

# ANNUAL REPORT 2017/18



**public enterprises**

Department:  
Public Enterprises  
REPUBLIC OF SOUTH AFRICA







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Public Enterprises  
**REPUBLIC OF SOUTH AFRICA**

VOTE NO 09

# ANNUAL REPORT

2017/18 FINANCIAL YEAR




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# PART A: GENERAL INFORMATION



## 1. DEPARTMENT'S GENERAL INFORMATION

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## 2. GLOSSARY OF ACRONYMS

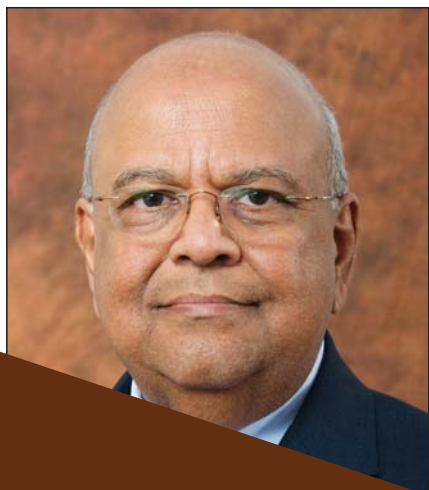
Below is a glossary of acronyms used in the Department of Public Enterprises.

<b>AGM</b>	Annual General Meeting	<b>MISS</b>	Minimum Information Security Standards
<b>AEMFC</b>	African Exploration Mining and Finance Corporation	<b>MOU</b>	Memorandum of Understanding
<b>ARC</b>	Audit Review Committee	<b>MTEF</b>	Medium-Term Expenditure Framework
<b>B-BBEE</b>	Broad-Based Black Economic Empowerment	<b>MTSF</b>	Medium-Term Strategic Framework
<b>BIS</b>	Business Intelligence Strategy	<b>MPAT</b>	Monitoring Performance Assessment Tool
<b>CAPEX</b>	Capital Expenditure	<b>MYPD</b>	Multi-Year Price Determination
<b>CFO</b>	Chief Financial Officer	<b>NERSA</b>	National Energy Regulator of South Africa
<b>CSI</b>	Corporate Social Investment	<b>NDP</b>	National Development Plan
<b>DEA</b>	Department of Environmental Affairs	<b>NERSA</b>	National Energy Regulator
<b>DDG</b>	Deputy Director-General	<b>NGP</b>	New Growth Path
<b>DG</b>	Director-General	<b>NT</b>	National Treasury
<b>DOE</b>	Department of Energy	<b>PFMA</b>	Public Finance Management Act
<b>DPE</b>	Department of Public Enterprises	<b>PICC</b>	Presidential Infrastructure Coordinating Commission
<b>DPME</b>	Department of Performance Monitoring and Evaluation	<b>PRC</b>	Presidential Review Committee
<b>DRDLR</b>	Department of Rural Development and Land Reform	<b>PSETA</b>	Public Sector Education and Training Authority
<b>DSBD</b>	Department of Small Business Development	<b>PSJV</b>	Pooling and Sharing Joint Venture
<b>DWS</b>	Department of Water and Sanitation	<b>PSP</b>	Private Sector Participation
<b>EDI</b>	Electricity Distribution Industry	<b>SA Express</b>	South African Express Airways
<b>ESEID</b>	Economic Sectors, Employment and Infrastructure Development	<b>SAFCOL</b>	South African Forestry Company Ltd
<b>EXCO</b>	Executive Committee	<b>SCM</b>	Supply Chain Management
<b>EIPA</b>	Economic Impact and Policy Alignment	<b>SEIAS</b>	Socio-Economic Impact Assessment System
<b>HR</b>	Human Resources	<b>SID</b>	Strategically Important Developments
<b>IAA</b>	Internal Audit Activity	<b>SDIP</b>	Service Delivery Improvement Plan
<b>IFLOMA</b>	Industrials Florestais de Manica	<b>SLA</b>	Service Level Agreement
<b>IPAP</b>	Industrial Policy Action Plan	<b>SOC</b>	State Owned Company
<b>JV</b>	Joint Venture	<b>TNPA</b>	Transnet National Ports Authority
<b>KLF</b>	Komatiland Forests	<b>TOR</b>	Terms of Reference
<b>KPI</b>	Key Performance Indicator	<b>TFR</b>	Transnet Freight Rail





### 3. FOREWORD BY THE MINISTER



**Mr Pravin Gordhan (MP)**  
*Minister of Public Enterprises*

State-Owned Companies (SOCs) exist to deliver crucial public services and goods that enable economic activity, improve the quality of the lives of our people, create jobs and effectively manage important assets of the state and to advance the country's strategic interests.

