

PFMA audit outcomes of the energy portfolio for the 2015-16 financial year

12 October 2016

*PC briefing note*

Purpose of the presentation

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

Our role as the AGSA is to reflect on the audit work performed to assist the portfolio committee in its oversight role of assessing the departments’ performance, taking into consideration the objective of the committee to produce a BRRR.

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## Introduction

### Reputation promise of the Auditor-General of South Africa

The Auditor-General of South Africa has a constitutional mandate and, as the supreme audit institution of South Africa, exists to strengthen our country’s democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.

### Purpose of document

The purpose of this briefing document is for the Auditor-General of South Africa (AGSA) to provide an overview of the audit outcomes and other findings of the Department of Energy and its entities for the 2015-16 financial year.

### Overview

#### Aim of the vote

The Department of Energy is mandated to ensure secure and sustainable provision of energy for socioeconomic development.

It aims to formulate energy policies, regulatory frameworks and legislation; oversee their implementation to ensure energy security; and promote environment-friendly energy carriers and access to affordable and reliable energy for all South Africans

#### Vision

#### The department strives to create a transformed and sustainable energy sector with universal access to modern energy carriers for all in the long run, improving their energy mix by having 30% of clean energy by 2025.

#### Strategic goals

The department continues to regulate and transform the sector for the provision of secure, sustainable and affordable energy.

### Organisational structure

## Audit opinion history

|  |  |
| --- | --- |
|  | Clean audit opinion: Financially unqualified opinion with no findings on PDO and compliance |
|  | Financially unqualified opinion with findings on PDO and compliance |
|  | Qualified audit opinion (with findings) |
|  | Disclaimed/adverse audit opinion |
|  | Audit not finalised |
| n/a | Entity not established |
|  | Annual performance plan not submitted |

| **DESCRIPTION** | **Movement** | **15-16** | **14-15** | **13-14** |
| --- | --- | --- | --- | --- |
| **Audit opinions** |  |  |  |  |
| Department of Energy (DoE) |  |  |  |  |
| CEF Group SOC Ltd (CEF) |  |  |  |  |
| Equalisation Fund (EQF) |  |  |  |  |
| National Energy Regulator of South Africa (Nersa) |  |  |  |  |
| National Nuclear Regulator (NNR) |  |  |  |  |
| South African National Energy Development Institute (Sanedi) |  |  |  |  |
| South African Nuclear Energy Corporation (Necsa) |  |  |  |  |
| National Radioactive Waste Disposal Institute (NRWDI) |  |  |  | n/a |
| **OTHER MATTERS** |  |  |  |  |
| **Predetermined objectives** |  |  |  |  |
| CEF |  |  | **✓** | **✓** |
| EQF |  |  | **✓** | **✓** |
| Sanedi |  | **✓** | **✓** | **✓** |
| **Compliance with legislation** |  |  |  |  |
| DoE |  |  |  | **✓** |
| CEF |  | **✓** | **✓** | **✓** |
| EQF |  | **✓** | **✓** | **✓** |
| Nersa |  |  |  | **✓** |
| NNR |  |  |  | **✓** |
| Sanedi |  | **✓** | **✓** | **✓** |
| Necsa |  | **✓** | **✓** |  |

### Significant emphasis of matters

The following emphasis of matter paragraphs was be included in our audit reports to draw the users’ attention to matters presented or disclosed by the entity in their annual financial statements:

| **Department/entity** | **Emphasis of matter raised** |
| --- | --- |
| *CEF group* | **Significant uncertainty:**   * With reference to note 41 to the consolidated financial statements (page 107 of 470), PetroSA Ghana's place of effective management changed to South Africa on 14 September 2012 and the company became a tax resident in South Africa. South African Income Tax legislation does not expressly deal with the tax treatment of the opening balances of capital expenditure on property, plant and equipment (and intangible assets) prior to becoming a tax resident. Clarity in this regard is being sought from the South African Revenue Service and National Treasury. Furthermore, deductibility of fees paid to a previous lender for South African income tax purposes is unclear. * With reference to note 41 to the consolidated financial statements (page 107 of 470), PetroSA notified employees on 24 February 2015 in terms of section 189 of the Labour Relations Act, 1995 (Act No. 66 of 1995) of possible headcount reduction based on operational requirements. It is not possible, at this time, to measure reliably the mandatory obligations arising from this notice, nor is it practicable to estimate their magnitude or possible timing of payment. Therefore, no amounts have been provided for these obligations as at 31 March 2016.   **Material impairments**   * As disclosed in note 5 of the separate financial statements (page 154 of 470), investments in subsidiaries were impaired by R49,4 million. Loans to subsidiaries and loans to associates, as disclosed in note 7 to the separate financial statements, were impaired by R81,7 and R24,4 million respectively.   **Funding of abandonment and rehabilitation provision:**   * I draw attention to note 26 to the consolidated financial statements (page 96-97) relating to the funding of the abandonment and rehabilitation provision. PetroSA has an obligation to rehabilitate and abandon its offshore and onshore operations valued at R10,7 billion which is currently under-funded by R8,8 billion. In terms of the recently promulgated National Environmental Management Act, 1998 (Act No. 107 of 1998) (Nema), PetroSA is required to have the rehabilitation liability fully funded within the next eight months. There are currently challenges with funding this gap due to PetroSA’s weakened financial position. The holding company (CEF SOC Limited) has committed to assist PetroSA through various support and oversight mechanisms to close the funding gap. In addition, PetroSA is working closely with the regulator (South African Agency for Promotion of Petroleum Exploration and Exploitation) to ensure that PetroSA discharges its responsibilities as required by Nema. Other stakeholders involved include the departments of Treasury, Mineral and Resources and Environmental Affairs.   **Additional matters:**   * Subsequent to year-end, the minister of Energy raised specific concerns around the Strategic Fuel Fund (SFF) and directed that a thorough review be conducted of SFF contracts from the 2014-15 financial year to date. This review will include all contracts and transactions entered into in terms of the Ministerial Directive issued to the SFF, inclusive of the Strategic Stock Rotation and Storage and Leasing Agreements concluded. This process will establish whether the transactions were implemented in accordance with conditions as set out in the Ministerial Directive and also whether the due process followed was above board. Any lapse in governance processes or irregular actions will be investigated (page 9 of 470). |
| *Necsa* | **Financial sustainability**  Necsa SOC Limited company incurred a net operating loss of R86 203 000 during the year ended 31 March 2016. This, along with other matters as set forth in note 44, indicates the existence of an uncertainty that may cast doubt on the public entity’s ability to operate as a going concern  **Irregular expenditure**  As disclosed in note 45 to the financial statements, the public entity incurred irregular expenditure of R33 334 385 during the year ended 31 March 2016. This was as a result of non-compliance with the Preferential Procurement Regulations and the PFMA. The full extent for year ended 31 March 2015 was only quantified by 31 March 2016 and disclosed as a prior year restatement, and irregular expenditure of R 128 328 552 for the year ended 31 March 2015 has been disclosed. |

## Key focus areas

### Predetermined objectives

As part of our audits we audit usefulness and reliability which is defined below:

**Usefulness:**

We evaluate 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. We further test to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury’s Framework for Managing Programme Performance Information (FMPPI).

**Reliability:**

We assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete. The following table highlights the result on the usefulness and reliability of the annual performance reports:

| **Department/ entity** | **Finding** | **Common root cause** | **Recommendation** |
| --- | --- | --- | --- |
| Sanedi | Usefulness – Consistency of reported indicators   * In-year changes were made to the indicators of the programmes in the annual performance plan as they did not meet the SMART criteria. These changes were not duly approved. This resulted in the entity reporting on indicators that are not consistent with those described in the approved annual performance plan, compromising the usefulness of performance information. (page 89) | The executive authority and management did not exercise adequate oversight of performance reporting. | The executive authority and management should ensure that reported indicators are consistent with the approved planned indicators to ensure consistency in reported performance. |

We also identified material misstatements in the annual performance reports submitted for auditing by the CEF and Sanedi. As the material misstatement was subsequently corrected by management on the annual performance report, we did not raise any material findings on the usefulness and reliability of the reported performance information in the audit reports.

