation of the SA Express 20:20 Vision strategy which is heavily dependent on close collaboration with SAA. This includes facilitating the implementation of the integrated route network between the airlines. This has resulted in the airline withdrawing from some of the loss making routes.

In addition, SA Express commenced flight operations in the North West Province, the only province in South Africa that did not have scheduled flight services. This initiative which was pioneered by the Deputy Minister of Public Enterprises, supported by the Transport Unit, was a catalyst for the formation of a partnership between SA Express and the North West Provincial Government.

Ports and Rail

The 35 meter long, 900ton outer caisson at the Port of Durban's Prince Edward Graving Dock refurbishment was completed. This was the third and final phase of TNPA's repair programme to repair the 90 year old dry dock that was deemed unsafe.

The first batch of the passenger coaches engineered and manufactured by Transnet for Botswana Railways was successfully delivered to Gaborone. The 22 out of 37 coaches were engineered and manufactured according to the exact specification at Transnet Engineering facilities in Pretoria and Cape Town. The remaining 15 coaches will be delivered by May 2016.

This is one of the projects aimed towards achieving Transnet's goal of becoming an "Original equipment manufacturer of distinction" and its initiatives of growing business by supporting National Rail Policy in providing solution on the renaissance of South Africa and uninterrupted rail traffic to and from neighbouring countries.



Reasons for all Deviations

Performance indicators were not achieved due to protracted capital planning and negotiations of the shareholder compact as well as the volatility of the global economic performance which resulted in the SOC not achieving its planned targets.

It was envisaged that the data would be sourced from a central point. This was not the case and this led to delays in the sourcing of data in the year under review.

Changes to Planned Targets

The quarterly milestones of the performance indicators were refined during the revision of the APP.

Sub-Programme: Expenditure						
Sub-programme Transport Enterprises	2015/16			2014/15		
	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
Management	3 201	2 431	770	2 991	2 708	283
Transnet	13 635	10 368	3 267	10 494	9 216	1 278
SA Express	6 061	5 537	524	8 968	8 674	294
Total	22 897	18 336	4 561	22 453	20 598	1 855



Expenditure Narrative

Expenditure on the sub-programme amounted to R18.336 million in 2015/16, compared to R20.598 in 2014/15.

The underspending of R887 000 on compensation of employees is as a result of delays in filling vacant positions and the underspending of R1.4 million on goods and services is as a result of the rail policy project being deferred to the new financial year.



4.3.4 Economic Impact and Policy Alignment (EIPA)

Purpose

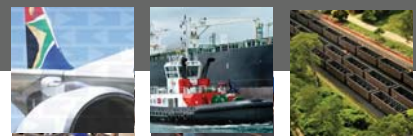
EIPA has been re-aligned from a function as a consulting facility (previously in Programme 6: Joint Project Facility) and comprises. The current purpose is to align shareholder oversight of SOCs in relation to government's over-arching economic, social and environmental policies and to implement strategic interventions to contribute towards achievement of national objectives in support of economic growth and transformation.

Management comprises the office of the DDG, which provides strategic leadership and management of the programme personnel. This sub-programme comprises:

- **Environmental Policy Alignment** - oversees alignment and implementation of SOCs Strategically Important Developments (SIDs), with a special focus on Eskom's and Transnet's Build Programmes. Oversight and alignment of the Climate Change Policy Framework for SOCs in support of national policies and the green economy.
- **Economic Policy Alignment** – focuses on appropriate macro-economic modeling and research to enhance the links between industrial policy, macro-economic policy and the role of SOCs. Economic modelling will be outsourced to relevant institutions to determine the impact of SOC investment and operations on the economy, including the impact on customers and suppliers.
- **Transformation, Skills and Youth Development** - focuses on the provision of scarce and critical skills by SOCs in support of the National Skills Agenda, the NGP and the NDP, as well as optimises SOC skills training facilities through the National Skills Funding (amongst others). Transformation and youth development areas will form new areas for incorporation into SOC Shareholder Compacts, this includes overseeing alignment and implementation of the SOC transformation agendas in support of national policies and the NGP Framework, with a focus on job creation, youth development and the development of targeted groups (i.e. women, people with disabilities, co-operatives, etc.), Broad-Based Black Economic Empowerment (B-BBEE); Employment Equity (EE) and disposal of non-core property.
- The activities and outputs of this sub-programme entail systematic co-ordination and partnerships with the relevant government Departments, with a primary mandate on the above, as well as with other key stakeholders.

Strategic Objectives

- Oversee and supervise processes to conduct macro-economic modeling, research and impact evaluation to ensure SOCs contribution towards economic growth. Enhance alignment between national industrial policy, macro-economic policy and the role of SOCs and monitor implementation.
- Oversee processes to ensure that SOCs comply with environmental laws and optimise the impact of SOCs on the reduction of carbon emissions and development of a green economy, while supporting SOCs business needs.
- Oversee alignment and implementation of SOCs economic and social transformation agendas in support of national policies and economic growth, with a specific focus on skills development, job creation, procurement/BBBEE and corporate social investment targeted at designated groups (youth, women, PWD and co-operatives, etc).



Programme Performance Indicators					
Sub-programme: Economic Impact and Policy Alignment					
Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Target to Actual Achievement for 2015/16	Comment on Deviations
SOC Economic Modeling and economic impact assessment conducted	None	Economic Modelling and high level impact assessment report produced	Achieved	None	None
Macro-economic Impact assessment of Transnet pricing structures on logistical costs in South Africa and SA's competitiveness conducted	None	Impact assessment on Transnet pricing structures and logistical cost report produced	Not Achieved	None	Project to be undertaken in partnership with Universities. The project is deferred to the 2016/17 financial year.



2015/16 Key Achievements

During the 2015/16 financial year, the proposal to conduct High Level Economic Impact Assessments was developed. The purpose of the proposal was to identify and quantify, at a high level, the range of direct, and (where possible) indirect macro-economic impacts of investments and operational activities of the SOCs under DPE's portfolio, namely Transnet, Eskom, Denel, Safcol, Alexkor and South African Express. This was necessary in order to assess and inform the various internal and external stakeholders regarding the alignment of the SOCs with national policies. Furthermore, a high level socio-economic impact assessment was done for Transnet's major infrastructure projects.

The Macro-economic Impact assessment of Transnet pricing structures on logistical costs in South Africa and SA's competitiveness was initiated and all the quarterly targets were achieved and this includes the review of existing studies on International best practice on logistical costs including the study by Gain.

Furthermore, there was a review of Transnet's pricing structures in comparison to best practice and assessment of Transnet's contribution to the cost of doing business and how it impacts on South Africa's competitiveness. However, the final macro-economic impact assessment of Transnet's contribution to South Africa's cost of doing business and competitiveness was not completed. This is because of the change in the strategy on delivering on the project mid-way through. Going forward this will be achieved through partnerships with Universities

The Sustainability Framework was developed which will provide the basis for a long-term process of integrating sustainability as a key component of the development discourse. This would portray South Africa's commitment to the principles developed at International summits and conferences in the economic, social and environmental fields. DPE Sustainability Framework will be an overarching framework providing a coherent framework with which SOC will be able to report their sustainability performance. The Framework and Guidelines will be completed by the end of the 2016/17 financial year.

The Transformation Framework and guidelines (TFG) was developed and approved to ensure alignment of transformation and development interventions of SOCs in the DPE portfolio. The unit in consultation with SOCs is in the process of aligning the shareholder compacts and corporate plans to the TFG. A CSI baseline study was also initiated and a service provider appointed to inform the alignment of CSI targets in the shareholder compacts. A process was also initiated on the development of SOCs Enterprise and supplier strategy (ESD) which resulted in approval of an MOU with DSBD and establishment of a reference group to manage the development of the ESD strategy.

As part of the Department's engagement with communities, the need for a secured structure for the Masizakhe Children's Home was identified by the Department. The structure was subsequently erected through support by Eskom with the Deputy Minister officially unveiling the Masizakhe Children's Home facility on the 24th of November 2015. The Deputy Minister further had an engagement with identified poor families in the area and food parcels were distributed to them.



The Department through Broadband Infraco and Transnet provided support to the school in which a computer laboratory for learners at Seshego High School was built to help them access information relating to their studies. The Computer Laboratory was officially unveiled by the Deputy Minister on the 24th October 2015. This is in line with the Nine Point Plan announced by the President during his State of the Nation Address "State reform and boosting the role of state owned companies, information and communications technology (ICT) infrastructure or broadband roll-out."

As part of the Department's CSI programme various provincial youth career engagements and awareness on SOC opportunities, especially on maritime skills were implemented. Business engagements and enterprise summit with women and youth were held in KZN, Western Cape and Mpumalanga. The DM officially handed over a timber frame school multipurpose centre and borehole in Nongoma build by SAFCOL.

The Department of Public Enterprises has developed a TVET College Partnership Framework and Guideline aimed at standardising and guiding SOC support to colleges. The framework outlines 5 key focus areas of support, namely: learner support, college lecturer support, donation of machinery and equipment, curriculum support as well as participation in college councils.

The Framework extends this support also to Technical High Schools which are feeders to both the SOC and TVET colleges. Both these institutions are identified by both the DHET Green and White papers for post school education and training for 2012 and 2014 respectively, as well as the DHET TVET College turnaround strategy as very critical for addressing the colossal shortages of technical skills, especially artisanal skills.

This will also ensure adequate supply to meet the economic growth and development requirements of both the NDP (Vision 2030) and the NGP. Therefore, DPE through EIPA managed to have a commitment for the donation of machinery and equipment to Mamellong Comprehensive School from Hamisa Group. The machinery and equipment are to be donated at an official event to be led by Deputy Minister Public Enterprises and the Member of Executive (MEC) for Basic Education on a date still to be confirmed.

Since the adoption of the New Growth Path Framework and the signing of the National Skills Accord in 2011, State Owned Companies in the DPE portfolio have been actively supporting the development of scarce and critical technical skills identified as critical for propelling economic development. Our SOC made specific commitments in the Skills Accord towards the development of artisans, technicians and engineering skills required to support various programmes such as the Strategic Integrated Projects and Operation Phakisa, among others.

The unit's quarterly analysis of the SOC's contribution indicates that SOC's are collectively committed to enroll 1885 trainees in various scarce and critical skills development interventions. Eskom's application for funding for an additional intake of 1250 artisans was approved.



Reasons for all Deviations

Performance indicators were not achieved due to the extended consultation required with other institutions.

Changes to Planned Targets

The quarterly milestones of the performance indicators were refined during the revision of the APP.

Sub-Programme Expenditure						
Sub- Programme Economic Impact and Policy Alignment	2015/16			2014/15		
	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
Management	2 746	2 423	323	2 939	2 656	283
Environmental Policy Alignment	3 586	2 825	761	2 693	2 677	16
Economic Policy Alignment	2 422	1 137	1285	796	216	580
Transformation, Skills Development and Youth	5 746	4 631	1 115	5 142	5 128	14
Total	14 500	11 016	3 484	11 570	10 677	893

Expenditure Narrative

Expenditure in the sub-programme amounted to R11.016 million in 2015/16, compared to R10.677 in 2014/15. The underspending on compensation of employees is the result of some positions not being filled due to the specialised nature of the skills required and projects not being completed in the year under review such as the economic impact assessment of the Transnet pricing structure.



4.3.5 Strategic Partnerships

Purpose

The Strategic Partnerships Unit is responsible for overseeing the design and implementation of strategic programmes and projects, of related extra-ordinary funding initiatives and for complex procurements and on-going supplier relationships involving various stakeholders.

The programme comprises the following sub-programmes:

- **Management** - comprising the office of the DDG, which provides strategic leadership and management of programme personnel.
- **Project Oversight** - definition of catalytic investments to be driven by DPE and oversight of project implementation from pre-feasibility to completion, including the design of relevant compacts.
- **Funding Mechanisms** - development of innovative funding structures and design of associated compacts with relevant partners.
- **Strategic Relationships** - development of over-arching procurement leverage policies, oversight of SOC fleet procurement design and implementation and development and implementation of capability building programmes and institutions.

Strategic Objective

- Oversight of catalytic project implementation from pre-feasibility to completion, including the design of relevant compacts.
- Implementation of innovative funding structures and design of associated compacts with relevant partners.
- Oversight of Eskom's and Transnet's implementation of the CSDP oversight of Transnet's locomotive fleet procurement design and implementation.



Sub-Programme: Strategic Partnerships					
Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from Planned Target to Actual Achievement for 2015/16	Comment on Deviations
Ensure SOC Financial Sustainability					
Private Sector Participation (PSP) Framework Developed	Draft Private Sector Participation Framework	Review PSP Policy Framework	Achieved	None	None
Funding Framework	None	Funding Policy Framework	Achieved	None	None
Disposal of Non-Core and Non-Strategic Assets (Land/ Property, Listed and Unlisted Assets and Subsidiaries)	None	Policy Framework on Disposal of Non-Core and Non-Strategic Assets(Land, Listed and Unlisted Assets and Subsidiaries)	Not Achieved	None	Project has been deferred to the 2016/17 financial year for completion.



2015/16 Key Achievements

The review of the financial position of State Owned Companies was undertaken and the identification of gaps for financial sustainability as well as potential funding options for the delivering on capital programmes.

This was done through an analysis of the future offerings of the newly established Brazil, Russia, India, China and South Africa (BRICS) Bank. The analysis was based on what the bank would bring in improving the financial positions of the SOCs within the DPE portfolio, particularly for Eskom and Transnet. The Department has also participated in the finalisation of the Private Sector Participation Framework which was led by National Treasury as the lead on the Private Sector Participation Framework. During the 2015/16 financial year the Department provided support to the SOC with regard to implementation of the Africa Strategy project where a number of projects on the African Continent within the Southern Region progressed into the different phase.

This includes amongst others:

Two projects from Eskom moved to feasibility phase;

The South Africa-Botswana interconnector project and the Mozambique, Zimbabwe and South Africa interconnector project. The South Africa-Botswana interconnector aims to alleviate the congestion on the line in the Northern Mtumbi area, while the Mozambique, Zimbabwe and South Africa interconnector aims to import 1500 megawatts of electricity from Mozambique. 1 project moved from feasibility to procurement and execution of this project is on Transnet Engineering (TE) to supply 37 passenger coaches to Botswana railway.



Reasons for all Deviations

The target on the Disposal of non-core assets was not achieved as the Department reviewed the delivery approach. The project will be implemented in the new financial year by EIPA.

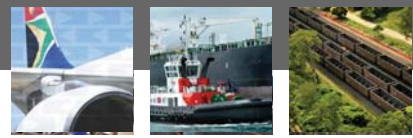
Changes to Planned Targets

The quarterly milestones of the performance indicators were refined during the revision of the APP.

Sub-Programme Expenditure						
Programme Strategic Partnerships	2015/16			2014/15		
	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
Management	3 902	3 797	105	3 831	3 798	33
Project Oversight	1 426	1 317	109	2 747	1 959	788
Funding Mechanisms	3 807	27	3 780	883	146	736
Supplier Relationships	875	346	529	2 389	2 350	40
Total	10 010	5 487	4 523	9 850	8 253	1 597

Expenditure Narrative

Expenditure on the sub-programme is R5.487 million in 2015/16, compared to R8.253 million in 2014/15. The decrease in expenditure is due to projects that were undertaken internally instead of being outsourced amounting to R4 million. The underspending of R926 000 on compensation of employees is the result of delays in filling the key positions, which also resulted in one project not being initiated and therefore underspending in goods and services.



Summary of Financial Information

Collection of Departmental Revenue

Revenue collection is not a core function of the Department, therefore there is no specific plan in place in this regard. Any revenue collected by the Department and reported under Note 2 of the Financial Statements, is of an incidental nature, such as parking fees, interest received on debts, sale of redundant capital assets and interest on bank accounts. A departmental motor vehicle was auctioned during the financial year as it had reached its end of life.

Programme Expenditure

Programme	2015/16			2014/15		
	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	161 874	145 760	16 114	156 859	145 557	11 302
Legal and Governance	23 509	19 730	3 779	24 311	20 313	3 998
Portfolio Management and Strategic Partnerships	23 117 211	23 094 185	23 026	141 757	132 576	9 181
Total	23 302 594	23 259 675	42 919	322 927	298 912	24 418

Expenditure Narrative

Underspending amounting to R12.0 million (5% of total budget) on compensation of employees is due to delays in filling of vacancies. A further underspending of 30.9 million (12% of total budget) on goods and services is due to the fact that some projects were being undertaken internally whilst others were delayed. However, the Department managed to achieve the majority of its targets in the APP utilising its internal capacity.

Transfer Payments Excluding Public Entities

None



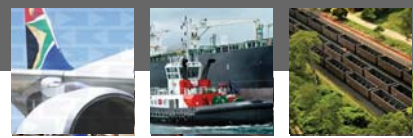
Public Entities				
DENEL (Indemnity Claim)	33 106	33 106	-	100

The transfer to Denel amounting to R33.106 million, in respect of Denel's indemnity claim, was disbursed in March 2016. Refer to Annexure 1D of the Annual Financial Statements. Transfer payments to all other organisations other than public entities. The Department did not affect any transfer payments to any other organisations, other than public entities.

Capital Investment

The Department does not have any major capital and/or investment infrastructure projects. Asset management is dealt with under Section 11 of the Accounting Officer's Report.

- The transfer to Denel amounting to R63 141 million in respect of Denel's indemnity claim was disbursed in December 2014. Refer to Annexure 1A of the Annual Financial Statements.