Yet, by the end of the 2017/18 fiscal year, most were on the brink of financial collapse and operationally deficient because of State capture. President Cyril Ramaphosa introduced drastic but essential changes to the executive leadership of the Department of Public Enterprises (DPE).

During my short time in office in the fiscal year under review, it has become evident that several of the SOCs in the DPE portfolio - Eskom, Transnet, Denel, Alexkor, SA Express and SAFCOL - were deliberately and systematically weakened to allow institutions to be captured and looted to varying degrees.

Since around 2011, compromised Boards and unscrupulous executives were appointed who actively engaged to enable looting; governance structures were repurposed to enable corruption and rent-seeking and evidence has emerged of how company directors as well as senior executives were derelict in their duties and oversaw regular violations of the Public Finance Management Act, the Companies Act and the Prevention of Corruption and Criminal Activities Act.

The challenge President Ramaphosa set in his 2018 State of the Nation Address was to "intervene decisively to stabilise and revitalise state owned enterprises..." and to "change the way that boards are appointed so that only people with expertise, experience and integrity serve on these vital positions...".

We were also directed by the President to encourage significant new investment in our economy to promote sustained, inclusive growth, to create jobs, to reduce poverty and to transform our economy. Inclusive growth and job creation are dependent on increased investment in our economy.

These are the central priorities for government. At the DPE we have fully embraced these objectives.

The first step to bring stability to SOCs has been for new Boards of Directors to determine and begin to address the malaise, the depth of corruption and criminal behaviour that seems to have become endemic in these institutions.



The next will be to ensure that the SOCs make their invaluable contribution to new investments by using both public resources and leveraging private sector resources.

Through the SOCs, government will be investing R368 billion over the next three years, of which Transnet and Eskom account a significant share. Their investments will be directed toward upgrading and expanding the country's electricity generation and transmission infrastructure as well as acquisition and maintenance of rail rolling stock and the completion of the New Multi-Product Pipeline (NMPP).

Improving the quality of the country's infrastructure will ensure a reliable and cost-effective electricity supply and efficient freight logistics and port infrastructure. New energy capacity will be built, ports- and rail infrastructure will be upgraded, our industrial defence capability will be further developed and we will continue investments to improve reliable and safe air transport through the aviation sector. This will make South Africa a more attractive location for companies to do business and will also crowd in further investment by the private sector.

An effectively managed, efficiently performing and well-governed public enterprise sector should play a dynamic role in:

- Delivering important public services and public goods that enable economic activity and improve the quality of lives of our people.
- Investing in infrastructure to reduce the cost-structure in the economy so that other economic players become more efficient and competitive.
- Supporting and growing small- and medium-size businesses.
- Undertaking research to develop new technologies to equip the country to compete effectively in a world post the fourth industrial revolution.
- Transforming the patterns of ownership in the economy by directing their procurement spend to black-owned businesses.
- Providing jobs, training and skills development.
- Controlling administered prices (electricity prices, port tariffs etc.) which have a negative impact on the economy if increases are too high.

We must get back to this basic mission. Not only must we contend with the present challenges, but we must also prepare for a very dynamic future. Re-establishing a public service culture and ethos – in the DPE and in SOCs is critical. This is our best antidote to greed and opportunism.

The Parliamentary Inquiry into Corporate Governance in Eskom last year exposed the gaps in the DPE's ability to provide effective oversight over the SOC portfolio and to ensure Boards and executive management are held to account when performance standards, ethics and corporate governance collapse.

My role as Executive Authority and shareholder representative of Government is to restore proper standards in oversight and governance and to ensure SOCs fulfil their dual commercial and developmental mandate.

Led by the work of the Portfolio Committee on Public Enterprises, various civil society organisations, whistle-blowers and the media, there was a determined effort during 2017/18 to turn the tide against corruption in the country and in SOCs in particular. These efforts must be acknowledged and commended.



We have already embarked on a mission to turn around the SOCs and some key interventions include:

- Appointing Boards with capacity, capability and integrity
- Skilled Management teams with proven track records and integrity
- Conduct forensics and ensure consequence management
- Review business models, both now and for the future where issues of sustainability will be integral to any proposed solution; and
- Reposition SOCs to plan an effective role in the economy so that they are able to promote investment, job development, enable skills acquisition and enable growth of business.

The institutional architecture of the DPE itself will also have to evolve in capability and capacity in order to meet the challenges facing the SOC and to be able to play an effective role.