| **Department** | **Finding** | **Root cause** | **Recommendation** |
| --- | --- | --- | --- |
| Sanedi | Additional matter   * The annual performance report submitted for auditing contained material misstatements of the significant indicator Number of reports submitted to Department of Science and Technology on energy efficiency in programme 3: Energy efficiency. Management subsequently corrected the misstatement and we did not raise any material findings on the reliability of the reported performance information (page 89) | Management did not adequately review the annual performance report to ensure that complete, relevant and accurate information is available to support performance reporting. | Management should implement review processes in a timely manner to ensure that complete, relevant and accurate information is available to support performance reporting. |
| CEF | Additional matter:   * The annual performance report submitted for auditing contained material misstatements for the following significant indicators: * *financial sustainability* * *improved safety, health and environmental compliance*,   These misstatements were subsequently corrected by management and we did not raise any material findings on the reliability of the reported performance information. (page 25 of 470) | Management did not adequately review the annual performance report to ensure that complete, relevant and accurate information is available to support performance reporting. | Management should implement review processes in a timely manner to ensure complete, relevant and accurate information is available to support performance reporting. |

### Compliance with legislation

| **Department/ entity** | **Finding** | **Common root cause** | **Recommendation** |
| --- | --- | --- | --- |
| CEF group | Material misstatement in submitted annual financial statements (AFS):  The financial statements submitted for auditing were not prepared in all material respects in accordance with all the requirements of section 55(1) (b) of the PFMA.  Material misstatements of expenditure, current liabilities and disclosure items identified were corrected, resulting in the financial statements receiving an unqualified audit opinion.  (page 26 of 470) | Inadequate review by finance management to ensure that the financial statements comply with the financial reporting framework. | Management are encouraged to subject the financial statements to thorough review prior to submission for audit, and ensure that all supporting schedules used to prepare the financial statements agree to the final account balances and disclosures. |
| Expenditure management:  Effective steps were not taken to prevent irregular expenditure, as required by section 38(1)(c)(ii) of the PFMA and treasury regulation 9.1.1.  (page 26 of 470) | Lack of review and monitoring of compliance with applicable laws and regulations.  Effective and adequate consequence management was not implemented. | The accounting authority should take effective and appropriate steps to prevent irregular, fruitless and wasteful expenditure. |
| SFF:  The public entity failed to inform the National Treasury of the sale transactions of 10 of million barrels of strategic crude reserves, as required in terms of section 54 (2)(d) of the PFMA.  (page 365 of 470)  The entity suffered material financial losses amounting to R60 million relating to 300 000 barrels of crude oil which were loaned to a service provider and are likely to be written off. This resulted in non-compliance with section 51(1)(c) of the PFMA.  (page 362 of 470) | Inadequate review and monitoring of compliance with applicable laws and regulations.  The accounting authority did not exercise reasonable due care prior to entering into the relevant contract. | Due diligence assessments that address all key legislation should be performed before major decisions are taken.  The sale for the rotation of crude oil should be done in compliance with the applicable laws and regulations.  All major role players such as the minister of Finance should be informed timeously, as required by the PFMA. |
| EQF | Material misstatement in submitted AFS:  The financial statements submitted for auditing were not prepared in all material respects in accordance with all the requirements of section 55(1) (b) of the PFMA.  Material misstatements of revenue, expenditure and payables identified were corrected, resulting in the financial statements receiving an unqualified audit opinion.  (CEF volume 2: page 168 of 420) | Inadequate review by finance management to ensure that the financial statements comply with the financial reporting framework. | Management are encouraged to subject the financial statements to thorough review prior to submission for audit, and ensure that all supporting schedules used to prepare the financial statements agree to the final account balances and disclosures. |
| Sanedi | Material misstatement in submitted AFS:  The financial statements submitted for auditing were not prepared in all material respects in accordance with all the requirements of section 55(1) (b) of the PFMA.  Material misstatements of current liabilities and disclosure items identified were corrected, resulting in the financial statements receiving an unqualified audit opinion. (page 90) | Inadequate review by finance management to ensure that the financial statements comply with the financial reporting framework. | Management are encouraged to subject the financial statements to thorough review prior to submission for audit, and ensure that all supporting schedules used to prepare the financial statements agree to the final account balances and disclosures. |