PART C

GOVERNANCE





1. INTRODUCTION

The Department recognises that effective risk management and governance practices are integral to harnessing opportunities and addressing risks relating to the SOCs programme delivery. In this regard, short and long term plans are being instituted to facilitate improvements and to be more responsive to recommendations issued by internal and external assurance providers.

2. RISK MANAGEMENT

- During the review period, the Department was independently assessed and found to maintain practices that meet the minimum requirements of the Management Performance Assessment Tool (MPAT) and the Public Sector Risk Management Framework during the review period. Notwithstanding this, it has been noted that a lot more still needs to be done if the Department is to successfully ensure effective and integrated risk, performance and financial management practices.
- The Department undertook a scientific study to determine the feasibility of implementing tools and guidelines that will enhance the ability to identify, quantify and address risks and opportunities that could impact the Department's and the SOCs ability to play the catalytic role envisioned of them in the economy. The areas requiring improvement were noted and the key proposition of revision and enhancement of the tools and guidelines is that reporting on risks within the Department and by the SOCs shall be done on an outcomes basis. A Conceptual Outcomes Based Risk Management Framework was established and additional work to develop advanced risk modeling techniques and processes will unfold in the 2016/17 financial year.

3. FRAUD AND CORRUPTION

The Department has made strides in establishing a foundation that allows for effective and efficient fraud and corruption prevention. To date, all minimum requirements of the Management Performance Assessment Tool (MPAT) and Public Service Commission (PSC) compliance standards have been developed and are in place.

The fight against fraud and corruption is informed by the Department's policy of zero tolerance and is guided by various governance documents that give direction on what actions need to be taken. These documents highlight the four pillars to fighting corruption, namely, prevention, detection, investigation and reporting. The Department also conducts a comprehensive fraud risk assessment on an annual basis which seeks to analyse and assess the processes put in place and whether such processes are effective at addressing actual and/or potential incidents.



A fully functional Ethics, Fraud and Corruption Prevention Committee (EFCPC) has been formed to oversee and report to the Director General on all matters relating to actual and potential misconduct in the Department. Among others, the EFCPC's mandate is:

- To ensure that the Department's adheres to all relevant statutory requirements;
- To oversee that misconduct incidents are addressed with commensurate confidentiality and that pertinent information is only shared with relevant internal and external stakeholders consistent with legal and supervisory requirements;
- To monitor the incident registers and that all arising issues are resolved;
- To address conflict of interest on matters particularly relating to procurement processes; and
- To monitor and advise the Department on asset and loss control.

The Department continues to implement a whistle blowing policy that is supported by the maintenance of whistle blowing box that is managed by the Internal Audit Unit. The whistle blowing processes are also designed to promote anonymous whistle blowing and guarantee protection of whistle-blowers against reprisals. To date, whistle blower reports were registered during the 2014/15 financial year. Investigations into the matters have been concluded and relevant details will be disclosed upon conclusion of pertinent processes.

4. MINIMISING CONFLICT OF INTEREST

The Public Service Commission introduced an e-disclosure system for disclosing of financial interest to identify, analyse and eliminate conflict of interest in the workplace. Ethics officers and the e-disclosure executive authority in the office of the Minister have been trained to ensure compliance to the directive. Awareness initiatives on conflicts of interest, performance of remunerative work outside the public service and the receipt of gifts were done.

5. CODE OF CONDUCT

During 2015/16 Human Resources provided information to all staff on the Government Code of Conduct and integrity management framework, through operational branch meetings and information sharing sessions.

6. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

During 2015/2016 assessment was conducted on all DPE OHS equipment and all fire equipment services. An emergency evacuation drill in which all DPE officials participated was also undertaken during the period. During the same period the Security & OHS Committee was also reinforced with the appointment of an additional 12 OHS representatives, formal appointment letters signed off by the Accounting Officer were issued for all OHS Committee members.



7. INTERNAL CONTROL

The significance of an effective internal control system featured prominently during the period under review as demonstrated by assurance providers' recommendations that management must cultivate an ethos that promotes implementation of the Department's control system.

To continuously improve the operational effectiveness of risk governance structures and to entrench a culture of accountability, an undertaking was made to enhance the existing combined assurance model by developing a fit-for-purpose integrated monitoring and reporting model on risk, performance, and financial management. Work on this commenced during the period under review and will continue into the 2016/17 financial year.

8. INTERNAL AUDIT AND AUDIT COMMITTEES

Internal Audit

The Department has the co-sourcing model to perform its internal audit mandate due to its size and non-complexity of the environment and also to allow a diverse set of skills. The Internal Audit Activity (IAA) is responsible for evaluating the control environment and assisting the Audit Committee (AC) to fulfill its responsibilities.

The IAA also provides the AC and the Director General (DG) with assurance on whether internal controls, risk management and governance processes are adequate and effective. The purpose, authority and responsibility of the IAA is stated in the Internal Audit Charter, which is endorsed by the DG and approved by the AC. The Chief Audit Executive reports administratively to the DG and functionally to the AC.



Audit Committee

The Department has established the AC in line with Section 77(c) of the PFMA of 1999. AC is an oversight body, providing independent oversight over governance, risk management and control processes of the Department. Their mandate and responsibilities are clearly defined in the Audit Committee charter and six Audit Committee meetings were convened for the year.

Audit Committee Objective and Key Activities

The overall objective and key activities of the AC is to support the DG and Executive Management in fulfilling oversight responsibilities for the financial reporting process, the audit process and systems of internal control, governance and risk management, including:

- The integrity of the Department's financial reporting.
- Compliance with legal and regulatory obligations.
- The effectiveness of the Department's enterprise-wide risk management and internal control system.
- Oversight of the effectiveness and efficiency of the internal auditors, as well as the independence of the internal and external auditors.

Internal Audit Objective

The objective of the IAA is to provide independent, objective assurance and consulting services designed to add value and improve the Department's operations. It assists the Department to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal controls and governance processes.

Internal Audit Key Activities

The IAA through engagement with internal stakeholders, Audit Committee, Auditor General (AG) developed a comprehensive three-year rolling plan, incorporating an annual plan that was approved by the AC. IAA executed the risk-based audits assignment as per the annual plan. Included in areas audited are Performance Information, Financial Management, Supply Chain and Asset Management, Risk Management, Shareholder Oversight, IT audits and Annual Report (Financial Statement) reviews. IAA provides recommendations to management with regard to internal control, risk management and governance processes, performs a follow up of the agreed upon management action plan using the implementation date that has been provided by management, provides management advisory services when requested by management, as and when necessary and prepares and reports quarterly to the DG and AC progress against the approved annual plan.

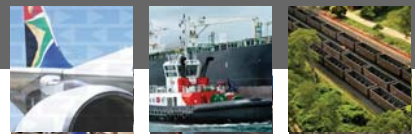


Membership and Attendance of the AC Meetings

The AC consists of four members listed below. All the Audit Committee members, including the Chairperson, are independent, which is in line with optimal corporate governance practice.

The table below provides relevant information on the audit committee members:

Initial and Surname	Qualification	Internal or External	Date Appointed	No. of Meetings Attended
Mr. R Cascarino	<ul style="list-style-type: none"> • Master of Business Administration Thesis on Internal Audit • SCOTBEC Diploma in Computer Data Processing • CIA - Certified Internal Auditor • CISA - Certified Information Systems Auditor • CFE - Certified Fraud Examiner • CISM - Certified Information Security Manager • CRMA - Certification in Risk Management Assurance 	External	19 Nov 2012	6/6
Mr William Huma	<ul style="list-style-type: none"> • B Proc • Bachelor of Law (LLB) • Master of Law (LLM) • Doctor of Law (LLD) (thesis outstanding) • Diploma in Company Direction (Corporate Governance) <p>Financial Management (Finance for non-financial managers)</p>	External	01 April 2014	4/6
Ms Modi Dolamo	<ul style="list-style-type: none"> • B Com (Accounting) • B Com (Hons) and CTA <p>Chartered Accountant, South Africa</p>	External	01 April 2014	6/6
Mr Reginald Haman	<ul style="list-style-type: none"> • Executive Leadership Programme • Master's in Business Administration • Graduate Diploma in Company Direction • Post-Graduate Diploma in Business Administration • National Higher Diploma: School of Science • National Diploma: School of Science 	External	18 Jan 2016	1/6



9. AUDIT COMMITTEE REPORT

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

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Section 38 (1) (a) (ii) of the Public Finance Management Act and Treasury Regulation 3.1.13. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except that we have not reviewed changes in accounting policies and practices

The Effectiveness of Internal Control

Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted in the Department revealed certain weaknesses, which were then raised with the Department.

The following internal audit work was completed during the year under review:

- Enterprise Risk Management (ERM)
- Performance Information
- Review of the draft Annual Report
- Shareholder Oversight (Manufacturing Enterprises, Transport Enterprises and Energy Enterprises)
- Follow up audit (AG and Internal Audit reports)
- Management Performance Assessment Tool (MPAT)
- Human Resource Management
- Supply Chain and Asset Management
- Financial Management
- Information Technology General Controls (ITGC)

The following were areas of concern:

- Throughout the year the Audit and Risk Committee (ARC) has raised concerns regarding the sluggishness on the implementation of the actions required to address previous audit findings as this results in repeat findings. This concern was raised in the previous year and is still recurring where management committed to address audit findings and either takes long to address the findings or fails to do so.
- Another major concern which seems to be negatively affecting the performance of the department is the high vacancy rate. This concern was also raised in the previous financial year and ARC has highlighted it as one of the major factors hindering the progression of the department. Over the past two years the Department has been unable to fill the CFO position.
- ARC has also advised management to review the supplier database in order to avoid irregular expenditure as well as the need to meet periodically with the Minister and the Accounting Officer in order to discuss activities in the department's audit and risk environment.



The Effectiveness of the Internal Audit Activity

The Internal Audit activity continued to operate effectively with the support of complementary support from an external party and in collaboration with the Auditor General. Although bringing the bulk of the outsourced functionality back in-house (a business practice in which work that would otherwise have been contracted out is performed in-house but which often involves bringing in specialists to fill temporary needs) remained a part of the Internal Audit plan, the imminent expiry of the Outsourcing contract while in-house resources remain inadequate for the audit plan will require the temporary acquisition of additional resources. The Head of Internal Audit has met with members of the ARC to ensure operational effectiveness.

Enterprise Risk Management

The Strategic Risk Register is under review and the Operational Risk Register is also being reviewed. The CRO has met with members of the ARC to ensure operational effectiveness.

In-Year Management and Monthly/Quarterly Report

The Department reported quarterly to the Treasury as required by the PFMA. The Audit Committee is satisfied with the content and quality of quarterly reports prepared and issued by the Accounting Officer of the Department during the year under review.

Evaluation of Financial Statements

We have reviewed the Annual Financial Statements prepared by the Department and are satisfied that they are a fair presentation of the financial performance and position of the Department of Public Enterprise as at 31 March 2016.

Auditor Committee Report

We have reviewed the Department's implementation plan for audit issues raised in the previous year and we are satisfied that the matters have been adequately resolved. The Audit Committee concurs and accepts the conclusions of the Auditor-General on the Annual Financial Statements and is of the opinion that the audited Annual Financial Statements be accepted and read together with the report of the Auditor-General

Auditor General's Report

We have reviewed the Department's implementation plan for audit issues raised in the previous year and we are satisfied that the matters have been adequately resolved. The Audit Committee concurs and accepts the conclusions of the Auditor-General on the Annual Financial Statements and is of the opinion that the audited Annual Financial Statements be accepted and read together with the report of the Auditor-General.

Mr Richard Cascarino
Chairperson of the Audit Committee
Department of Public Enterprises
Date: 28 July 2016



PART D

HUMAN RESOURCE MANAGEMENT





1. OVERVIEW OF HUMAN RESOURCES

During 2014/2015, after all DDG posts were filled, the leadership development programme that was initiated to enhance team cohesion and leadership conversations continued. This was initiated in order to develop clear values and cultural expectations that will be shared with all employees.

During 2015/2016 the Director-General was appointed to ensure stability in the Department for the next financial year.

The role of HR as a strategic business partner for line managers is in line with the DPSA competency dictionary that has been implemented. Further requests are that HR undergo annual assessment on this new role in line with the DPSA assessment tool to identify areas for improvement.

The Health and Wellness service provider appointed by the Department provides support to all employees and their immediate family members with all their needs 24/7. Feedback on the results of an Executive Wellness Programme initiated for all Executives and Chief Directors was provided to individuals to assist in interventions for them to reduce the high levels of stress and strain they may have experienced.

All quarterly interventions on health and wellness challenges were rolled out in support of the annual health calendar. The high staff turnover rate during the 2015/2016 financial year resulted in a higher vacancy rate of 11.2% at the end of the period. The Department needs to re-organise the current resources to be able to deliver on its Strategic Plan, to ensure optimal utilization of existing resources. The Departmental HR plan will be reviewed in line with the new Departmental Strategy.

The Department continues to monitor organisational and individual performance to ensure alignment and achievement of strategic goals. Individual performance agreements were aligned to organisational targets and government performance directives.

The Department has awarded new bursaries during this financial year and continued funding previously approved bursaries for those applicants complying to the requirements as per their contracts. The Employee Relations function has successfully implemented the empowerment of employees through appropriate training interventions on the Code of Conduct and Financial Disclosures. The change management processes will be ongoing to ensure that all elements of change are well-coordinated and appropriate platforms are created to keep all stakeholders informed and ensure they are consulted on change initiatives.



3. HUMAN RESOURCES OVERSIGHT STATISTICS

3.1 Personnel Related Expenditure

Table 3.1.1 Personnel expenditure by programme for the period 1 April 2015 to 31 March 2016

Programme	Total Expenditure (R'000)	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Professional and Special Services Expenditure (R'000)	Personnel Expenditure as a % of Total Expenditure	Average Personnel Cost per Employee (R'000)
Administration	145,761	73,460	1 466	9 366	50.4	357
Legal and Governance	19,761	17,086	0	612	86.5	83
Port manufacturing & strategic partnership	23,094,186	49,429	0	4 823	0.2	240
Total as on Financial Systems(BAS)	23,259,708	139,975	1 466	14 801	137.1	680



Table 3.1.2 Personnel costs by salary band for the period 1 April 2015 to 31 March 2016

Salary Band	Personnel Expenditure (R'000)	% of Total Personnel Cost	No. of Employees	Average Personnel Cost per Employee (R'000)
Skilled (Levels 3-5)	1 112	0.8	6	185
Highly skilled production (Levels 6-8)	15 438	10.8	45	343
Highly skilled supervision (Levels 9-12)	35 158	24.7	65	541
Senior management (Levels 13-16)	52 152	37.15	52	1 003
Contract (Levels 3-5)	330	0.2	1	330
Contract (Levels 6-8)	3 431	2.4	6	572
Contract (Levels 9-12)	7 301	5.1	14	522
Contract (Levels 13-16)	21 962	15.4	17	1 292
Periodical Remuneration	1 773	1.2	15	118
Abnormal Appointment	1 714	1.2	25	69
Total	140 371	98.4	246	571

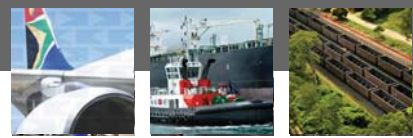


Table 3.1.3 Salaries, overtime, home owner's allowance and medical aid by the programme for the period 1 April 2015 to 31 March 2016

Programme	Salaries		Overtime		Home Owners Allowance		Medical Aid	
	Amount (R'000)	Salaries as a % of Personnel Costs	Amount (R'000)	Overtime as a % of Personnel Costs	Amount (R'000)	HOA as a % of Personnel Costs	Amount (R'000)	Medical Aid as a % of Personnel Cost
Dep:administration	58 281	79.33	665	0.9	906	1.2	1146	1.5
Dep:legal and governance	14 824	86.76	2	0	44	0.3	225	1.3
Dep:portfolio man & strategic partnership	41 225	83.40	6	0	607	1.2	635	1.2
Total	14 330	81.67	673	0.5	1 557	1.1	2 006	1.4

Table 3.1.4 Salaries, overtime, home owner's allowance and medical aid by salary band for the period 1 April 2015 to 31 March 2016

Salary Band	Salaries		Overtime		Home Owners Allowance		Medical Aid	
	Amount (R'000)	Salaries as a % of Personnel Costs	Amount (R'000)	Overtime as Aa% of Personnel Costs	Amount (R'000)	Hoas as a % of Personnel Costs	Amount (R'000)	Medical Aid as a % of Personnel Cost
Highly skilled production (Levels 3-5)	756	68	10	0.9	65	5.8	86	7.7
Highly skilled production (Levels 6-8)	10 752	69.6	391	2.5	586	3.7	635	4
Highly skilled supervision (Levels 9-12)	26 701	75.9	174	0.5	432	1.2	639	1.8
Senior management (Levels 13-16)	44 214	84.8	0	0	353	0.7	522	1
Contract (Levels 3-5)	330	100	0	0	0	0	0	0
Contract (Levels 6-8)	3 261	94.8	61	1.8	0	0	0	0
Contract (Levels 9-12)	6 201	84.9	37	0.5	40	0.5	86	1.2
Contract (Levels 13-16)	20 401	92.9	0	0	80	0.4	38	0.2
Periodical Remuneration	0	0	0	0	0	0	0	0
Abnormal Appointment	1 714	100	0	0	0	0	0	0
Total	114 330	81.4	673	0.5	1 556	1.1	2 006	1.4



3.2 Employment and Vacancies

The tables in this section summarises the position with regard to employment and vacancies. They include summaries of the number of posts in 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 (see definitions in notes below).