I want to thank Parliament's oversight committees for their dedicated focus to help expose corrupt practices during the Parliamentary Inquiry and the committed DPE employees who worked diligently towards obtaining a clean audit opinion from the Auditor-General for the period under review; and who ensured continuous delivery of government programmes.

I believe with the right leadership and support, the DPE will improve on its performance and implement the successful turnaround of SOCs.

A handwritten signature in black ink, appearing to read 'Pravin Gordhan', is positioned above a horizontal line.

**Mr Pravin Gordhan (MP)**  
*Minister of Public Enterprises*



## 4. REPORT OF THE ACCOUNTING OFFICER



**Ms Makgola Makololo**  
*Acting Director-General*

### 4.1 Overview of the operations of the Department

The Department's priorities since the inception of the current administration period aimed to support an inclusive economic growth through the rollout of the infrastructure programmes, improved financial and operational sustainability of the DPE's portfolio of SOC. This, therefore, gives the Department an opportunity to effectively monitor implementation of SOC's key programmes aimed at responding to government's programme of action.

During the year under review, the Department identified strategic priorities to further align itself with the key government priorities, i.e. NDP and MTSF. They provide a planning framework for the Department and the development of the economic strategies in South Africa to reshape the economic landscape for better development outcomes.

The work on the Government Shareholder Oversight Policy is still underway to ensure better alignment between the Board and the executive management. Strengthening SOC governance to enhance the SOC governance system and improve the capacity to ensure that the SOC strategy is aligned to the national key priorities. The Department has been tasked by Cabinet to lead government's effort to develop government's Shareholder Oversight Policy. The Shareholder Management Policy is further aimed at, amongst others, improving SOC performance through good corporate governance by setting explicit goals and empowering the Boards and management to monitor performance and accountability. To date, the Guideline for the Remuneration and Incentives of SOC Executive Directors, Prescribed Officers and Non-Executive Directors was approved. These standards ensure that SOC's are properly managed and directed to effect transformation of the economy, while remaining financially viable. Performance incentives of SOC's executives will be transparently and directly linked to the desired outcomes, including audit outcomes.

The SOC's within the DPE portfolio are among the biggest employers in the country and play a critical role as instruments and drivers of economic growth. Government as a shareholder, faces a wide range of risks associated with taking care of its interests in these companies, including financial, reputational, political and operational risks. It is therefore imperative that SOC's have a clear mandate that ensures financial viability, thereby sustaining the SOC asset base and balance sheet in order to maintain and expand their goods and services.





The mid-year performance review was undertaken to assess the contribution of both the Department and SOCs to the outcomes of the MTSF and the strategic objective of the Department. The review indicated that there has been progress in certain areas to achieve the strategic objectives of the Department. However, the governance assurance functions at the SOCs had deteriorated over the years which compromised the image of the SOCs. The operating environment has also significantly changed resulting in challenges for most SOCs to acclimatise and develop operating models that are responsive and allow for future growth. Measures are already in place to address the governance environment to restore public trust of our SOCs. This will include amongst others:

- Reviewing SOCs' current boards to ascertain that the appointed board members have requisite integrity and competence.
- Restoring SOCs' financial sustainability to reduce their dependency on the fiscus, through engagement with relevant financial institutions and augmentation of their business and operating model in response to the changing economic landscape.
- Stamping out corrupt practices at SOC level to ensure that recommendations on the forensic investigation report are acted upon. Launching the Shareholder Anti-Fraud and Corruption Hotline.
- Ensuring sound governance practices in line with the expectations for transparency, equality and fairness.
- Streamlining SOC business to emphasise focus on their core mandate in order to support the development of the State.

There is a need to boost the capacity of the Department to systematically improve skills and capability that will enable effective Shareholder oversight. The Department must be capacitated to enable the provision of effective and strategic support and direction to the SOCs. The development and implementation of monitoring and evaluation systems will enable and enhance the department's ability to proactively anticipate and manage SOC performance.

The organisational realignment process was completed during the 2017/18 financial year. This was necessitated by the need to strengthen the Department's human resource capacity for effective shareholder oversight to the SOCs in the Department's portfolio.

## 4.2 Overview of the financial results of the Department

### 4.2.1 Departmental receipts

Departmental receipts	2017/2018			2016/2017		
	Estimate	Actual amount collected	(Over) / under collection	Estimate	Actual amount collected	(over)/Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Sales of goods and services other than capital assets	366	64	302	288	75	214
Transfers received	244	-	244	244	-	244
Interest, dividends and rent on land	11	19	(8)	11	1	10
Sales of capital assets	300	95	205	300	-	300
Financial transactions in assets and liabilities	240	10	230	240	5 136	(4 896)
<b>TOTAL</b>	<b>1 161</b>	<b>188</b>	<b>973</b>	<b>1 083</b>	<b>5 212</b>	<b>(4 128)</b>



## Revenue narrative

The DPE does not generate revenue as revenue collection is not part of its core function. Revenue of R188 000 collected during the year includes the sale of a departmental vehicle which amounted to R95 000.