| Strategic planning and performance management:  The 2015-16 strategic plan did not form the basis for the annual report of the entity, as required by section 55(2) (a) of the PFMA and treasury regulation 30.1.3(g). (page 90) | Management and leadership did not exercise adequate oversight of performance reporting. | Leadership and management should ensure that reported indicators are consistent with the approved planned indicators to ensure consistency in reported performance information. |
| Expenditure management:  Effective steps were not taken to prevent irregular, fruitless and wasteful expenditure, as required by section 51(1) (b) (ii) of the PFMA. (page 90) | Lack of review and monitoring compliance with applicable legislation.  Effective and adequate consequence management was not implemented. | The accounting authority should take effective and appropriate steps to prevent irregular, fruitless and wasteful expenditure. |
| Procurement and contract management:  Goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by treasury regulation 16A6.1.  Invitations for competitive bidding were not always advertised in at least the government tender bulletin, as required by treasury regulation 16A6.3(c). (page 90) | Lack of review and monitoring compliance with applicable legislation. | Management should put measures in place to ensure that all SCM legislation is adhered to and that adequate review and monitoring are conducted. |
| Necsa | Financial statements, performance and annual reports:  The accounting authority did not submit the financial statements for auditing within two months after the end of financial year, as required by section 55(1)(c)(i) of the PFMA. | Proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance management was not maintained.  Adequate oversight of financial reporting, compliance and related internal controls was not exercised. | The accounting authority should ensure compliance by submitting the financial statements within two months after the end of the financial year. |
| Material misstatement in submitted AFS:  The financial statements submitted for auditing were not prepared in all material respects in accordance with all the requirements of section 55(1) (b) of the PFMA.  Material misstatements identified were corrected, resulting in the financial statements receiving an unqualified audit opinion. | Controls were not in place to ensure that all information in the financial statements is supported by reliable information. | Management are encouraged to subject the financial statements to thorough review prior to submission for audit, and ensure that all supporting schedules used to prepare the financial statements agree to the final account balances and disclosures. |
| Strategic planning and performance management:  A shareholder’s compact was not concluded with the minister of Energy, as required by treasury regulation 29.2.1. | No controls and processes were in place to ensure that the shareholder’s compact of Necsa is approved and authorised as prescribed in the Treasury Regulations. | Procedures should be established and controls implemented and monitored to ensure that the relevant legislative requirements are adhered to and the shareholder’s compact complies with all the relevant legislation. |
| Expenditure management:  Effective steps were not taken to prevent irregular, fruitless and wasteful expenditure, as required by section 51(1) (b) (ii) of the PFMA. | The accounting authority did not implement and monitor controls to prevent irregular and fruitless and wasteful expenditure. | Management should ensure that controls are implemented and monitored and that irregular, fruitless and wasteful expenditure is prevented, and timeously follow up such expenditure if it is incurred. |
| Procurement and contract management:  Goods, works or services were not procured through a procurement process which is fair, equitable, transparent and competitive as required by the section 51(1)(a)(iii) of the PFMA.   * The evaluation criteria for functionality did not clearly indicate the applicable values for the different criteria specified in the request for quotation. * The appropriate bidding process was not followed for the procurement of services | Management did not ensure that requests for quotations made available to potential suppliers specified the applicable values for the different criteria to evaluate functionality.  Management did not ensure that the suppliers were selected by following the appropriate tender process. | Management should ensure that the applicable legislation is adhered to and monitored on a regular basis and that evaluation criteria and weightings are made available to potential suppliers.  Management should ensure that contracts are only entered into after the appropriate bidding and approval processes have been followed. |
| Enabling legislation:  The board of directors was not constituted as required by section 16 of the Nuclear Energy Act, 1999 (Act No. 46 of 1999). | Adequate oversight of financial reporting, compliance and related internal controls was not exercised. | The board should be composed as stipulated in the Nuclear Energy Act. |