The Department has 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 at 31 March 2016

Programme	Number of Posts on Approved Establishment	Number of Posts Filled	Vacancy Rate	Number of Employees Additional to the Establishment
Dep: Administration, permanent	123	110	10.6	5
Dep: Legal and Governance, permanent	21	20	4.8	0
Dep: Portfolio management & Strategic Partnership permanent	79	69	12.7	0
Total	223	199	10.8	5

Table 3.2.2 Employment and vacancies by salary band as at 31 March 2016

Salary Band	Number of posts on approved establishment	Number of posts filled	Vacancy Rate	Number of employees additional to the establishment
Lower skilled (1-2)	0	0	0	0
Skilled (3-5)	7	6	14.3	0
Highly skilled production (6-8)	55	49	10.9	1
Highly skilled supervision (9-12)	75	74	1.3	4
Senior management (13-16)	86	70	18.6	0
Total	223	199	10.8	5



Table 3.2.3 Employment and vacancies by critical occupation as at 31 March 2016

Critical Occupation	Number of Posts on Approved Establishment	Number of Posts filled	Vacancy Rate	Number of Employees Additional to the Establishment
Administrative related, permanent	73	70	4.1	5
Client Inform Clerks(switch b receipt, inform clerks), permanent	3	3	0	0
Communication and information related, permanent	5	5	0	0
Finance and economics related, permanent	8	7	12.5	0
Financial Clerks and Credit Controllers, permanent	6	5	16.7	0
Food services aids and waiters, permanent	4	4	0	0
Head of Department/Chief Executive Officer, permanent	1	1	0	0
Human resources & organisat development & relate prof, permanent	12	12	0	0
Information technology related, permanent	8	7	12.5	0
Library mail and related clerks, permanent	5	5	0	0
Logistical support personnel, permanent	5	4	20	0
Messengers, porters and deliverers, permanent	4	4	0	0
Security Officers, permanent	4	3	25	0
Senior Managers, permanent	85	69	18.8	0
Total	223	199	10.8	5



3.3 Filling of SMS posts

Table 3.3.1 SMS post Information as at 31 March 2016

SMS Level	Total Number of Funded SMS Posts	Total Number of SMS Posts Filled	% of SMS Posts Filled	Total Number of SMS Posts Vacant	% of SMS Posts Vacant
Director-General/ Head of Department	1	1	100	0	0
Salary Level 16	0	0	0	0	0
Salary Level 15	9	7	77.7	2	22
Salary Level 14	27	21	77.7	6	22
Salary Level 13	49	41	83.7	8	16
Total	86	70	81.4	16	18.6

Table 3.3.2 SMS post Information as at 30 September 2015

SMS Level	Total Number of Funded SMS Posts	Total Number of SMS Posts Filled	% of SMS Posts Filled	Total Number of SMS Posts Vacant	% of SMS Posts Vacant
Director-General/ Head of Department	1	0	0	1	100
Salary Level 16	0	0	0	0	0
Salary Level 15	9	8	89	1	11
Salary Level 14	27	20	74	7	26
Salary Level 13	49	39	80	10	20
Total	86	77	90	9	10.5



Table 3.3.3 Advertising and filling SMS posts for the period 1 April 2015 to 31 March 2016

SMS Level	Total Number Funded SMS Posts	Total Number of SMS Posts Filled	% of SMS Posts Filled	Total Number of SMS Posts Vacant	% of SMS Posts Vacant
Director-General/ Head of Department	1	1	100	0	0
Salary Level 16	0	0	0	0	0
Salary Level 15	9	7	77.7	2	22
Salary Level 14	27	21	77.7	6	22
Salary Level 13	49	41	83.7	8	16
Total	86	70	81.4	16	18.6

Table 3.3.4 Reasons for not having complied with the filling of funded vacant SMS posts advertised within 6 months after becoming vacant for the period 1 April 2015 to 31 March 2016

Reasons for vacancies not advertised within six months

Filling of some posts remained a challenge for the Department. This was largely as a result a of verification process that the Department is required to undertake prior to confirming the appointment.

Reasons for vacancies not filled within twelve months

N/A

Table 3.3.5 Disciplinary steps taken for not complying with the prescribed timeframes for filling SMS posts within 12 months for the period 1 April 2015 to 31 March 2016

Reasons for vacancies not advertised within six months

No disciplinary steps were taken.

Reasons for vacancies not filled within six months

N/A



3.4 Job Evaluation

Table 3.4.1 Job evaluation by salary band for the period 1 April 2015 to 31 March 2016

Salary Band	Number of posts on approved establishment	Number of jobs evaluated	% of posts evaluated by salary bands	Posts upgraded		Post downgraded	
				Number	% of posts evaluated	Number	% of posts evaluated
Lower skilled (Levels 1-2)	0	0	0	0	0	0	0
Skilled (Levels 3-5)	7	0	0	0	0	0	0
Highly skilled production (Levels 6-8)	55	0	0	0	0	0	0
Highly skilled supervision (Levels 9-12)	75	0	0	0	0	0	0
Senior Management -Service band A	86	0	0	0	0	0	0
Senior Management -Service band B	0	0	0	0	0	0	0
Senior management -Service band C	0	0	0	0	0	0	0
Senior Management -Service band D	0	0	0	0	0	0	0
Total	223	0	0	0	0	0	0

Table 3.4.2 Profile of employees whose positions were upgraded due to their posts being upgraded for the period 1 April 2015 to 31 March 2016

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	0	0	0	0
Total	0	0	0	0	0



Table 3.4.3 Employees with salary levels higher than those determined by job evaluation by occupation for the period 1 April 2015 to 31 March 2016

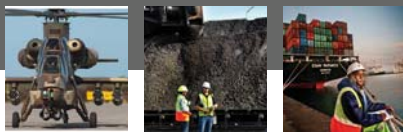
Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
None	0	0	0	0
None	0	0	0	0
None	0	0	0	0
None	0	0	0	0
Total number of employees whose salaries exceeded the level determined by job evaluation	0	0	0	0
Percentage of total employed	0	0	0	0

Table 3.4.4 Profile of employees who have salary levels higher than those determined by job evaluation for the period 1 April 2015 to 21 March 2016

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	0	0	0	0
Total	0	0	0	0	0

Total number of employees whose salaries exceeded the grades determined by job evaluation	None
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3.5 Employment Changes

Table 3.5.1 Annual turnover rates by salary band for the period 1 April 2015 to 31 March 2016

Salary band	Number of employees at beginning of period - 1 April 2015	Appointments and transfers into the Department	Terminations and transfers out of the Department	Turnover rate
Lower skilled (Levels 1-2)	0	0	0	0
Skilled (Levels 3-5)	8	1	1	12.5
Highly skilled production (Levels 6-8)	51	5	6	11.5
Highly skilled supervision (Levels 9-12)	74	10	9	12.2
Senior Management -Service band A	41	8	6	14.6
Senior Management -Service band B	19	4	3	15.8
Senior management -Service band C	8	0	1	12.5
Senior Management -Service band D	1	1	0	0
Total	202	29	26	12.9

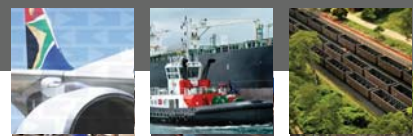


Table 3.5.2 Annual turnover rates by critical occupation for the period 1 April 2015 to 31 March 2016

Critical occupation	Number of employees at beginning of period - 1 April 2015	Appointments and transfers into the Department	Terminations and transfers out of the Department	Turnover rate
Administrative related, permanent	75	12	7	9.3
Client Inform Cerks(switchb receipt inform clerks), permanent	3	0	0	0
Communication and information related, permanent	5	0	0	0
Finance and economics related, permanent	6	0	4	66.7
Financial Clerks and credit controllers, permanent	5	0	0	0
Food services aids and waiters, permanent	4	0	0	0
Human Resources & organisation development & relate prof, permanent	10	0	0	0
Information Technology related, permanent	5	2	1	20
Library mail and related clerks, permanent	7	1	1	14.3
Material-recording and transport clerks, permanent	5	1	2	40
Messengers, porters and deliverers, permanent	6	0	1	16.7
Security Officers, permanent	3	0	0	0
Senior Managers, permanent	68	13	10	14.7
Total	202	29	26	12.9



Table 3.5.3 Reasons why staff left the Department for the period 1 April 2015 to 31 March 2016

Termination type	Number	% of Total Resignations
Death	0	0
Resignation	18	69
Expiry of contract	5	19
Dismissal - operational changes	0	0
Dismissal - misconduct	0	0
Dismissal - inefficiency	0	0
Discharged due to ill-health	1	4
Retirement	2	8
Transfers to other public service Departments	0	0
Other	0	0
Total	26	100
Total number of employees who left as a % of total employment	12.9	



Table 3.5.4 Promotions by critical occupation for the period 1 April 2015 to 31 March 2016

Occupation	Employees - 1 April 2015	Promotions to another salary level	Salary level promotions as a % of employees by occupation	Progressions to another notch within a salary level	Notch progression as a % of employees by occupation
Administrative related	75	3	4	36	48
Client Inform Clerks (switch-b., recept., inform. clerks),	3	0	0	0	0
Communication and information related	5	0	0	2	40
Finance and economics related	6	1	16.7	5	83.3
Financial Clerks and Credit Controllers,	5	0	0	2	40
Food services aids and waiters,	4	0	0	1	25
Human Resources & organisat. development & related prof.	10	0	0	7	70
Information technology related	5	1	20	1	20
Library mail and related clerks	7	0	0	5	71.4
Material-recording and transport clerks,	6	3	50	1	16.7
Messengers, porters and deliverers,	5	1	20	0	0
Security Officers	3	1	33.3	0	0
Senior Managers	68	4	5.9	16	23.5
Total	202	14	6.9	76	37.6



Table 3.5.5 Promotions by salary band for the period 1 April 2015 to 31 March 2016

Salary Band	Employees - 1 April 2015	Promotions to another salary level	Salary bands promotions as a % of employees by salary level	Progressions to another notch within a salary level	Notch progression as a % of employees by salary bands
Skilled (Levels 3-5) permanent	8	0	0	2	25
Highly skilled production (Levels 6-8) permanent	51	8	15.7	13	25.5
Highly skilled supervision (Levels 9-12) permanent	115	1	0.9	38	33
Senior Management (Levels 13-16), permanent	28	5	17.9	23	82.1
Total	202	14	6.9	76	37.6

3.6 Employment Equity

Table 3.6.1 Total number of employees (including employees with disabilities) in each of the following occupational categories as at 31 March 2016

Occupational Category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers, permanent	33	5	2	2	0	2	3	2	49
Professionals, permanent	1	0	1	0	8	1	1	4	16
Technicians and associate professionals, permanent	16	0	0	1	4	0		2	23
Technicians and associate professionals, temporary	0	0	0	0	0	0	0	0	0
Clerks, Permanent	7	0	0	0	3	1	0	1	12
Service and sales workers, permanent	6	0	0	0	4	0	0	0	10
Elementary occupations, permanent	0	0	0	0	3	0	0	0	3
Total	63	5	3	3	22	4	4	9	113



Table 3.6.2 Total Number of employees (including employees with disabilities) in each of the following occupational bands as at 31 March 2016

Occupational Band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	2	1	0	0	4	0	0	1	8
Senior Management	31	4	2	2	6	2	3	1	51
Professionally qualified and experienced specialists and mid-management	17	0	1	0	8	1	1	4	32
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	23	0	0	1	47	1	0	3	75
Semi-skilled and discretionary decision making	6	0	0	0	4	0	0	0	10
Unskilled and defined decision making	0	0	0	0	3	0	0	0	3
Total	79	5	3	3	72	4	4	9	179



Table 3.6.3 Recruitment for the period 1 April 2015 to 31 March 2016

Occupational Band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Senior Management, permanent	9	0	3	1	1	0	0	0	14
Professionally qualified and experienced specialists and mid-management, permanent	4	0	0	0	3	0	0	0	7
Skilled technical and academically qualified workers, junior management, supervisors, foremen, permanent	2	0	0	0	5	0	0	0	7
Semi-skilled and discretionary decision making, permanent	1	0	0	0	0	0	0	0	1
Total	16	0	3	1	9	0	0	0	29
Employees with disabilities	0	0	0	0	0	0	0	0	0

Table 3.6.4 Promotions for the period 1 April 2015 to 31 March 2016

Occupational Band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	1	0	0	0	0	0	0	0	1
Senior Management	3	0	1	0	0	0	0	0	4
Professionally qualified and experienced specialists and mid-management	1	0	0	0	0	0	0	0	1
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	1	0	0	0	2	0	0	0	3
Semi-skilled and discretionary decision making	0	0	0	0	0	0	0	0	0
Total	6	0	1	0	2	0	0	0	9
Employees with disabilities	0	0	0	0	0	0	0	0	0



Table 3.6.5 Terminations for the period 1 April 2015 to 31 March 2016

Occupational Band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management									
Senior Management,	1	1	1	1	6	0	0	1	11
Professionally qualified and experienced specialists and mid-management	2	0	0	0	1	0	0	0	3
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	6	1	0	0	4	0	0	0	11
Semi-skilled and discretionary decision making	0	1	0	0	0	0	0	0	1
Total	9	3	1	1	11	0	0	1	26

Table 3.6.6 Disciplinary action for the period 1 April 2015 to 31 March 2016

Disciplinary action	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Gross Dishonesty	1	0	0	0	1	0	0	0	2
Total	1	0	0	0	1	0	0	0	2



Table 3.6.7 Skills development for the period 1 April 2015 to 31 March 2016

Occupational category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	31	2	0	3	18	0	5	10	69
Professionals	18	0	5	2	22	0	0	3	50
Technicians and associate professionals	7	0	0	0	26	0	0	0	33
Clerks	8	0	0	0	33	0	0	0	34
Elementary occupations	0	0	0	0	6	0	0	0	13
Total	64	2	5	5	105	0	5	13	199
Employees with disabilities	1	0	0	1	0	0	0	2	4

3.7 Signing of performance agreements by SMS members

Table 3.7.1 Signing of performance agreements by SMS members as at 31 May 2015

SMS level	Total number of funded SMS posts	Total number of SMS members	Total number of signed Performance Agreements	Signed Performance Agreements as a % of total number of SMS members
Director-General/ Head of Department	1	1	1	100%
Salary Level 16	0	0	0	0
Salary Level 15	9	7	7	100%
Salary Level 14	27	21	21	100%
Salary Level 13	49	41	41	100%
Total	86	70	70	100%

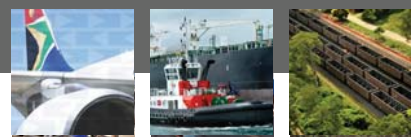


Table 3.7.2 Reasons for not having concluded a Performance Agreement with all SMS members as at 31 March 2016

Reasons
All performance agreements were concluded within the 2015/16 annual cycle

Table 3.7.3 Disciplinary steps taken against SMS members for not having concluded a performance agreement as at 31 March 2016

Reasons
None

3.8 Performance rewards

Table 3.8.1 Performance rewards by race, gender and disability for the period 1 April 2014 to 31 March 2015

Race and Gender	Beneficiary profile			Cost	
	Number of beneficiaries	Number of employees	% of total within group	Cost (R'000)	Average cost per employee (R'000)
African					
Female	39	94	41.5	803	21
Male	24	84	28.6	572	24
Asian					
Female	1	3	33.3	40	40
Male	0	4	0	0	0
Coloured					
Female	2	5	40	50	25
Male	0	4	0	0	0
White					
Female	4	6	66.7	123	31
Male	1	2	50	22	22
Disability	2	4	50	66	33
Total	73	206	35.4	1 676	23



Table 3.8.2 Performance rewards by salary band for personnel below senior management level for the period 1 April 2015 to 31 March 2016

Salary Band	Beneficiary profile			Cost		Total cost as a % of the total personnel expenditure
	Number of beneficiaries	Number of employees	% of total within salary bands	Total cost (R'000)	Average cost per employee (R'000)	
Skilled (Levels 3-5)	3	6	50	30	10	2.7
Highly skilled production (Levels 6-8)	30	45	66.7	518	17	3.4
Highly skilled supervision (Levels 9-12)	37	65	56.9	1 086	29	3.1
Contract (Levels 3-5)	0	1	0	0	0	0
Contract (Levels 6-8)	2	6	33.3	20	10	0.6
Contract (Levels 9-12)	1	14	7.1	22	22	0.3
Periodical Remuneration	0	15	0	0	0	0
Abnormal Appointment	0	25	0	0	0	0
Total	73	177	41.2	1 676	23	1.2



**Table 3.8.3 Performance rewards by critical occupation for the period
1 April 2014 to 31 March 2015**

Critical occupation	Beneficiary profile			Cost	
	Number of beneficia-ries	Number of employ-ees	% of total within occupa-tion	Total cost (R'000)	Average cost per employee (R'000)
Administrative related	12	28	42.9	375	31
Client Inform Clerks(switch b reception. inform clerks)	4	5	80	53	13
Communication and information related	0	3	0	0	0
Computer System Designers and analysts.	1	1	100	22	22
Economists	0	1	0	0	0
Financial and Economic related	6	23	26.1	153	26
Financial and related Professionals	2	5	40	50	25
Financial Clerks and Credit Controllers	2	3	66.7	32	16
Food services aids and waiters	2	4	50	20	10
Head of Department/Chief Executive Officer	0	1	0	0	0
Human Resources & organisational development & related professions		6	83.3	153	31
Human Resources clerks	1	1	100	20	20
Human Resources related	2	2	100	66	33
Information Technology related	2	3	66.7	63	32
Library mail and related clerks	5	5	100	97	19
Logistical support personnel	1	1	100	32	32
Material-recording and transport clerks	4	5	80	64	16
Messengers, porters and deliverers	1	4	25	14	14
Other administration & related clerks and organisers	0	3	0	0	0
Other information technology personnel.	1	1	100	15	15
Other occupations	2	4	50	75	38
Secretaries & other keyboard operating clerks	19	25	76	351	18
Security Officers	0	3	0	0	0
Senior Managers	0	69	0	0	0
Total	73	206	35.4	1 655	23



