**COMMITTEE QUESTIONS BASIS FOR BAILOUTS WITHOUT FINANCIAL REPORTS SUBMISSIONS**

The Portfolio Committee on Public Enterprises heard that the Department of Public Enterprises got a clean audit outcome for the 2018/19 financial year.

The Chairperson of the committee, Mr Khaya Magaxa, questioned as to how the Department of Public Enterprises is unable to deal with the challenges of the entities that it oversees, but it is able to get a clean audit outcome for the previous financial year.

The Auditor-General of South Africa appeared before the committee to brief the committee on the annual report and financial statements of state-owned entities (SOEs) for the 2018/19 financial year.

Presenting on behalf of Auditor-General’s Office, Ms Zolisa Zwakala said the Office of the Auditor-General could not include an audit outcome for the South African Airways (SAA). She told the committee that SAA has not submitted financial and audit statements for the 2017/18 and 2018/19 financial years.

She said the audits for Alexkor and South African Express (SAX) have been concluded and signed off by the auditors. However, she said both entities have not yet held their annual general meetings and their annual reports, which contain audited financial statements, have not been tabled in Parliament.

Regarding Eskom, Ms Zwakala said the power utility’s current liabilities exceeded its current assets. That includes the current and previous year’s losses, deterioration of most of the group’s financial indicators, the impact of reduced generation performance and a debt-reliant liquidity situation.

The committee heard that the majority of the fruitless and wasteful expenditures relate to the R522 million penalty to a coal supplier which is in connection with the take or pay agreement with Eskom. Also, Eskom did not take a delivery of coal due to not having a contract in place for the transportation of the coal to the Medupi power station.

Ms Zwakala said there is an overall stagnation and regression in this portfolio. There has been a significant increase in irregular expenditure disclosed in the current year due to a drive to clean up past irregularities.

She said many entities face challenges that render them unable to sustain financial viability on their own without government support, something which impacts on their ability to remain.

The committee told the department that the report is concerning as it reflects the bad financial health of entities, but the report assists the committee in giving an overview of the challenges that the entities are facing.

Members of the committee asked about the consequences outlined in the Public Financial Management Act (PFMA) as a result of the failure to submit financial statements. Furthermore, members of the committee said the Auditor-General needs to advise the committee as to what are the punitive measures for an entity for not tabling an audit for two financial years.

Members of the committee could not understand the basis for government bailouts when there is a failure to submit financial statements, and this is a matter that needs to be dealt with by Parliament.

By Yoliswa Landu

8 October 2019