## Other matters of interest

### Comments on additional AGSA interaction to improve audit outcomes

| **Department/entity** | **Additional interaction / add service** | **Impact / outcome** |
| --- | --- | --- |
| DoE and Necsa | We had several meetings with the DoE and Necsa to determine who is responsible for the decontamination and decommissioning liability for the operational strategic nuclear liability associated with the operation of the Safari 1 research nuclear reactor (stage 2). The DoE approached senior counsel to seek a legal opinion in this regard. The legal opinion indicated that Necsa was responsible for the decontamination and decommissioning liabilities for both the historical strategic nuclear facilities (stage 1), and that the current liabilities for the strategic operational facilities should be accounted for by Necsa. In addition, the legal opinion stated that the state was responsible for funding these liabilities. The minister of Energy then issued a letter to the DoE, National Treasury and Necsa, requesting Necsa to disclose the phase 1 and phase 2 liability in their annual financial statements. | The inclusion of both the stage 1 and stage 2 liabilities in the annual financial statements resulted in Necsa receiving an unqualified financial opinion for both the 2014-15 and 2015-16 financial years. |
| Sanedi | Interactions took place with the management of Sanedi to discuss the improvement of the annual performance plan as the indicators did not meet the SMART criteria in the 2014-15 financial year | Management updated the annual performance plan for 2015-16 to ensure that the indicators are SMART. |

### Irregular expenditure

### Expenditure incurred in contravention of key legislation

| **Department/ entity** | | **Irregular expenditure** | | | | |
| --- | --- | --- | --- | --- | --- | --- |
| **Movement** | **Amount R 2015-16** | **Amount R 2014-15** | **Root cause** | **Recommendation** |
| *1* | *DoE* |  | *678 000* | *55 000* | *Lack of review and monitoring of compliance with applicable legislation.* | *The accounting authority should take effective and appropriate steps to prevent irregular expenditure.* |
| *2* | *CEF*  *(R80 million relates to SFF)* |  | *82 657 000* | *20 429 000* | *Lack of review and monitoring compliance with applicable legislation.*  *Effective and adequate consequence management was not implemented.* | *The accounting authority should take effective and appropriate steps to prevent irregular expenditure.* |
| *3* | *EQF* |  | *0* | *0* | *n/a* | *n/a* |
| *4* | *NERSA* |  | *0* | *1 703 887* | *n/a* | *n/a* |
| *5* | *NNR* |  | *4 683* | *0* | *Lack of review and monitoring compliance with applicable legislation.* | *The accounting authority should take effective and appropriate steps to prevent irregular expenditure.* |
| *6* | *Sanedi* |  | *420 000* | *426 000* | *Lack of review and monitoring compliance with applicable legislation.* | *The accounting authority should take effective and appropriate steps to prevent irregular expenditure.* |
| *7* | *Necsa* |  | *43 638 000* | *169 874 000* | *Lack of review and monitoring compliance with applicable legislation.* | *The accounting authority should take effective and appropriate steps to prevent irregular expenditure.* |

### Fruitless and wasteful expenditure*:*

### *Expenditure that should not have been incurred (incurred in vain that could have been avoided and no value for money received)*

| **Department/ entity** | | **Fruitless and wasteful expenditure** | | | | |
| --- | --- | --- | --- | --- | --- | --- |
| **Movement** | **Amount R 2015-16** | **Amount R 2014-15** | **Root cause** | **Recommendation** |
| 1 | DoE |  | 12 000 | 15 000 | Lack of review and monitoring of compliance with applicable legislation. | The accounting authority should take effective and appropriate steps to prevent fruitless and wasteful expenditure. |
| 2 | CEF |  | 11 055 000 | 4 731 000 | Lack of review and monitoring of compliance with applicable legislation. | The accounting authority should take effective and appropriate steps to prevent fruitless and wasteful expenditure. |
| 3 | EQF |  | 0 | 0 | n/a | n/a |
| 4 | Nersa |  | 1 134 | 402 | Lack of review and monitoring compliance with applicable legislation. | The accounting authority should take effective and appropriate steps to prevent fruitless and wasteful expenditure. |
| 5 | NNR |  | 0 | 0 | N/a | n/a |
| 6 | Sanedi |  | 129 000 | 34 000 | Lack of review and monitoring compliance with applicable legislation. | The accounting authority should take effective and appropriate steps to prevent fruitless and wasteful expenditure. |
| 7 | Necsa |  | 1 295 000 | 273 000 | Lack of review and monitoring compliance with applicable legislation. | The accounting authority should take effective and appropriate steps to prevent fruitless and wasteful expenditure. |