Table 3.8.4 Performance related rewards (cash bonus), by salary band for senior management level for the period 1 April 2014 to 31 March 2015

Salary band	Beneficiary profile			Cost		Total cost as a % of the total personnel expenditure
	Number of beneficiaries	Number of employees	% of total within salary bands	Total cost (R'000)	Average cost per employee (R'000)	
Band A	0	41	0	0	0	0
Band B	0	19	0	0	0	0
Band C	0	8	0	0	0	0
Band D	0	1	0	0	0	0
Total	0	69	0	0	0	0

3.9 Foreign Workers

Table 3.9.1 Foreign workers by salary band for the period 1 April 2015 to 31 March 2016

Salary band	1 April 2015		31 March 2016		Change	
	Number	% of total	Number	% of Total	Number	% Change
Lower skilled	0	0	0	0	0	0
Highly skilled production (Level 6-8)	0	0	0	0	0	0
Highly skilled supervision (Level 9-12)	0	0	0	0	0	0
Contract (Level 9-12)	0	0	0	0	0	0
Contract (Level 13-16)	4	100	4	100	0	0
Total	4	100	4	100	0	0

Table 3.9.2 Foreign workers by major occupation for the period 1 April 2015 to 31 March 2016

Major Occupation	1 April 2015		31 March 2016		Change	
	Number	% of total	Number	% of total	Number	% Change
Senior Management	4	100	4	100	0	0
Total	4	100	4	100	0	0



3.10 Leave Utilisation

Table 3.10.1 Sick leave for the period 1 January 2015 to 31 December 2015

Salary Band	Total days	% days with medical certification	Number of employees using sick leave	% of total employees using sick leave	Average days per employee	Estimated cost (R'000)
Lower skills (Level 1-2)	0	0	0	0	0	0
Skilled (Level 3-5)	34	91.2	5	3	7	24
Highly skilled production (level 6-8)	323	71.8	39	23.1	8	387
Highly skilled supervision (Level 9 -12)	308	74.7	48	28.4	6	616
Top and senior management (Level 13-16)	197	71.6	34	20.1	6	695
Contracts (Level 3-5)	6	83.3	3	1.8	2	4
Contract (Level 6-8)	55	69.1	14	8.3	4	55
Contract (Level 9-12)	78	73.1	14	8.3	6	137
Contract (Level 13-16)	59	78	12	7.1	5	241
Total	1 060	73.6	169	100	6	2 159

Table 3.10.2 Disability leave (temporary and permanent) for the period 1 January 2015 to 31 December 2015

Salary Band	Total days	% days with medical certification	Number of employees using sick leave	% of total employees using sick leave	Average days per employee	Estimated cost (R'000)
Lower skilled (Level 1-2)	0	0	0	0	0	0
Skilled (Level 3-5)	0	0	0	0	0	0
Highly skilled production (Level 6-8)	2	100	1	25	2	3
Highly skilled supervision (Level 9-10)	2	100	1	25	2	5
Senior management (Level 13-16)	11	100	2	50	6	39
Total	15	100	4	100	4	47



Table 3.10.3 Annual leave for the period 1 January 2015 to 31 December 2016

Salary Band	Total days taken	Number of employees using annual leave	Average per employee
Lower skills (Level 1-2)	0	0	0
Skilled (Level 3-5)	533	22	24
Highly skilled production (level 6-8)	852	23	37
Highly skilled supervision (Level 9 -12)	919	22	41.8
Senior management (Level 13-16)	666	19	35
Contracts (Level 3-5)	265	7	37.8
Contract (Level 6-8)	382	11	34.7
Contract (Level 9-12)	636	18	35
Contract (Level 13-16)	447	15	29.8
Total	4 700	137	34

Table 3.10.4 Capped leave for the period 1 January 2015 to 31 December 2015

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 2014
Lower skills (Level 1-2)				
Skilled (Level 3-5)	0	0	0	0
Highly skilled production (level 6-8)	0	0	0	0
Highly skilled supervision (Level 9 -12)	0	0	0	0
Senior management (Level 13-16)	0	0	0	0
Total	0	0	0	0



Table 3.10.5 Leave payout for the period 1 April 2015 to 31 March 2016

Reason	Total amount (R'000)	Number of employees	Average per employee (R'000)
Leave payout for 2015/16 due to non-utilisation of leave for the previous cycle	0	0	0
Capped leave payouts on termination of service for 2015/16	1 438	2	719
Current leave payout on termination of service for 2015/16	378	13	29
Total	1 816	15	121

3.11 HIV/AIDS & 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 & related diseases (if any)	Key steps taken to reduce the risk
None	



Table 3.11.2 Details of health promotion and HIV/AIDS programmes (tick the applicable boxes and provide the required information)

Question	Yes	No	Details, if yes
1. Has the Department designated a member of the SMS to implement the provisions contained in Part VI E of Chapter 1 of the Public Service Regulations, 2001? If so, provide her/his name and position.	X		Director Employee Relations and Wellness : Mr. Darol Holby
2. Does the Department have a dedicated unit or has it designated specific staff members to promote the health and well-being of your employees? If so, indicate the number of employees who are involved in this task and the annual budget that is available for this purpose.	X		Three employees; Annual budget: R240 000.
3. Has the Department introduced an Employee Assistance or Health Promotion Programme for your employees? If so, indicate the key elements/services of this programme.	X		Counselling services provided on issues affecting personal and work life. Focus on emotional and personal difficulties, family and relationship, management of stress and change, financial matters, legal concerns, career issues, violence and trauma, HIV and AIDS, general health concerns, bereavement and loss.
4. Has the Department established a committee 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 stakeholders that they represent.		X	
5. Has the Department reviewed its employment policies and practices to ensure that these do not unfairly discriminate against employees on the basis of their HIV status? If so, list the employment policies/practices reviewed.	X		HIV & AIDS and TB policy; Wellness 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		A service provider has been appointed to assist employees who may be infected or affected
7. Does the Department encourage its employees to undergo voluntary counselling and testing (VCT)? If so, list the results that you have achieved.	X		Opportunities to test are arranged Quarterly. 193 employees tested negative and 2 positive
8. Has the Department developed measures/indicators to monitor & evaluate the impact of its health promotion programme? If so, list these measures/ indicators.	X		Monitoring the results of employees tested for Health Risk Assessment, HIV & TB, Cancer screening on a quarterly basis



3.12 Labour Relations

Table 3.12.1 Collective agreements for the period 1 April 2015 to 31 March 2016

Subject Matter	Date
Total number of collective agreements	None

Table 3.12.2 Misconduct and disciplinary hearings finalised for the period 1 April 2015 to 31 March 2016

Outcomes Of Disciplinary Hearings	Number	% Of Total
Correctional counselling	0	0
Verbal warning	0	0
Written warning	0	0
Final written warning	2	67
Suspended without pay	0	0
Fine	0	0
Demotion	0	0
Dismissal	0	0
Not guilty	0	0
Case withdrawn	1	33
Total	3	100

Total number of Disciplinary hearings finalised	None
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Table 3.12.3 Types of misconduct addressed at disciplinary hearings for the period 1 April 2015 to 31 March 2016

Type Of Misconduct	Number	% of Total
Unprocedural recruitment process	3	50
Unprocedural promotions	3	50
Total	6	100

Table 3.12.4 Grievances logged for the period 1 April 2015 to 31 March 2016

Grievances	Number	% Of Total
Number of grievances resolved	0	100
Number of grievances not resolved	0	100
Total Number Of Grievances Lodged	0	100

Table 3.12.5 Disputes logged with councils for the period 1 April 2015 to 31 March 2016

Disputes	Number	% of total
Number of disputes upheld	1	50
Number of disputes dismissed	1	50
Total Number Of Disputes Lodged	2	100

Table 3.12.6 Strike action for the period 1 April 2015 to 31 March 2016

Total number of persons working days lost	0
Total cost of 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 2015 to 31 March 2016

Number of people suspended	4
Number of people whose suspension exceeded 30 days	3
Average number of days suspended	191 Days
Cost of suspension(R'000)	R 2060 126

3.13 Skills Development

Table 3.13.1 Training needs identified for the period 1 April 2015 to 31 March 2016

Occupational Category	Gender	Number of employees as at 1 April 2015	Training provided within the reporting period			
			Learnerships	Skills programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	26	0	28	15	43
	Male	43	0	14	9	23
Professionals	Female	18	0	3	4	7
	Male	32	0	9	4	13
Technicians and associate professionals	Female	17	0	10	15	25
	Male	16	0	4	5	9
Clerks	Female	29	0	16	20	36
	Male	5	0	10	11	21
Elementary occupations	Female	7	0	2	2	4
	Male	6	0	3	2	5
Sub Total	Female	97	0	59	56	115
	Male	102	0	40	31	71
Total		199	0	99	87	186



Table 3.13.2 Training provided for the period 1 April 2015 to 31 March 2016

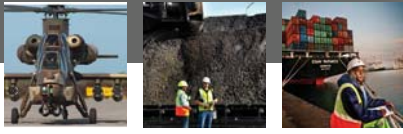
Occupational Category	Gender	Number of employees as at 1 April 2015	Training provided within the reporting period			
			Learnerships	Skills programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	26	0	28	15	43
	Male	43	0	14	9	23
Professionals	Female	18	0	3	4	7
	Male	32	0	9	4	13
Technicians and associate professionals	Female	17	0	10	15	25
	Male	16	0	4	5	9
Clerks	Female	29	0	16	20	36
	Male	5	0	10	11	21
Elementary occupations	Female	7	0	2	2	4
	Male	6	0	3	2	5
Sub Total	Female	97	0	59	56	115
	Male	102	0	40	31	71
Total		199	0	99	87	186



3.14 Injury on duty

Table 3.14.1 Injury on duty for the period 1 April 2015 to 31 March 2016

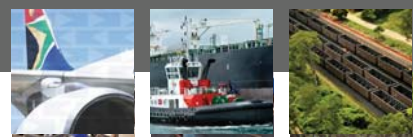
Nature of injury on duty	Number	% Of Total
Required basic medical attention only	0	0
Temporary total disablement	0	0
Permanent disablement	0	0
Fatal	0	0
Total	0	0



3.15 Utilization of Consultants

Table 3.15.1 Report on consultant appointments using appropriated funds

Project Title	Total number of consultants that worked on the project	Duration work days	Contract value in rand	Name of company or consultant
Consulting services to the Minister	01	55	195 276.66	Professor Daniel Plaatjies
Temporary contractor	01	30	223 397.25	Ladz Trading
Climate	2	6 months	689 062.00	WWF
CS Study		60	10 103620.00	Dialogue
Co-sourcing internal audit	14	2012 hrs	1 987828.60	SAB&T
Forensic investigation	2	791.75 hrs	829475.54	SAB&T
Facilitation of strategic planning session of internal audit	2	26 hrs	25 990.00	Pinakle
Media executive training	17	12	213 750.00	Flow Communication
Media monitoring	3	90	328 800.40	Sakhile/IKGB Media
War room	9	3 months	495 500.80	Sakhile/ IKGB Media
Maintenance of website			93024.00	NVISION
Redrafting of annual report for 14/15	1	2	20000.00	Professor Chis
Legal advice	1	24 months	89 283.18	Molefe Dlepu
Conduct feasibility study on development & implementation of a risk modelling tool for SOCs	4	80	790 704.00	Ntiyiso
Training for heat system	3	42	93 266.25	Chombo
ITC steering committee	4	55	336 300.00	KPMG
Hosting of website			119710.44	NVISION
Development of the compliance manual & guidelines	2	100	339 349.50	RC Mkhwanazi
SOCs reforms			2 106 294.00	Deloitte & Touche
SOCs reforms	5	35	1 500 000.00	Letsema
National corridor performance measurement	7	308	2 398 444.00	EOH
Contract employee (Director: Operation)	2	904.24	478 168.38	Cynthia Ndaba
Contract employee (Director: Operation)	1	479.95	137 423.35	Harry Mashele
Forensic investigation	1	0	180 186.81	SAB&T
Leadership development	1	1	90000.00	Zenande Leadership



Project Title	Total number of consultants that worked on the project	Duration of work days	Contract value in rand	Name of company or consultant
HR			375390.82	HR
HR			25990	HR
HR			31552.00	SAQA
HR			16476.00	Organisational
HR			5000.00	Safety & Health
Internal Audit			602737.60	ARC
Consulting services to the Minister	01	55	195 276.66	Professor Daniel Plaatjies
Temporary contractor	01	30	223 397.25	Ladz Trading
Climate	2	129	689 062.00	WWF
CSI Study	3	60	103620.00	Dialogue
Forensic investigation	2	99	829475.54	SAB&T
Facilitation of strategic planning session of internal audit	2	3	25 990.00	Pinakle
Media executive training	17	12	213 750.00	Flow Communication
Media monitoring	3	90	328 800.40	Sakhile/IKGB Media
War room	9	90	495 500.80	Sakhile/ IKGB Media
Maintenance of website	-	-	93024.00	NVISION
Review of annual report for 14/15	1	2	20000.00	Professor Chis
Legal advice	1	252	89 283.18	Molefe Dlepu
Conduct feasibility study on development & implementation of a risk modelling tool for SOCs	4	80	790 704.00	Ntiyiso
Training for heat system	3	42	93 266.25	Chombo
Development of the ICT Strategy	4	55	336 300.00	KPMG
Hosting of website	-	-	119710.44	NVISION
Development of the compliance manual & guidelines	2	100	339 349.50	RC Mkhwanazi
SOCs reforms			2 106 294.00	Deloitte & Touche
SOCs reforms	5	35	1 500 000.00	Letsema
National corridor performance measurement	7	525	2 398 444.00	EOH
Disciplinary hearing process	1	0	180 186.81	SAB&T
Leadership development	1	3	90000.00	Zenande Leadership



Table 3.15.2 Analysis of consultant appointments using appropriated funds, in terms of historically disadvantaged individuals (HDI) for the year ended 31 March 2016

Project Title	Percentage ownership by HDI groups	Percentage management by HDI groups	Number of Consultants from HDI groups that work on the project
Consulting services to the Minister	100	100	1
Temporary contractor	100	100	1
Co-sourcing internal audit	64	70	9
Climate change	0	0	2
CSI Study	33	0	0
Forensic investigation	64	70	2
Facilitation of internal audit strategic planning session	100	100	2
Media executive training	30	33	47
Media monitoring	100	100	3
War room	100	100	6
Website hosting			
Review of Annual Report for 14/15	0	0	11
Legal advice	100	100	1
Conduct a feasibility study on the development & implementation of risk modelling	100	100	4
Training for heat system	100	100	3
Development of the ICT Strategy	0	0	1
Development of the compliance manual & guidelines	100	100	2
SOCs reforms			
SOCs reforms	100	100	4
National corridor performance measurement	39	56	4
Disciplinary hearing process	64	70	1
Leadership development	100	100	1



3.16 Severance Packages

Table 3.16.1 Granting of employee initiated severance packages for the period 1 April 2015 to 31 March 2016

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



PART E

FINANCIAL INFORMATION





Annual Financial Statement for Department of Public Enterprises for the year ended 31 March 2016

Report of the auditor-general to Parliament on Vote No.11

Report on the Financial Statements

1. Introduction

I have audited the Financial Statements of the Department of Public Enterprises set out on pages 109 to 161, which comprise the Appropriation Statement, the Statement of Financial Position as at 31 March 2016, the Statement of Financial Performance, Statement of changes in Net Assets and Cash Flow Statement for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

2. Accounting Officer's responsibility for the Financial Statements

The Accounting Officer is responsible for the preparation and fair presentation of these Financial Statements in accordance with the Modified Cash Standard (MCS) prescribed by the National Treasury and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and for such internal control as the Accounting Officer determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

3. Auditor-General's responsibility

My responsibility is to express an opinion on these Financial Statements based on my audit. I conducted my audit in accordance with International Standards on auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Financial Statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

4. Opinion

In my opinion, the Financial Statements present fairly, in all material respects, the financial position of the Department of Public Enterprises as at 31 March 2016 and its financial performance and cash flows for the year then ended, in accordance with the requirements.



5. Additional matter

I draw attention to the matter below. My opinion is not modified in respect of this matter. Unaudited supplementary schedules. The supplementary information set out on pages 162 to 174 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.

6. Report on other legal and regulatory requirements

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 findings on the reported performance information against predetermined objectives for the selected programme presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

7. Predetermined objectives

- I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected programmes presented in the Annual Performance Report of the department for the year ended 31 March 2016:
- Programme 2: Legal and Governance on page 29 to 31.
- Programme 3: Portfolio Management and Strategic Partnerships on page 32 to 58.
- I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for Managing Programme Performance Information (FMPPPI).

I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following programmes:

- Programme 2: Legal and Governance
- Programme 3: Portfolio Management and Strategic Partnerships



8. Additional matter

Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected programmes, I draw attention to the following matter:

9. Achievement of planned targets

Refer to the Annual Performance Report on page(s) 21 to 103 for information on the achievement of the planned targets for the year.

10. Compliance with legislation

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

10.1 Financial Statements

The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 40(1) (a) of the Public Finance Management Act. Material misstatements of contingent liabilities and guarantees identified by the auditors in the submitted financial statements were subsequently corrected resulting in the financial statements receiving an unqualified audit opinion.

10.2 Expenditure Management

Effective steps were not taken to prevent irregular expenditure amounting to R3 075 000 as disclosed in note 24 of the AFS, as required by section 38(1) (c) (ii) of the Public Finance Management Act and Treasury Regulation 9.1.1.

10.3 Internal Control

I considered internal control relevant to my audit of the Financial Statements Report on predetermined objectives and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the findings on non-compliance with legislation included in this report.

10.4 Leadership

The Accounting Officer did not exercise adequate oversight responsibility regarding financial reporting and compliance and related internal controls.

Auditor - General

Pretoria

Date: 29 July 2016



Auditing to build public confidence

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1. APPROPRIATION STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

Appropriation Per Programme										
2015/16										2014/15
Programme	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as a % of final appropriation	Final Appropriation	Actual Expenditure	
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000
1.Administration	160 594	-	1 280	161 874	145 760	16 114	90	156 859	145 557	
2.Legal and Governance	23 829	-	(320)	23 509	19 730	3 779	83.9	24 311	20 313	
3.Portfolio Management and Strategic Partnerships	23 118 171	-	(960)	23 117 211	23 094 185	23 026	99.9	141 757	132 576	
Total	23 302 594	-	-	23 302 594	23 259 675	42 919	99.8	322 927	298 446	

	2015/16		2014/15	
	Final Appropriation	Actual Expenditure	Final Appropriation	Actual Expenditure
TOTAL (brought forward)	23 302 594	23 259 675	322 927	298 446
Reconciliation with statement of financial performance ADD				
Departmental receipts	3 377		203	
Aid assistance	8 493		7 374	
Actual amounts per statement of financial performance (total revenue) ADD	23 314 464		330 504	
Aid assistance		31		4
Actual amounts per statement of financial performance (total expenditure)		23 259 706		298 450

Appropriation per economic classification

	2015/16						2014/15		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as a % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Economic classification									
Current payments	265 817	(6 003)	-	259 814	217 838	41 976	83.8	254 630	230 317
Compensation of employees	154 272	(2 252)	-	152 020	139 977	12 043	92.1	150 274	143 541
Salaries and wages	142 812	(4 067)	-	138 745	127 735	11 010	91.1	135 805	132 257
Social contributions	11 460	1 815	-	13 275	12 242	1 033	92.2	14 469	11 284
Goods and services	111 545	(3 751)	-	107 794	77 861	29 933	72.2	104 356	86 776
Administrative fees	943	1 397	-	2 340	2 334	6	99.7	902	921
Advertising	2 517	(127)	-	2 390	2 326	64	97.3	2 711	2 686
Minor assets	1 053	(602)	-	451	224	227	49.7	231	73
Audit costs: External	2 213	1 348	-	3 561	3 559	2	99.9	2 830	2 822
Bursaries: Employees	1 007	(35)	-	972	724	248	74.5	275	264
Catering: Departmental activities	1 316	(337)	-	979	698	281	71.3	980	703
Communication	4 641	88	-	4 729	4 165	564	88.1	4 802	4 567
Computer services	4 884	(901)	-	3 983	3 958	25	99.4	7 670	6 420
Consultants: Business and advisory services	38 083	(2 694)	-	35 389	14 800	20 589	41.8	33 074	25 080
Legal services	3 282	(544)	-	2 738	829	1 909	30.3	2 420	2 108
Contractors	2 032	513	-	2 545	2 039	506	80.1	2 693	2 628
Agency and support / outsourced services	840	837	-	1 677	1 659	18	98.9	1 067	984

Entertainment	310	(257)		53	-	53	-	41	4
Fleet services	1 538	(578)	-	960	771	189	80.3	1 019	975
Inventory: Clothing material and supplies	-	1	-	1	1	-	100	-	-
Inventory: Materials and supplies	2	4	-	6	5	1	83.3	49	46
Inventory: Medical supplies	-	3	-	3	3	-	100	-	-
Inventory: Medicine	-	2	-	2	2	-	100	1	1
Inventory: Other suppliers	-	20	-	20	-	20	-	-	-
Consumable supplies	839	(318)	-	521	356	165	68.3	986	725
Consumable: Stationery, printing and office supplies	1 572	178	-	1 750	1 566	184	89.5	1 821	1 524
Operating leases	3 412	(1 783)	-	1 629	1 223	406	75.1	1 200	1 196
Property payments	8 918	121	-	9 039	10 321	(1 282)	114.2	8 428	8 441
Transport provided: Departmental activity	-	211	-	211	208	3	98.6	69	68
Travel and subsistence	25 855	(1 977)	-	23 878	19 233	4 645	80.5	23 217	17 485
Training and development	2 112	(536)	-	1 576	1 466	110	93%	2 628	2 608
Operating payments	1 326	1 878	-	3 204	2 867	337	89.5%	2 430	1 860
Venues and facilities	2 564	(407)	-	2 157	1 554	603	72%	2 502	2 282
Rental and hiring	286	744	-	1 030	970	60	94.2%	310	305

Transfers and subsidies	33 211	2 275	-	35 486	35 476	10	100	63 930	63 848
Public corporations and private enterprises	33 106	-	-	33 106	33 106	-	100	63 141	63 141
Public corporations	33 106	-	-	33 106	33 106	-	100	63 141	63 141
Other transfers to public corporations	33 106	-	-	33 106	33 106	-	100	63 141	63 141
Households	105	2 275	-	2 380	2 370	10	99.6	789	707
Social benefits	-	1 881	-	1 881	1 874	7	99.6	692	611
Other transfers to households	105	394	-	499	496	3	99.4	97	96
Payments for capital assets	3 566	3 708	-	7 274	6 341	933	87.2	4 360	4 274
Machinery and equipment	3 464	3 198	-	6 662	5 731	931	86	4 277	4 192
Transport equipment	2 853	(640)	-	2 213	1 319	894	59.6	1 456	1 396
Other machinery and equipment	611	3 838	-	4 449	4 412	37	99.2	2 821	2 796
Intangible assets	102	510	-	612	610	2	99.7	83	82
Payment for financial assets	23 000 000	20	-	23 000 020	23 000 020	-	100	7	7

Programme 1: Administration

		2015/16						2014/15	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as a % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Sub programme									
Ministry	35 963	(4 543)	-	31 420	28 937	2 483	92.1	32 554	28 411
Management	24 238	(3 246)	-	20 992	12 834	8 158	61.1	15 443	15 152
Corporate Services	26 996	5 013	-	32 009	30 108	1 901	94.1	29 993	28 075
Chief Financial Officer	12 283	2 092	-	14 375	13 866	509	96.5	12 962	12 578
Human Resources	22 861	743	1 280	24 884	22 167	2 717	89.1	23 547	23 396
Communications	9 953	2 382	-	12 335	12 014	321	97.4	16 771	16 072
Strategic Planning, Monitoring and Evaluation	6 729	(1 608)	-	5 121	4 824	297	94.2	7 143	4 377
Intergovernmental Relations	8 077	(1 363)	-	6 714	5 708	1 006	85	5 871	5 830
Internal Audit	4 976	530	-	5 506	5 314	192	96.5	4 493	3 565
Office Accommodation	8 518	-	-	8 518	9 988	(1 470)	117.3	8 082	8 101
Total for sub programmes	160 594	-	1 280	161 874	145 760	16 114	90	156 859	145 557
Current payments	156 923	(5 346)	1 280	152 857	137 685	15 172	90.1	152 109	140 959
Compensation of employees	76 509	(1 595)	1 280	76 194	73 461	2 733	96.4	74 664	73 806
Salaries and wages	70 205	(2 074)	1 280	69 411	66 909	2 502	96.4	68 063	67 644
Social contributions	6 304	479	-	6 783	6 552	231	96.6	6 601	6 162
Goods and services	80 414	(3 751)	-	76 663	64 224	12 439	83.8	77 445	67 153
Administrative fees	943	1 389	-	2 332	2 326	6	99.7	696	715
Advertising	2 517	(127)	-	2 390	2 326	64	97.3	2 497	2 472
Minor assets	1053	(602)	-	451	224	227	49.7	231	73
Audit costs: External	2 213	1 348	-	3 561	3 559	2	99.9	2 830	2 822

Bursaries: Employees	1 007	(35)	-	972	724	248	74.5	275	264
Catering: Departmental activities	1 110	(308)	-	802	679	123	84.7	881	652
Communication	3 447	389	-	3 836	3 716	120	96.9	4 124	4 053
Computer services	4 884	(1 128)	-	3 756	3 731	25	99.3	5 914	4 864
Consultants: Business and advisory services	19 135	(2 189)	-	16 946	9 366	7 580	55.3	19 561	16 247
Legal services	1 000	(100)	-	900	119	781	13.2	675	673
Contractors	2 032	431	-	2 463	1 978	485	80.3	2 537	2 472
Agency and support / outsourced services	840	837	-	1 677	1 659	18	98.9	1 005	923
Entertainment	247	(239)	-	8	-	8	-	14	4
Fleet services	1 538	(578)	-	960	771	189	80.3	1 018	974
Inventory: Clothing material and supplies	-	1	-	1	1	-	100	-	-
Inventory: Materials and supplies	2	4	-	6	5	1	83.3	49	46
Inventory: Medical supplies	-	3	-	3	3	-	100	-	-
Inventory: Other supplies	-	20	-	20	-	20	-	-	-
Consumable supplies	839	(319)	-	520	356	164	68.5	986	725
Consumable: Stationery, printing and office supplies	1 572	178	-	1 750	1 566	184	89.5	1 769	1 480
Operating leases	3 412	(1 783)	-	1 629	1 223	406	75.1	1 200	1 196
Property payments	8 918	121	-	9 039	10 321	(1 282)	114.2	8 428	8 441
Transport provided: Departmental activity	-	211	-	211	208	3	98.6	69	68
Travel and subsistence	18 441	(2 997)	-	15 444	12 853	2 591	83.2	15 487	11 495
Training and development	2 112	(637)	-	1 475	1 466	9	99.4	2 628	2 608
Operating payments	1 326	1 816	-	3 142	2 806	336	89.3	2 424	1 854
Venues and facilities	1 630	(291)	-	1 339	1 268	71	94.7	1 898	1 787
Rental and hiring	196	834	-	1 030	970	60	94.2	249	244

Transfers and subsidies	105	1 618	-	1 723	1 714	9	99.5	383	317
Households	105	1 618	-	1 723	1 714	9	99.5	383	317
Social benefits	-	1 224	-	1 224	1 218	6	99.5	286	221
Other transfers to households	105	394	-	499	496	3	99.4	97	96
Payments for capital assets	3 566	3 708	-	7 274	6 341	933	87.2	4 360	4 274
Machinery and equipment	3 464	3 198	-	6 662	5 731	931	86	4 277	4 192
Transport equipment	2 853	(640)	-	2 213	1 319	894	59.6	1 456	1 396
Other machinery and equipment	611	3 838	-	4 449	4 412	37	99.2	2 821	2 796
Intangible assets	102	510	-	612	610	2	99.7	83	82
Payments for financial assets	-	20	-	20	20	-	100	7	7
Total	160 594	-	1 280	161 874	145 760	16 114	90	156 859	145 557

1.1 Ministry

		2015/16						2014/15	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as a % 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	33 110	(4 016)	-	29 094	27 506	1 588	94.5	31 087	27 005
Compensation of employees	19 015	(510)	-	18 505	18 112	393	97.9	17 779	17 748
Goods and services	14 095	(3 506)	-	10 589	9 394	1 195	88.7	13 308	9 257
Transfers and subsidies	-	113	-	113	112	1	99.1	11	10
Households	-	113	-	113	112	1	99.1	11	10
Payments for capital assets	2 853	(640)	-	2 213	1 319	894	59.6	1 456	1 396
Machinery and equipment	2 853	(640)	-	2 213	1 319	894	59.6	1 456	1 396

1.2 Management

		2015/16						2014/15	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as a % 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	24 238	(3 246)	-	20 992	12 834	8 158	61.1	15 443	15 152
Compensation of employees	6 170	513	-	6 683	6 336	347	94.8	6 105	6 077
Goods and services	18 068	(3 759)	-	14 309	6 498	7 811	45.4	9 338	9 075

1.3 Corporate Services									
		2015/16					2014/15		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as a % 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	26 283	655	-	26 938	25 076	1 862	93.1	27 036	25 198
Compensation of employees	12 458	420	-	12 878	12 169	709	94.5	12 318	12 062
Goods and services	13 825	235	-	14 060	12 907	1 153	91.8	14 718	13 136
Transfers and subsidies	-	30	-	30	29	1	96.7	100	45
Households	-	30	-	30	29	1	96.7	100	45
Payments for capital assets	713	4 328	-	5 041	5 003	38	99.2	2 857	2 832
Machinery and equipment	611	3 818	-	4 429	4 393	36	99.2	2 774	2 750
Intangible assets	102	510	-	612	610	2	99.7	83	82

1.4 Chief Financial Officer

2015/16										2014/15	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as a % of final appropriation	Final Appropriation	Actual Expenditure		
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000		R'000
Economic classification											
Current payments	12 283	1 078	-	13 361	12 853	508	96.2	12 825	12 445		
Compensation of employees	7 959	(1 174)	-	6 785	6 310	475	93	8 214	8 178		
Goods and services	4 324	2 252	-	6 576	6 543	33	99.5	4 611	4 267		
Transfers and subsidies	-	994	-	994	993	1	99.9	130	126		
Households	-	994	-	994	993	1	99.9	130	126		
Payments for capital assets	-	20	-	20	20	-	100	7	7		

1.5 Human Resources

2015/16										2014/15	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as a % of final appropriation	Final Appropriation	Actual Expenditure		
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000		R'000
Economic classification											
Current payments	22 861	618	1 280	24 759	22 043	2 716	89	23 502	23 356		
Compensation of employees	12 604	1 325	1 280	15 209	15 110	99	99.3	14 203	14 130		
Goods and services	10 257	(707)	-	9 550	6 933	2 617	72.6	9 299	9 226		
Transfers and subsidies	-	125	-	125	124	1	99.2	45	40		
Households	-	125	-	125	124	1	99.2	45	40		

1.6 Communications										
2015/16										2014/15
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as a % 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	R'000
Current payments	9 848	2 016	-	11 864	11 548	316	97.3	16 627	15 930	
Compensation of employees	7 313	(1 266)	-	6 047	5 878	169	97.2	6 187	6 023	
Goods and services	2 535	3 282	-	5 817	5 670	147	97.5	10 440	9 907	
Transfers and subsidies	105	346	-	451	447	4	99.1	97	96	
Households	105	346	-	451	447	4	99.1	97	96	
Payments for capital assets	-	20	-	20	19	1	95	47	46	
Machinery and equipment	-	20	-	20	19	1	95	47	46	

1.7 Strategic Planning, Monitoring and Evaluation										
2015/16										2014/15
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as a % 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	R'000
Current payments	6 729	(1 618)	-	5 111	4 815	296	94.2	7 143	4 377	
Compensation of employees	3 993	147	-	4 140	4 135	5	99.9	3 656	3 414	
Goods and services	2 736	(1 765)	-	971	680	291	70	3 487	963	
Transfers and subsidies	-	10	-	10	9	1	90	-	-	
Households	-	10	-	10	9	1	90	-	-	

1.8 Inter-Governmental Relations

		2015/16						2014/15	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as a % 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	8 077	(1 363)	-	6 714	5 708	1 006	85	5 871	5 830
Compensation of employees	4 630	(640)	-	3 990	3 629	361	91	4 495	4 477
Goods and services	3 447	(723)	-	2 724	2 079	645	76.3	1 376	1 353

1.9 Internal Audit

		2015/16						2014/15	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as a % 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	4 976	530	-	5 506	5 314	192	96.5	4 493	3 565
Compensation of employees	2 367	(410)	-	1 957	1 782	175	91.1	1 707	1 697
Goods and services	2 609	940	-	3 549	3 532	17	99.5	2 786	1 868

1.10 Office Accommodation

		2015/16						2014/15	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as a % 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	8 518	-	-	8 518	9 988	(1 470)	117.3	8 082	8 101
Goods and services	8 518	-	-	8 518	9 988	(1 470)	117.3	8 082	8 101

Programme 2: Legal and Governance

2015/16										2014/15	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as a % of final appropriation	Final Appropriation	Actual Expenditure		
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000	R'000
Sub programme											
Management	2 956	(131)	-	2 825	2 756	69	97.6	3 059	2 879		
Legal	13 127	(656)	(240)	12 231	10 663	1 568	87.2	12 603	11 703		
Governance	7 746	787	(80)	8 453	6 311	2 142	74.7	8 649	5 731		
Total for sub programmes	23 829	-	(320)	23 509	19 730	3 779	83.9	24 311	20 313		
Current payments	23 829	-	(320)	23 509	19 730	3 779	83.9	24 311	20 313		
Compensation of employees	18 773	-	(320)	18 453	17 087	1 366	92.6	17 542	16 834		
Salaries and wages	17 804	(437)	(320)	17 047	15 693	1 354	92.1	16 295	15 607		
Social contributions	969	437	-	1 406	1 394	12	99.1	1 247	1 227		
Goods and services	5 056	-	-	5 056	2 643	2 413	52.3	6 769	3 479		
Catering: Departmental activities	28	(20)	-	8	3	5	37.5	24	4		
Communication	544	(225)	-	319	113	206	35.4	204	125		
Consultants: Business and advisory services	655	783	-	1 438	612	826	42.6	2 479	393		
Legal services	2 282	(444)	-	1 838	710	1 128	38.6	1 745	1 435		
Agency and support / outsourced services	-	-	-	-	-	-	-	62	61		
Entertainment	13	(9)	-	4	-	4	-	14	-		
Travel and subsistence	1 358	35	-	1 393	1 171	222	84.1	2 126	1 394		
Operating payments	-	-	-	-	-	-	-	22	2		
Venues and facilities	176	(120)	-	56	34	22	60.7	113	65		
Total	23 829	-	(320)	23 509	19 730	3 779	83.9	24 311	20 313		