## Drivers of internal control

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Drivers of internal control** | | | | | | | | | | | | | | |
| **Department and entities** | **Leadership** | | | | | | **Financial and performance management** | | | | | **Governance** | | |
| **Effective leadership culture** | **Oversight responsibility** | **HR management** | **Policies and procedures** | **Action plans** | **IT governance** | **Proper record keeping** | **Processing and reconciling controls** | **Reporting** | **Compliance** | **IT systems controls** | **Risk management** | **Internal audit** | **Audit committee** |
| DoE |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| CEF |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| EQF |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Nersa |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| NNR |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Sanedi |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Necsa |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

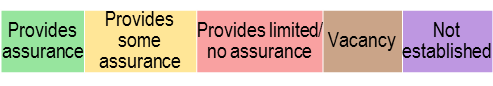
|  |  |
| --- | --- |
| **STATUS LEGEND** | |
|  | Good |
|  | In progress |
|  | Intervention required |

## Other AGSA reports

There were no other audits (performance and investigations) that were performed by the AGSA.

## Combined assurance on risk management in the public sector

**Assurance providers per level**

****

**First** **level**

**Third level**

**Second level**

**Executive authority**

**Accounting   
officer/authority**

**Senior management**

**Portfolio committee**

**Internal audit unit**

**Audit committee**

Management should further improve the first and second levels of assurance by taking immediate action to address internal control deficiencies identified and by ensuring stability in senior management and more stringent consequence management.

Internal audit effectively communicated to the audit committee the significance and impact of management’s failure to maintain internal controls. The audit committee monitored risks, the implementation of management’s commitments on corrective action and quarterly progress on action plans.

We met with the minister three times in the past year and the interaction had little impact on the portfolio’s current outcomes. The minister has however made commitments to address the significant issues in the Energy Portfolio as indicated in section 8 below. In addition the minister has taken initiatives to address the key root causes at some of the entities and result of the interventions should become evident in the 2016/2017 financial year.

The assurance provided by the portfolio committee’s oversight should be maintained. The committee should continue holding the leadership and senior management of the portfolio accountable for the performance and audit outcomes.

## Minister’s commitments and progress made with these commitments

#### The following are new commitments made by the minister. No commitments were made in the prior financial year:

| **No.** | **Commitment** | **Due date** | **Status** |
| --- | --- | --- | --- |
| 1. | The department commits to a process that is transparent and promotes good governance in the procurement of the Nuclear New Build Programme. As such the department will utilise process similar process for the evaluation of proposals and/or bids as that of the Independent Power Producers. | Not specified | New commitment made in current year |
| 2. | The Minister has requested the CEF/SFF to conduct an independent forensic audit that will review all contracts awarded from 2014-15 financial year to date | Not specified | New commitment made in current year |
| 3. | Vacancies will be addressed during the new financial year. The CEF Group has been instructed by the Minister to fill all critical vacancies as a matter of urgency. | Not specified | New commitment made in current year |
| 4. | A dedicated project team consisting of various disciplines i.e. technical, legal, finance etc. has been formed to address the quantum of the abandonment provision and funding thereof. The PetroSA board, shareholder, DOE, PASA, NT and other affected parties are kept informed of the progress to ensure compliance with laws and regulations.  CEF has already had engagements with the DOE, NT, and DMR during July 2016 to find a solution for the funding gap.  As a remedial action the disclosure in the financial statements will be strengthened to aid the users of the financial statements to appreciate the challenges, assumptions and amounts disclosed in the financial statements. | Not specified | New commitment made in current year |

|  |  |
| --- | --- |
| **STATUS LEGEND** | |
|  | Commitment has been implemented |
|  | Commitment in progress |
|  | Commitment has not been implemented |
|  | New commitment made in the current financial year |

## Assessment of the portfolio committee

The following criteria were used to evaluate the level of assurance for the portfolio committee:

* Oversight role in terms of a robust budget vote process and review of the annual report, including the audit report, quarterly reporting
* Follow up on progress made by the entities to address poor audit outcomes
* Make recommendations regarding key audit matters
* Follow up on key matters reported in the committee’s prior year BRRR report.

The portfolio committee performs as per the legislative oversight requirements and robustly engages the department and entities on its role and mandate. We therefore assessed the portfolio committee as provides assurance.