2.1 Management										
2015/16										2014/15
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as a % 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	R'000
Current payments	2 956	(131)	-	2 825	2 756	69	97.6	3 059	2 879	2 879
Compensation of employees	2 095	232	-	2 327	2 324	3	99.9	2 199	2 185	2 185
Goods and services	861	(363)	-	498	432	66	86.7	860	694	694

2.2 Legal										
2015/16										2014/15
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as a % 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	R'000
Current payments	13 127	(656)	(240)	12 231	10 663	1 568	87.2	12 603	11 703	11 703
Compensation of employees	9 795	-	(240)	9 555	9 323	232	97.6	9 440	9 429	9 429
Goods and services	3 332	(656)	-	2 676	1 340	1 336	50.1	3 163	2 274	2 274

2.3 Governance										
2015/16										2014/15
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as a % 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	R'000
Current payments	7 746	787	(80)	8 453	6 311	2 142	74.7	8 649	5 731	5 731
Compensation of employees	6 883	(232)	(80)	6 571	5 440	1 131	82.8	5 903	5 220	5 220
Goods and services	863	1 019	-	1 882	871	1 011	46.3	2 746	511	511

Programme 3: Portfolio Management and Strategic Partnership

2015/16										2014/15	
Sub programme	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as a % of final appropriation	Final Appropriation	Actual Expenditure	R'000	R'000
Energy and Broadband Enterprises	23 017 376	9	(240)	23 017 145	23 012 153	4 992	100	17 492	15 507		
Manufacturing Enterprises	49 321	3 498	(160)	52 659	47 193	5 466	89.6	80 392	77 541		
Transport Enterprises	23 417	(200)	(320)	22 897	18 336	4 561	80.1	22 453	20 598		
Economic Impact and Policy Alignment	12 946	1 794	(240)	14 500	11 016	3 484	76	11 570	10 677		
Strategic Partnerships	15 111	(5 101)	-	10 010	5 487	4 523	54.8	9 850	8 253		
Total for sub programmes	23 118 171	-	(960)	23 117 211	23 094 185	23 026	99.9	141 757	132 576		
Economic classification											
Current payments	85 065	(657)	(960)	83 448	60 423	23 025	72.4	78 210	69 045		
Compensation of employees	58 990	(657)	(960)	57 373	49 429	7 944	86.2	58 068	52 901		
Salaries and wages	54 803	(1 556)	(960)	52 287	45 133	7 154	86.3	51 447	49 006		
Social contributions	4 187	899	-	5 086	4 296	790	84.5	6 621	3 895		
Goods and services	26 075	-	-	26 075	10 994	15 081	42.2	20 142	16 144		
Administrative fees	-	8	-	8	8	-	100	206	206		
Advertising	-	-	-	-	-	-	-	214	214		
Catering: Departmental activities	178	(9)	-	169	16	153	9.5	75	46		
Communication	650	(76)	-	574	336	238	58.5	474	389		
Computer services	-	227	-	227	227	-	100	1 756	1 556		

Consultants: Business and advisory services	18 293	(1 288)	-	17 005	4 822	12 183	28.4	11 034	8 440
Contractors	-	82	-	82	61	21	74	156	156
Entertainment	50	(9)	-	41	-	41	-	13	-
Fleet services	-	-	-	-	-	-	-	1	1
Inventory: Medicine	-	2	-	2	2	-	100	1	1
Consumable supplies	-	1	-	1	-	1	-	-	-
Consumable: Stationery, printing and office supplies	-	-	-	-	-	-	-	52	44
Travel and subsistence	6 056	985	-	7 041	5 209	1 832	74	5 604	4 596
Training and development	-	101	-	101	-	101	-	-	-
Operating payments	-	62	-	62	61	1	98.4	4	4
Venues and facilities	758	4	-	762	252	510	33.1	491	430
Rental and hiring	90	(90)	-	-	-	-	-	61	61
Transfers and subsidies	33 106	657	-	33 763	33 762	1	100	63 547	63 531
Public corporations and private enterprises	33 106	-	-	33 106	33 106	-	100	63 141	63 141
Public corporations	33 106	-	-	33 106	33 106	-	100	63 141	63 141
Other transfers to public corporations	33 106	-	-	33 106	33 106	-	100	63 141	63 141
Households	-	657	-	657	656	1	99.8	406	390
Social benefits	-	657	-	657	656	1	99.8	406	390
Payment for financial assets	23 000 000	-	-	23 000 000	23 000 000	-	100	-	-
Total	23 118 171	-	(960)	23 117 211	23 094 185	23 026	99.9	141 757	132 576

3.1 Energy and Broadband Enterprises

		2015/16						2014/15	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as a % 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	17 376	(32)	(240)	17 104	12 112	4 992	70.8	17 269	15 290
Compensation of employees	13 346	(41)	(240)	13 065	11 206	1 859	85.8	15 534	14 258
Goods and services	4 030	9	-	4 039	906	3 133	22.4	1 735	1 032
Transfers and subsidies	-	41	-	41	41	-	100	223	217
Households	-	41	-	41	41	-	100	223	217
Payment for financial assets	23 000 000	-	-	23 000 000	23 000 000	-	100	-	-

3.2 Manufacturing Enterprises

		2015/16						2014/15	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as a % 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	16 215	3 498	(160)	19 553	14 087	5 466	72	17 199	14 349
Compensation of employees	13 107	-	(160)	12 947	11 208	1 739	86.6	12 193	10 417
Goods and services	3 108	3 498	-	6 606	2 879	3 727	43.6	5 006	3 932
Transfers and subsidies	33 106	-	-	33 106	33 106	-	100	63 193	63 192
Public corporations and private enterprises	33 106	-	-	33 106	33 106	-	100	63 141	63 141
Households	-	-	-	-	-	-	-	52	51

3.3 Transport Enterprises

		2015/16						2014/15	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as a % 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	23 417	(811)	(320)	22 286	17 725	4 561	79.5	22 363	20 515
Compensation of em- ployees	17 228	(811)	(320)	16 097	12 884	3 213	80	15 389	13 772
Goods and services	6 189	-	-	6 189	4 841	1 348	78.2	6 974	6 743
Transfers and subsidies	-	611	-	611	611	-	100	90	83
Households	-	611	-	611	611	-	100	90	83

3.4 Economic Impact and Policy Alignment

		2015/16						2014/15	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as a % 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	12 946	1 794	(240)	14 500	11 016	3 484	76	11 564	10 672
Compensation of em- ployees	9 063	200	(240)	9 023	8 815	208	97.7	8 397	7 981
Goods and services	3 883	1 594	-	5 477	2 201	3 276	40.2	3 167	2 691
Transfers and subsidies	-	-	-	-	-	-	-	6	5
Households	-	-	-	-	-	-	-	6	5

3.5 Strategic Partnership										
2015/16										2014/15
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as a % of final appropriation	Final Appropriation	Actual Expenditure	
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000
Economic classification										
Current payments	15 111	(5 106)	-	10 005	5 483	4 522	54.8	9 815	8 219	
Compensation of employees	6 246	(5)	-	6 241	5 316	925	85.2	6 555	6 473	
Goods and services	8 865	(5 101)	-	3 764	167	3 597	4.4	3 260	1 746	
Transfers and subsidies	-	5	-	5	4	1	80	35	34	
Households	-	5	-	5	4	1	80	35	34	

NOTES TO THE APPROPRIATION STATEMENT FOR THE YEAR ENDED 31 MARCH

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

Details 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.

2. Details 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.

3. Details on payments for financial assets

Details of these transactions per programme can be viewed in the note on Payments for financial assets to the Annual Financial Statements.

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

4.1 Per Programme

	Final Appropriation	Actual Expenditure	Variance	Variance as a % of Final Appropriation
	R'000	R'000	R'000	R'000
1. Administration	161 874	145 760	16 114	9.95
2. Legal and Governance	23 509	19 730	3 779	16.07
3. Portfolio Management and Strategic Partnerships	23 117 211	23 094 185	23 026	0.10
Total	23 302 594	23 259 675	42 919	0.18

4.2 Per economic classification

Current payments	259 814	217 838	41 976	16.16
Compensation of employees	152 020	139 975	12 045	7.92
Goods and services	107 794	77 863	29 931	27.77
Transfers and subsidies	35 486	35 476	10	0.03
Public corporations and private enterprises	33 106	33 106	-	0.00
Households	2 380	2 370	10	0.42
Payments for capital assets	7 274	6 341	933	12.83
Machinery and equipment	6 662	5 731	931	13.97
Intangible assets	612	610	2	0.33
Payments for financial assets	23 000 020	23 000 020	-	0.00
Total	23 302 594	23 259 675	42 919	0.18

The Department has recorded an underspending of R42.9 million for the 2015/16 financial year mainly due to compensation of employees and goods and services. This underspending on compensation of employees resulted from posts not having been filled due to scarcity of specialist skills in the market while the underspending on goods and services is due to some projects having been delayed due to capacity constraints.

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2016

REVENUE

	Note	2015/16 R'000	2014/15 R'000
Annual appropriation	1	23 302 594	322 927
Departmental revenue	2	3 377	203
Aid assistance	3	8 493	7 374
TOTAL REVENUE		23 314 464	330 504

EXPENDITURE

Current expenditure			
Compensation of employees	4	139 975	143 541
Goods and services	5	77 863	86 776
Aid assistance	3	31	4
Total current expenditure		217 869	230 321

TRANSFERS AND SUBSIDIES

Transfers and subsidies	7	35 476	63 848
Total transfers and subsidies		35 476	63 848

Expenditure for capital assets

Tangible assets	8	5 731	4 192
Intangible assets	8	610	82
Total expenditure for capital assets		6 341	4 274
Payments for financial assets	6	23 000 020	7
TOTAL EXPENDITURE		23 259 706	298 450

SURPLUS/(DEFICIT) FOR THE YEAR

Reconciliation of net surplus/ (deficit) for the year

Voted funds		42 919	24 481
Annual appropriation		42 919	24 481
Departmental revenue and NRF Receipts	15	3 377	203
Aid assistance	3	8 462	7 370
SURPLUS/(DEFICIT) FOR THE YEAR		54 758	32 054

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MARCH 2016

ASSETS

	Note	2015/16 R'000	2014/15 R'000
Current assets		182 394	150 379
Cash and cash equivalents	9	181 496	150 067
Prepayments and advances	10	347	171
Receivables	11	551	141
Non-current assets		104 491 773	21 552 085
Investments	12	103 140 375	20 200 375
Receivables	11	268	580
Loans	13	1 351 130	1 351 130
TOTAL ASSETS		104 674 167	21 702 464

LIABILITIES

Current liabilities		182 662	150 959
Voted funds to be surrendered to the Revenue Fund	14	42 919	19 481
Departmental revenue and NRF Receipts to be surrendered to the Revenue Fund	15	3	3
Payables	16	1 038	1 235
Aid assistance unutilised	3	138 702	130 240
Non-current liabilities			
TOTAL LIABILITIES		182 662	150 959
NET ASSETS		104 491 505	21 551 505
Represented by:			
Capitalisation reserve		104 491 505	21 551 505
TOTAL		104 491 505	21 551 505

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2016

	Note	2015/16 R'000	2014/15 R'000
Capitalisation Reserves			
Opening balance		21 551 505	25 149 585
Transfers:			
Movement in Equity		82 940 000	(3 598 080)
Other movements		-	-
Closing balance		<u>104 491 505</u>	<u>21 551 505</u>
 TOTAL		 <u><u>104 491 505</u></u>	 <u><u>21 551 505</u></u>

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

	Note	2015/16 R'000	2014/15 R'000
CASH FLOWS FROM OPERATING ACTIVITIES RECEIPTS		23 314 277	325 374
Annual appropriated funds received	1.1	23 302 594	317 927
Departmental revenue received	2	3 183	70
Interest received	2.2	7	3
Aid assistance received	3	8 493	7 374
Net (increase)/decrease in working capital		(471)	253
Surrendered to Revenue Fund		(22 858)	(21 918)
Surrendered to RDP Fund/Donor		-	955
Current payments		(217 869)	(230 321)
Payments for financial assets		(23 000 020)	(7)
Transfers and subsidies paid		(35 476)	(63 848)
Net cash flow available from operating activities	17	37 583	10 488
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for capital assets proceeds	8	(6 341)	(4 274)
Proceeds from sale of capital assets	2.3	187	130
(Increase)/decrease in loans			
(Increase)/decrease in investments		(82 940 000)	3 598 080
Net cash flows from investing activities		(82 946 154)	3 593 936
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(decrease) in net assets		82 940 000	(3 598 080)
Net cash flows from financing activities		82 940 000	(3 598 080)
Net increase/(decrease) in cash and cash equivalents		31 429	6 344
Cash and cash equivalents at beginning of period		150 067	143 723
Cash and cash equivalents at end of period	9	181 496	150 067

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.

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 (PFMA), Act 1 of 1999 (as amended by Act 29 of 1999), and the Treasury Regulations issued in terms of the PFMA and the annual Division of Revenue Act.

1 Basis of preparation

The Financial Statements have been prepared in accordance with the Modified Cash Standard. The "modification" results from the recognition of certain near-cash balances in the Financial Statements as well as the revaluation of foreign investments and loans and the recognition of resulting revaluation gains and losses. Under this basis, the effects of transactions and other events are recognised in the financial records when the resulting cash is received or paid.

In addition supplementary information provided in the disclosure notes to the Financial Statements where it is deemed to be useful to the users of the Financial Statements.

2 Going concern

The Financial Statements have been prepared on a going concern basis.

3 Presentation currency

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

4 Rounding

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

5 Foreign currency translation

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

6 Current year comparison with budget

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

7 Revenue

7.1 Appropriated funds

Appropriated funds comprise of departmental allocations 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 payable / receivable in the statement of financial position.

7.2 Departmental revenue

All Departmental revenue is recognised in the statement of financial performance when received and is subsequently paid into the relevant revenue fund, unless stated otherwise. Any amount owing to the relevant revenue fund at the reporting date is recognised as a payable in the statement of financial position.

7.3 Accrued departmental revenue

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

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

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

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

8 Expenditure

8.1 Compensation of employees

8.1.1 Salaries and wages

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

8.1.2 Social contributions

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

8.2 Other expenditures

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

8.3 Accrued expenditures 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. Accrued expenditure payable is measured at cost.

8.4 Leases

8.4.1 Operating leases

Operating lease payments made during the reporting period are recognised as current expenditure in the statement of financial performance on the date of payment. The operating lease commitments are recorded in the notes to the financial statements.

9 Aid assistance

9.1 Aid Assistance Received

Aid assistance received in cash is recognised in the statement of financial performance when received. 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 payable in the statement of financial position.

10 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. 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.

11 Prepayments and advances

Prepayments and advances are recognised in the statement of financial position when the department receives or disburses the cash. Prepayments and advances are initially and subsequently measured at cost.

12 Loans and receivables

Loans and receivables are recognised in the statement of financial position at cost plus accrued interest, where interest is charged, and less amounts already settled or written-off.

13 Investments

Investments are recognised in the statement of financial position at cost.

14 Impairment of financial assets

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

15 Payables

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

16 Capital assets

16.1 Movable Capital Assets

Movable capital assets are initially recorded in the notes to the financial statements at cost. Movable capital assets acquired through a non-exchange transaction is measured at fair value as at the date of acquisition. Where the cost of movable capital assets cannot be determined accurately, the movable capital assets are measured at fair value and where fair value cannot be determined; the movable assets are measured at R1. All assets acquired prior to 1 April 2002 (or a later date as approved by the OAG) may be recorded at R1. Movable capital assets are subsequently carried at cost and are not subject to depreciation or impairment. Subsequent expenditure that is of a capital nature is added to the cost of the asset at the end of the capital project unless the movable asset is recorded by another department/ entity in which case the completed project costs are transferred to that department.

16.2 Intangible Assets

Intangible assets are initially recorded in the notes to the financial statements at cost. Intangible assets acquired through a non-exchange transaction are measured at fair value as at the date of acquisition. Internally generated intangible assets are recorded in the notes to the financial statements when the department commences the development phase of the project. Where the cost of intangible assets cannot be determined accurately, the intangible capital assets are measured at fair value and where fair value cannot be determined; the intangible assets are measured at R1. All assets acquired prior to 1 April 2002 (or a later date as approved by the OAG) may be recorded at R1. Intangible assets are subsequently carried at cost and are not subject to depreciation or impairment. Subsequent expenditure that is of a capital nature is added to the cost of the asset at the end of the capital project unless the intangible asset is recorded by another department/entity in which case the completed project costs are transferred to that department.

17 Contingents

17.1 Contingent Liabilities

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.

17.2 Commitments

Commitments are recorded at cost in the notes to the Financial Statements when there is a contractual arrangement or 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.

18 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is recorded in the notes to the Financial Statements when confirmed. The amount recorded is equal to the total value of the fruitless and/or wasteful expenditure incurred. Fruitless and wasteful expenditure is removed from the notes to the Financial Statements when it is resolved or transferred to receivables for recovery. Fruitless and wasteful expenditure receivables are measured at the amount that is expected to be recoverable and are de-recognised when settled or subsequently written-off as irrecoverable.

19 Irregular expenditure

Irregular expenditure is recorded in the notes to the Financial Statements when confirmed. The amount recorded is equal to the value of the irregularity unless it is impracticable to determine, in which case reasons are therefore provided in the note. Irregular expenditure is removed from the note when it is either condoned by the relevant authority or transferred to receivables for recovery. Irregular expenditure receivables are measured at the amount that is expected to be recoverable and are de-recognised when settled or subsequently written-off as irrecoverable.

20 Capitalisation reserve

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

21 Events after the reporting date

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

22 Prior period errors

The impairment amounts were restated to an impairment loss limited to the cost of investment.

23 Related party transactions

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

1. Annual appropriation

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

1.1 Annual appropriation

	2015/16			2014/15	
	Final Appropriation	Actual Funds Received	Funds not requested/ not received	Final Appropriation	Appropriation received
	R'000	R'000	R'000	R'000	R'000
1. Administration	161 874	161 874	-	156 859	153 174
2. Legal and Governance	23 509	23 509	-	24 311	23 781
3. Portfolio Management and Strategic Partnerships	23 117 211	23 117 211	-	141 757	140 972
Total	23 302 594	23 302 594	-	322 927	317 927

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

2. Departmental revenue

	Note	2015/16 R'000	2014/15 R'000
Tax revenue			
Sales of goods and services other than capital assets	2.1	72	68
Interest, dividends and rent on land	2.2	7	3
Sale of capital assets	2.3	187	130
Transactions in financial assets and liabilities	2.4	3 111	2
Departmental revenue collected		3 377	203

2.1 Sales of goods and services other than capital assets

Sales of goods and services produced by the department	72	68
Sales by market establishment	45	41
Other sales	27	27
Total	72	68

2.2 Interest, dividends and rent on land

Interest	7	3
Total	7	3

2.3 Sale of capital assets

Machinery and equipment	187	130
Total	187	130

2.4 Transactions in financial assets and liabilities

Receivables	46	2
Other receipts including Recoverable Revenue	3 065	
Total	3 111	2

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

3. Aid assistance

	Note	2015/16 R'000	2014/15 R'000
Opening Balance		130 240	121 915
Transferred from statement of financial performance		8 462	7 370
Paid during the year		-	955
Closing Balance		138 702	130 240

3.1 Analysis of balance by source

Aid assistance from other sources		138 702	130 240
Closing Balance		138 702	130 240

3.2 Analysis of balance

Aid assistance unutilised		138 702	130 240
Closing balance		138 702	130 240

4. Compensation of Employees

4.1 Salaries and Wages

Basic salary		92 343	91 933
Performance award*		2 081	6 878
Service Based		792	39
Compensative/circumstantia		4 021	2 018
Periodic payments		46	1 277
Other non-pensionable allowances		28 451	30 112
Total		127 734	132 257

4.2 Social Contributions (Employer Contributions)

Pension		9 825	9 191
Medical		2 401	2 078
Bargaining council		15	15
Total		12 241	11 284
Total compensation of employees		139 975	143 541

*Performance award decreased as SMS members were not paid bonuses in 2015/16 as compared to the previous financial year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

5. Goods and Services

	Note	2015/16 R'000	2014/15 R'000
Administrative fees		2 334	921
Advertising		2 327	2 686
Minor assets	5.1	224	73
Bursaries (employees)		724	264
Catering		700	703
Communication		4 167	4 567
Computer services	5.2	3 957	6 420
Consultants: Business and advisory services		14 799	25 080
Legal services		829	2 108
Contractors		2 038	2 628
Agency and support / outsourced services		1 659	984
Entertainment		-	4
Audit cost - external	5.3	3 559	2 822
Fleet services		771	975
Inventory	5.4	10	47
Consumables	5.5	1 921	2 249
Operating leases		1 223	1 196
Property payments	5.6	10 322	8 409
Rental and hiring		971	305
Transport provided as part of the departmental activities		207	68
Travel and subsistence	5.7	19 231	17 485
Venues and facilities		1 557	2 282
Training and development		1 466	2 608
Other operating expenditure	5.8	2 867	1 892
Total		77 863	86 776

5.1 Minor Assets

Tangible assets	224	73
Machinery and equipment	224	73
Total	224	73

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

5.2 Computer Services

	Note	2015/16 R'000	2014/15 R'000
SITA computer services		2 037	1 925
External computer service providers		1 920	4 495
Total		3 957	6 420

5.3 Audit Cost- External

Regularity audits		3 379	2 822
Investigations		180	-
Total		3 559	2 822

5.4 Inventory

Clothing material and accessories		1	-
Materials and supplies		5	46
Medical supplies		4	1
Total		10	47

5.5 Consumables

Consumable supplies	355	725
Uniform and clothing	11	50
Household supplies	216	287
Building material and supplies	-	29
IT consumables	80	153
Other consumables	48	206
Stationery, printing and office supplies	1 566	1 524
Total	1 921	2 249

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

5.6 Property Payments

	Note	2015/16 R'000	2014/15 R'000
Municipal services		10 013	1 633
Property management fees		-	6 454
Property maintenance and repairs		56	61
Other		253	261
Total		10 322	8 409

5.7 Travel and Subsistence

Local		16 181	16 047
Foreign		3 050	1 438
Total		19 231	17 485

5.8 Other operating expenditure

Professional bodies, membership and subscription fees		717	224
Resettlement costs		200	50
Other		1 950	1 618
Total		2 867	1 892

6. Payments for financial assets

Purchase of equity		23 000 000	-
Debts written off	6.1	20	7
Total		23 000 020	7

6.1 Debts written off

Nature of debts written off		20	7
Staff debts written off		-	-
Total debts written off		20	7

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

7. Transfers and subsidies

	Note	2015/16 R'000	2014/15 R'000
Public corporations and private enterprises	Annex 1D	33 106	63 141
Households	Annex 1G	2 370	707
Total		35 476	63 848

8. Expenditure for capital assets

Tangible assets		5 731	4 192
Machinery and equipment	28	5 731	4 192
Intangible assets		610	82
Software	29	610	82
Total		6 341	4 274

8.1 Analysis of funds utilised to acquire capital assets - 2015/16

	Voted funds R'000	Aid assistance R'000	Total R'000
Tangible assets	5 731	-	5 731
Machinery and equipment	5 731	-	5 731
Intangible assets	610	-	610
Software	610	-	610
Total	6 341	-	6 341

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

8.2 Analysis of funds utilised to acquire capital assets - 2014/15

	Voted funds R'000	Aid assistance R'000	Total R'000
Tangible assets	4 192		4 192
Machinery and equipment	4 192	-	4 192
Intangible assets	82		82
Software	82	-	82
Total	4 274	-	4 274

9. Cash and cash equivalents

Consolidated Paymaster General Account		42 764	19 830
Cash on hand		64	61
Investments (Domestic)*		138 668	130 176
Total		181 496	150 067

*This amount is ring fenced against the disbursement of funds to beneficiaries of Telkom Shares after Telkom was acquired by Government.

10. Prepayments and advances

Travel and subsistence		1	-
Advances paid	10.1	346	171
Total		347	171

10.1 Advances paid

National departments	Annex8A	346	171
Total		346	171

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

11. Receivables		2015/16			2014/15		
		Note	Current R'000	Non-current R'000	Total R'000	Current R'000	Non-current R'000
Claims recoverable	11.1	52	-	52	38	470	508
Recoverable expenditure	11.2	161	-	161	-	-	-
Staff debt	11.3	338	268	606	103	110	213
Total		551	268	819	141	580	721

11.1 Claims recoverable

National departments	52	508
Total	52	508

11.2 Recoverable expenditure (disallowance accounts)

Cell phone expenditure	161	-
Total	161	-

11.3 Staff debt

Bursaries	12	148
Other	594	65
Total	606	213

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

12. Investments

	Note	2015/16 R'000	2014/15 R'000
Non-Current			
Shares and other equity			
Alexkor SOC Ltd		400 000	400 000
Aventura SOC Ltd [^]		-	60 000
Denel SOC Ltd		6 176 376	6 176 376
Eskom SOC Ltd *		83 000 000	-
Safcol SOC Ltd		318 013	318 013
Transnet SOC Ltd		12 660 986	12 660 986
South African Express SOC Ltd		585 000	585 000
Total		103 140 375	20 200 375

Analysis of non-current investments

Opening balance	20 200 375	23 798 455
Additions in cash	23 000 000	
Disposals for cash [^]	(60 000)	
Non-cash movements	60 000 000	(3 598 080)
Closing balance	103 140 375	20 200 375

*Eskom shareholding is comprised of one share @ R1.00

[^] Aventura was liquidated during the current financial year (2015/16). An amount of R3 064 603.61 was received after the liquidation of Aventura and this was subsequently paid to the National Treasury Revenue Fund. The Department has written off the R60 million investment in Aventura. Going forward, the Department will no longer report on the SOC.

12.1 Impairment of investments

Estimate of impairment of investments	27 398	49 128
Total	27 398	49 128

The impairment of investments is based on the difference between the cost of the investment and the net asset value at the reporting date. The impairment of the investment is limited to cost, so the investment cannot be impaired lower than the cost. The impairments for 2015/16 are estimates as these figures are based on provisional amounts and are still subject to the SOC's external audit process and therefore subject to change.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

The Alexkor impairment has increased by R27 million to R62 million from the prior period of R400 million (2014/2015; R400 million) and the net asset value of R338 million (2014/2015; R365 million)

13. Loans

	Note	2015/16 R'000	2014/15 R'000
Public corporations		1 351 130	1 351 130
Total		1 351 130	1 351 130

Analysis of balance

Opening balance		1 351 130	1 351 130
Closing balance		1 351 130	1 351 130

14. Voted funds to be surrendered to the Revenue Fund

Opening balance		19 481	21 671
Transfer from statement of financial performance		42 919	24 481
Voted funds not requested/not received	1.1		(5 000)
Paid during the year		(19 481)	(21 671)
Closing balance		42 919	19 481

15. Departmental Revenue and NRF Receipts to be surrendered to the Revenue fund

Opening balance		3	47
Transfer from statement of financial performance		3 377	203
Paid during the year		(3 377)	(247)
Closing balance		3	3

16. Payables-current

	Note	2015/16 R'000	2014/15 R'000
Advances received	16.1	667	1 078
Clearing accounts	16.2	227	157
Other payables	16.3	144	-
Total		1 038	1 235

16.1 Advances received

Public entities	Annex8B	667	1 078
Total		667	1 078

16.2 Clearing accounts

SARS		212	157
Pension Fund		15	
Total		227	157

16.3 Other payables

Ex-Employee		144	-
Total		144	-

17. Net cash flow available from operating activities

Net surplus/(deficit) as per Statement of Financial Performance	54 758	32 054
Add back non cash/cash movements not deemed operating activities	(17 175)	(21 566)
(Increase)/decrease in receivables - current	(98)	620
(Increase)/decrease in prepayments and advances	(176)	(36)
Increase/(decrease) in payables - current	(197)	(331)
Proceeds from sale of capital assets	(187)	(130)
Expenditure on capital assets	6 341	4 274
Surrenders to Revenue Fund	(22 858)	(21 918)
Surrenders to RDP Fund/Donor	-	955
Voted funds not requested/not received	-	(5 000)
Net cash flow generated by operating activities	37 583	10 488

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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

	<i>Note</i>	2015/16 R'000	2014/15 R'000
Consolidated Paymaster General account		42 764	19 830
Cash on hand		64	61
Cash with commercial banks (Local)		138 668	130 176
Total		181 496	150 067

19. Contingent liabilities and contingent assets

Liable to Nature

Other guarantees	Annex 3A	180 164 464	146 153 152
Claims against the department	Annex 3B	697 776	713 148
Total		180 862 240	146 866 300

According to section 70 of the PFMA, Act 1 of 1999 (as amended by Act 29 of 1999) the Department is responsible for the reporting on all guarantees that were issued to Public Entities under its control. Any payment under a guarantee will be a direct charge against the National Revenue fund via the Department.

20. Commitments

	2015/16 R'000	2014/15 R'000
Current expenditure		
Approved and contracted	8 148	20 129
Approved but not yet contracted	20 952	1 084
Total Commitments	29 100	21 213

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

21. Accruals and payables not recognised

			2015/16 R'000	2014/15 R'000
	30 Days	30+ Days	Total	Total
Goods and services	238	-	238	1 508
Total	238	-	238	1 508

Listed by programme level

Administration	229	1 370
Legal and Governance	2	45
Portfolio Management and Strategic Partnerships	7	93
Total	238	1 508

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

22. Employee benefits

	Note	2015/16 R'000	2014/15 R'000
Leave entitlement		2 191	1 907
Service bonus (Thirteenth cheque)		2 556	2 314
Performance awards		1 630	5 484
Capped leave commitments		1 201	1 714
Total		7578	11 419

23. Lease commitments

23.1 Operating leases expenditure

2015/16	Specialised military equipment	Land	Buildings and other fixed structures	Machinery and equipment	Total
Not later than 1 year	-	-	-	236	236
Total lease commitments	-	-	-	236	236

2014/15	Specialised military equipment	Land	Buildings and other fixed structures	Machinery and equipment	Total
Not later than 1 year	-	-	-	525	525
Later than 1 year and not later than 5 years	-	-	-	141	141
Total lease commitments	-	-	-	666	666

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

24. Irregular expenditure

24.1 Reconciliation of irregular expenditure

	Note	2015/16 R'000	2014/15 R'000
Opening balance		11 694	711
Prior period error		80	-
As restated		11 774	711
Add: Irregular expenditure - relating to prior year			-
Add: Irregular expenditure - relating to current year		3 075	10 983
Less: Prior year amounts condoned		-	-
Less: Current year amounts condoned		-	-
Closing balance		14 849	11 694

Analysis of awaiting condonation per age classification

Current year	3 075	10 983
Prior years	11 774	711
Total	14 849	11 694

24.2 Details of irregular expenditure - current year

Incident	Disciplinary steps taken/ criminal proceedings	2015/16 R'000
Procurement process not followed	Request for condonement	2 852
Invoice exceeded order amount	None	60
Performance bonuses paid	None	163
Total		3 075

Irregular expenditure condoned in May 2016 amounted to R9.2 million and will be disclosed as such in the next financial year.

24.3 Prior period error

Relating to 2014/15	80
Irregular expenditure adjusted by R80 000.00	80
Total prior period errors	80

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

25. Fruitless and wasteful expenditure

25.1 Reconciliation of fruitless and wasteful expenditure

	Note	2015/16 R'000	2014/15 R'000
Opening balance		263	3
Prior period error		(245)	-
As restated		18	3
Fruitless and wasteful expenditure - relating to current year		2	260
Fruitless and wasteful expenditure awaiting resolution		20	263

25.2 Analysis of awaiting resolution per economic classification

Current	2	263
Total	2	263

25.3 Analysis of current year's fruitless and wasteful expenditure

Incident	Disciplinary steps taken/ criminal proceedings	2015/16 R'000
Interest Paid	None	2
Total		2

25.4 Prior period error

Nature of prior period error

Relating to 2014/15

Fruitless and wasteful expenditure adjusted by R245 000.00	(245)
Total prior period errors	(245)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

26. Related party transactions

Payments made	Note	2015/16 R'000	2014/15 R'000
Payments for financial assets		83 000 000	-
Transfers		33 106	63 141
Total		83 033 106	63 141

Other

Guarantees issued/received	Annex 3A	11 495 310	34 182 000
Total		11 495 310	34 182 000

27. Key management personnel

Payments made	No. of individuals		
Political office bearers (provide detail below)	2	4 226	4 282
Officials:			
Level 15 to 16	9	11 499	13 752
Level 14 (incl. CFO if at a lower level)	25	22 885	23 495
Total		38 610	41 529

28. Non-adjusting events after reporting date

Nature of event	2015/16 R'000
Include an estimate of the financial effect of the subsequent non-adjusting events or a statement that such an estimate cannot be made.	
Labour Dispute	1 602
Broadband Infracore	1 351 130
Total	1 352 732

Mr Vermooten filed a claim against the department in May 2016 for an amount of R1 601 997 .60

Subsequent to year end, the rights of the loan were ceded to the Department of Telecommunications and Postal Services

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

29. Movable tangible capital assets

MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2016

	Opening balance	Value adjust- ments	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
MACHINERY AND EQUIPMENT	23 474		5 731	1 299	27 906
Transport assets	5 329	-	1 319	1 254	5 394
Computer Equipment	10 385	-	4 041	45	14 381
Furniture and Office equipment	3 727	-	90	-	3 817
Other machinery and equipment	4 033	-	281	-	4 314
TOTAL MOVABLE TANGIBLE CAPITAL ASSETS	23 474	-	5 731	1 299	27 906

29.1 Additions

ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2016

MACHINERY AND EQUIPMENT	5 731		-	-	5 731
Transport assets	1 319	-	-	-	1 319
Computer Equipment	4 041	-	-	-	4 041
Furniture and Office equipment	90	-	-	-	90
Other machinery and equipment	281	-	-	-	281
TOTAL ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS	5 731	-	-	-	5 731

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

29.2 Disposals

DISPOSALS OF MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2016

	Sold for cash R'000	Non-cash disposal R'000	Total disposals R'000	Cash received Actual R'000
MACHINERY AND EQUIPMENT	1 254	45	1 299	187
Transport assets	1 254	-	1 254	187
Computer equipment	-	45	45	-
Other machinery and equipment	-	-	-	-
TOTAL ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS	1 254	45	1 299	187

29.3 Movement

-MOVEMENT IN TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2015

	Opening balance R'000	Prior period error R'000	Additions R'000	Disposals R'000	Closing Balance R'000
MACHINERY AND EQUIPMENT	19 940		4 252	718	23 474
Transport assets	4 532	-	1 396	599	5 329
Computer equipment	8 220	-	2 230	65	10 385
Furniture and office Equipment	3 338	-	389	-	3 727
Other machinery and Equipment	3 850	-	237	54	4 033
TOTAL MOVABLE TANGIBLE CAPITAL ASSETS	19 940	-	4 252	718	23 474

29.4 Minor assets

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

	Specialised military assets R'000	Intangible assets R'000	Heritage assets R'000	Machinery and equipment R'000	Biological assets R'000	Total
Opening balance	-	50	-	4 317	-	4 367
Additions	-	-	-	225	-	225
Disposals	-	-	-	(2)	-	(2)
TOTAL MINOR ASSETS	-	50	-	4 544	-	4 594

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Minor and capital assets under investigation

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

	Number R'000	Value R'000
Machinery and equipment	37	500

Minor and capital assets were reported as lost/stolen/damaged and not yet investigated and it was recommended to either hold officials liable or not. Minor assets totals R19 000.00. with a quantity of 6; and capital assets totals R481 000.00. with a quantity of 31.

MOVEMENT IN MINOR ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2015

	Specialised military assets R'000	Intangible assets R'000	Heritage assets R'000	Machinery and Equipment R'000	Biological Assets R'000	Total R'000
Opening balance	-	50	-	4 190	-	4 240
Prior period error	-	-	-	-	-	-
Additions	-	-	-	73	-	73
Disposals	-	-	-	(54)	-	(54)
TOTAL MINOR ASSETS	-	50	-	4 317	-	4 367

30. Intangible Capital Assets

MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2016

	Opening balance R'000	Value adjustments R'000	Additions R'000	Disposals R'000	Closing Balance R'000
SOFTWARE	2 271		610	-	2 881
TOTAL INTANGIBLE CAPITAL ASSETS	2 271	-	610	-	2 881

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

30.1 Additions

ADDITIONS TO INTANGIBLE CAPITAL ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2016

	Cash	Non-cash	Develop-ment work in Progress - Current costs)	Received current year, not paid (Paid current year, received prior year)	Total
	R'000	R'000	R'000	R'000	R'000
SOFTWARE	610	-	-	-	610
TOTAL ADDITIONS TO INTANGIBLE CAPITAL ASSETS	610	-	-	-	610

30.2 Movement for 2014/15

MOVEMENT IN MOVABLE INTANGIBLE CAPITAL ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2015

	Opening balance R'000	Prior period error R'000	Additions R'000	Disposals R'000	Closing Balance R'000
SOFTWARE	2 189	-	82	-	2 271
TOTAL INTANGIBLE CAPITAL ASSETS	2 189	-	82	-	2 271

ANNEXURES

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

Name of Public Corporation/private enterprise	Transfer allocation		Expenditure		2014/15				
	Adjusted Appropriation Act R'000	Roll Overs R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	% of Available funds Transferred R'000	Capital R'000	Current R'000	Appropriation Act R'000
Public Corporations									
Transfers									
Denel	33 106	-	-	33 106	33 106	100	-	-	63 141
Total	33 106	-	-	33 106	33 106	100	-	-	63 141

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

ANNEXURE 1G STATEMENT OF TRANSFERS TO HOUSEHOLDS

	Households		Transfer allocation		Expenditure		2014/15 Appropriation Act
	Adjusted Appropriation Act	Roll Overs	Adjustments	Total available	Actual Transfer	% of available funds transferred	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Transfers							
leave gratuity	1 875	-	-	1 875	1 875	100	611
Bert Koster Percussion CC	-	-	-	-	-	100	96
Busaries for non-employees	109	-	-	109	109	100	-
Ritchie community in Northern Cape	307	-	-	307	307	100	-
Community in Western Cape	26	-	-	26	26	100	-
Badirammogo old Age	19	-	-	19	19	100	-
Nongoma Unveiling of Borehole	24	-	-	24	24	100	-
Books for Tertiary Students	10	-	-	10	10	100	-
Total	2 370	-	-	2 370	2 370	100	707

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

ANNEXURE 1H STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS RECEIVED

Name of Organisation	Nature of gift, donation or sponsorship	2015/16	2014/15
		R'000	R'000
Received in kind			
Dr. Sookraj	Dr. Sookraj pro bono for development of process economics for HEFA abd FT Technologies for the production of Bio-Jet Fuel	-	1 692
Total		-	1 692

Note: The currency was dollars then translated to ZAR @ spot rate on 31 March 2015

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

Nature of gift, donation or sponsorship (Group major categories but list material items including name of organisation)	2015/16	2014/15
	R'000	R'000
Made in kind		
16 days of activism against women and child abuse in Wattville	-	368
16 days of activism against women and child abuse	411	-
Total	411	368

ANNEXURE 2A STATEMENT OF INVESTMENTS IN AMOUNTS OWING BY/TO NATIONAL/PROVINCIAL PUBLIC ENTITIES

Name of Public Entity	State Entity's PFMA Schedule type (state year-end if not 31 March)	% Held 15/16	% Held 14/15	Number of shares held		Cost of investment R'000		Net Asset value of investment R'000		Profit/(Loss) for the year R'000		Losses guaranteed
				2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	
National/Provincial Public Entity												
Alexkor Limited	II	100	100	400 000 000	400 000 000	400 000	400 000	337 866	365 264	(22 487)	(82 203)	No
Aventura Limited	II B	100	100	-	60 000 000	-	60 000	-	-	-	-	No
Denel (Pty) Ltd	II	100	100	1 225 049 663	1 225 049 663	6 176 376	6 176 376	2 334 983	1 927 402	395 000	270 000	No
Eskom Limited	II	100	100	1	1	83 000 000	-	187 477 000	122 247 000	5 659 000	3 618 000	No
SAFCOL Limited	II	100	100	318 013 254	318 013 254	318 013	318 013	3 625 068	3 740 161	(103 770)	170 018	No
South African Airways (Pty) Ltd	II	100	100	452	452	585 000	585 000	75 373	55 836	19 536	(132 358)	No
Transnet Limited	II	100	100	12 660 986 310	12 660 986 310	12 660 986	12 660 986	144 493 000	142 238 000	1 127 000	5 302 000	No
Total				14 604 049 680	14 664 049 680	103 140 375	20 200 375	338 343 289	270 573 663	7 074 280	9 145 457	

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

The movement in prior year's equity reflects R700 million, notwithstanding the payment of financial assets being R 1 050 million during 2012/13. The difference arises from the fact that Alexkor received a payment for the purchase of equity amounting to R350 million during 2012/13, but no shares had been issued as at 31 March 2013. The shares have subsequently been issued during 2013/14 and the cost of investment now reflects a R350 million increase accordingly.

The net asset value of the investment and profit/loss for the year ended 31 March 2013 is based on provisional amounts and is still subject to the SOCs external audit process and therefore subject to change.

There was a transfer of SAA to National Treasury in the previous financial year. Aventura was liquidated during the current financial year (2015/16).

For South African Express Airways, the amount reflected in the Department's financial statements differs from the amount reflected in SAX financial statements due to using different accounting frameworks. The SOCs report in terms of International Financial Reporting Standards (IFRS) and the Department uses Modified Cash Basis of Accounting.

Department's Financial Statements Modified Cash Basis of Accounting	Transaction Details	SAX' Financial Statements IFRS Accounting	Convertible loan
		Shares valued @	
Paid	To acquire SAX shares	R57 million	-
	and acquire loan	-	R357 million
Transferred	Recapitalize SAX	R445 million	-
Total		R502 million	R357 million

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

ANNEXURE 2B STATEMENT OF INVESTMENTS IN AMOUNTS OWING BY/TO ENTITIES (CONTINUED)

Name of Public Entity	Nature of business	Cost of investment R'000		Net Asset value of investment R'000		Amounts owing to Entities		Amounts owing by Entities	
		2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
Controlled entities									
Alexkor Limited	Mining	400 000	400 000	337 866	365 264	-	-	-	-
Aventura Limited	Leisure	-	60 000	-	-	-	-	-	-
Denel (Pty) Ltd	Manufacturing of Arms	6 176 376	6 176 376	2 334 983	1 927 402	-	-	-	-
Eskom Limited	Energy	83 000 000	-	187 477 000	122 247 000	-	-	-	-
SAFCOL Limited	Forestry	318 013	318 013	3 625 068	3 740 161	-	-	-	-
South African Exprss Airways (Pty) Ltd	Transport	585 000	585 000	75 373	55 836	-	-	-	-
Transnet Limited	Transport	12 660 986	12 660 986	144 493 000	142 238 000	-	-	-	-
Total		103 140 375	20 200 375	338 343 289	270 573 663	-	-	-	-

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

ANNEXURE 3A STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2016 – LOCAL

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2015	Guarantees draw downs during the year	Guarantees repayments/cancelled/reduced/released during the year	Revaluations	Closing balance 31 March 2016	Guaranteed interest for the year ended 31 March 2016	Realised losses not Recoverable i.e. claims paid out	
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
Other										
SAX	Convenants breached	439 000	439 000	-	-	-	439 000	-	-	
	Working Capital	100 000	100 000	-	-	-	100 000	-	-	
	Working Capital	567 000	-	-	-	-	-	-	-	
Denel	Note Programme	1 850 000	1 850 000	-	-	-	1 850 000	-	-	
Eskom	Eskom bonds – ES15	-	-	-	-	-	-	-	-	
	Eskom bonds – ES18	-	10 626 051	150 000	(1 198 555)	-	9 577 496	396 965	-	
	Eskom bonds – ES23	-	11 549 189	663 950	-	-	12 213 139	224 813	-	
	Eskom bonds – ES26	-	19 059 491	766 082	-	-	19 825 573	758 909	-	
	Eskom bonds – ES33	-	29 587 773	-	(24 297)	-	29 563 476	102 428	-	
	Eskom bonds – ES42	-	12 442 841	65 000	(710 988)	-	11 796 853	435 604	-	
	Eskom bonds – EL15	-	-	-	-	-	-	-	-	

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

ANNEXURE 3A STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2016 - LOCAL

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2015	Guarantees draw downs during the year	Guarantees repayments/ cancelled/ reduced/ released during the year	Revaluations	Closing balance 31 March 2016	Guaranteed interest for the year ended 31 March 2016	Realised losses not Recoverable i.e. claims paid out
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Eskom bonds – EL28		-	3 941 000	-	-	-	3 941 000	51 146	-
Eskom bonds – EL29		-	3 700 000	-	-	-	3 700 000	30 866	-
Eskom bonds – EL30		-	3 700 000	-	-	-	3 700 000	16 725	-
Eskom bonds – EL31		-	3 740 000	-	-	-	3 740 000	28 252	-
Eskom bonds – EL36		-	3 741 000	-	-	-	3 741 000	14 843	-
Eskom bonds – EL37		-	3 250 000	-	-	-	3 250 000	12 895	-
Eskom DMTN Programme		150 000 000	-	-	-	-	-	-	-
Subtotal		152 956 000	107 726 345	1 645 032	1 933 840	-	107 437 537	2 073 446	-
Total		152 956 000	107 726 345	1 645 032	1 933 840	-	107 437 537	2 073 446	-

ANNEXURE 3A (continued) STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2016 – FOREIGN

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2015	Guarantees draw downs during the year	Guarantees repayments/ cancelled/ reduced/ released during the year	Revaluations	Closing balance 31 March 2016	Guaranteed interest for the year ended 31 March 2016	Realised losses not Recoverable i.e. claims paid out
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Other									
Transnet	Euro-Rand medium term note (Tranche 1) #	2 000 000	2 000 000	-	-	-	2 000 000	256 685	-
	Euro-Rand medium term note (Tranche 2) #	1 500 000	1 500 000	-	-	-	1 500 000	411	-
Eskom	AFDB Loan (Euro)	10 262 457	9 526 704	-	(348 889)	(138 177)	9 039 638	2 942	-
	AFDB Loan (ZAR)	10 630 000	9 710 626	-	(346 808)	-	9 363 818	99 390	-
	Worldbank loan USD	1 797 916	1 859 176	-	-	(107 119)	1 752 057	5 657	-
	Worldbank loan ZAR	25 972 709	25 972 709	-	-	-	25 972 709	1 013 727	-
	AFDB USD Renewable	2 145 202	141 984	-	-	(8 181)	133 803	224 328	-
	AFDB USD Renewable	809 510	556 583	-	-	(32 068)	524 515	215 554	-
	Worldbank Renewables	1 992 925	450 563	-	-	(25 960)	424 603	442	-
	AFDB (Pvt Sector)	1 800 000	1 733 333	-	(66 667)	-	1 666 666	21 005	-
	AFDB (Pvt Sector)	3 175 228	3 931 642	-	(155 623)	(213 424)	3 562 595	11 960	-

STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2016 - FOREIGN

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2015	Guarantees draw downs during the year	Guarantees repayments/ cancelled/ reduced/ released during the year	Revaluations	Closing balance 31 March 2016	Guaranteed interest for the year ended 31 March 2016	Realised losses not Recoverable i.e. claims paid out
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Eskom	AFD (French Development Bank) ZAR	980 840	950 189	-	-	-	950 189	27 861	-
	AFD (French Development Bank) EUR	1 365 520	51 134	-	-	(817)	50 317	360	-
	AFD (French Development Bank) ZAR	2 273 055	-	-	-	-	-	-	-
	KFW ZAR	3 934 500	1 967 250	1 967 250	-	-	3 934 500	14 393	-
	KFW USD	1 383 510	-	-	-	-	-	-	-
	MIGA	7 883 028	-	7 883 028	-	-	7 883 028	328	-
	Subtotal	79 906 400	60 351 893	9 850 278	917 987	(525 746)	68 758 438	1 895 043	-
	Total	79 906 400	60 351 893	9 850 278	917 987	(525 746)	68 758 438	1 895 043	-

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

ANNEXURE 3B STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2016

Name of Liability	Opening balance 1 April 2015		Liabilities incurred during the year		Liabilities paid/cancelled/ reduced during the year	Liabilities recover- able (Provide details hereunder)	Closing balance 31 March 2016
	R'000	R'000	R'000	R'000			
Claims against the Department							
Equity Alliance (Pty) Ltd vs Government of RSA	572 000	-	-	-	-	-	572 000
Sable Hills vs Aventura and the Minister of Public Enterprises	18 000	-	-	18 000	-	-	-
By Choice Catering CC vs Department of Public Enterprises	119	-	-	-	-	-	119
Nabera vs Alexkor & Government	123 000	-	-	-	-	-	123 000
Assignments on Contract	29	-	-	-	-	-	29
Quinton Bean vs Department of Public Enterprises	-	66	-	-	-	-	66
Labour Disputes	-	2 562	-	-	-	-	-
Total	713 148	2 628	18 000	697 776	-	-	697 776

Note: Nabera vs Alexkor and Government of RSA, the amount collectively claimed is R123m (i.e. R119m for value addition and R4m for management fee). Assignments on Contract are claiming R29 190.70 from the department. Mr Bean is claiming R65 769.68 from the department. Labour disputes against the department are estimated at R2 562 140.00. Aventura was liquidated during the current financial year.

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

ANNEXURE 4 CLAIMS RECOVERABLE

Government Entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31/03/2016	31/03/2015	31/03/2016	31/03/2015	31/03/2016	31/03/2015
	R'000	R'000	R'000	R'000	R'000	R'000
Department	-	-	-	-	-	-
South African Police Service	-	-	-	508	-	508
Department of Economic Development	-	-	52	-	52	-
Total	-	-	52	508	52	508

ANNEXURE 6 INVENTORIES

INVENTORY	Note	Quantity	2015/16	Quantity	2014/15
		R'000	R'000	R'000	R'000
Opening balance		341	56	170	28
Add/(Less): Adjustments to prior year balance		-	-	-	-
Add: Additions/Purchases - Cash		19 925	1 086	5 034	43
Add: Additions - Non-cash		-	-	-	-
(Less): Disposals		-	-	-	-
(Less): Issues		(19 803)	(1 061)	(5 159)	(65)
Add/(Less): Adjustments		(296)	(50)	296	50
Closing balance		167	31	341	56

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

ANNEXURE 8A INTER-ENTITY ADVANCES PAID (note 10)

ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31/03/2016	31/03/2015	31/03/2016	31/03/2015	31/03/2016	31/03/2015
	R'000	R'000	R'000	R'000	R'000	R'000
NATIONAL DEPARTMENTS						
Department of International Relations and Cooperation	-	-	346	171	346	171
Total	-	-	346	171	346	171

*Amount paid to DIRCO for foreign accommodation and shuttle services.

ANNEXURE 8B INTER-ENTITY ADVANCES RECEIVED (note 21 and note 22)

ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31/03/2016	31/03/2015	31/03/2016	31/03/2015	31/03/2016	31/03/2015
	R'000	R'000	R'000	R'000	R'000	R'000
NATIONAL DEPARTMENTS						
Current						
16 days of activism against women and child abuse	667	1 078	-	-	667	1 078
Total	667	1 078	-	-	667	1 078





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