### 4.2.2 Programme expenditure

Programme Name	2017/2018			2016/2017		
	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	158 468	150 629	7 839	155 792	153 788	2 004
Legal and Governance	24 243	21 572	2 671	25 906	23 303	2 603
Portfolio Management and Strategic Partnerships	83 985	78 212	5 773	86 278	76 688	9 590
<b>Total</b>	<b>266 696</b>	<b>250 413</b>	<b>16 283</b>	<b>267 976</b>	<b>253 779</b>	<b>14 197</b>

## Expenditure narrative

The Department has spent 93.9% (R250.4 million) of its total budget for the 2017/18 financial year. The under expenditure of 6.1% (R16.3 million) primarily relates to compensation of employees resulting from vacant posts.

### 4.2.3 Virements

Virement of R10 million was made between three programmes during the adjustment budget in September 2017. Funds were shifted from compensation of employees within all three programmes to goods & services within Programme 1 towards new office accommodation.

### 4.2.4 Roll-overs

There was no roll-over request submitted to National Treasury.

### 4.2.5 A description of the reasons for unauthorised, fruitless and wasteful expenditure and the amount involved as well as steps taken to address and prevent a recurrence.

The Department has no unauthorised expenditure. The fruitless and wasteful expenditure of R28 733.80 was incurred during the 2017/18 financial year as the result of an overpayment made to a service provider. This was identified at year end and the service provider has acknowledged the debt which is in the process of being recovered. The department continues to implement control measures as well as monitor, detect and deal with fruitless and wasteful expenditure to ensure compliance with the Public Finance Management Act.

### 4.2.6 Future plans of the Department

In advancing government objectives in the 2018/19 financial year, the Department will:

- Work to reposition SOCs as trusted public entities who deliver services to the people on behalf of the state. We will ensure that, the companies function in line with their mandates and halt the vicious looting and theft.
- Work swiftly to stabilise these entities and return them to financial sustainability through the appointment of capable executive teams, refocusing the companies on their core mandates,



ensuring that the companies have viable business and operating models. Improvements in operational performance, and engendering confidence among lenders and the bond market is critical.

- Look at how the collective resources and capabilities of SOCs can be used to promote inclusive growth, investment and the creation of jobs. We will restructure and reorient their businesses accordingly.
- Ensure SOCs promote transformation through measures such as preferential procurement to develop a new generation of Black-, women-and youth-owned enterprises.
- Hold to account those that have been directly involved in malfeasance as well as those that have neglected their responsibilities and allowed malfeasance to happen. In addition, strengthen the various levels of insurance to ensure the integrity of the system.
- Initiate processes which will enable government to recover stolen funds.
- Ensure the deepening of the interventions in communities to improve people's lives through corporate social investment initiatives of the SOCs.

#### 4.2.7 Public Private Partnerships

The Department has no public private partnerships registered with National Treasury.

#### 4.2.8 Discontinued activities/activities to be discontinued

The Department has neither discontinued activities nor activities to be discontinued. However, the Department has re-aligned the organisational structure and this resulted in changes in the budget structure for the 2018/19 financial year.

#### 4.2.9 New or proposed activities

The Department has neither new nor proposed activities.

#### 4.2.10 Supply chain management

The Department did not experience unsolicited bid proposals during the 2017/18 financial year. Three bid committees (i.e bid specification committee, bid evaluation committee and bid adjudication committee) have been established to ensure compliance in the bidding process and the implementation of the departmental financial and supply chain management policies and delegations help to manage and prevent irregular expenditure.

#### 4.2.11 Gifts and donations received in kind from non-related parties

There are no goods and services received by the department from non-related parties.

#### 4.2.12 Exemption and deviations received from National Treasury

The Department received no exemption from National Treasury except for the deviation from the bidding process which is in accordance with Treasury Regulations and Treasury Instruction number 3 of 2016/17.



#### 4.2.13 Events after the reporting date

There are no events after the reporting date.

#### 4.2.14 Other

There are no other material facts or circumstances to be reported.

### 4.3 Conclusion

I wish to express my appreciation to the Minister for his strategic leadership and unwavering support for ensuring that the Department and the State Owned Companies within our portfolio contribute towards key government priorities.

I am grateful for his stewardship. I would also like to thank the staff of the Department for their work, ethic and dedication that enabled the Department to achieve its objectives.

A handwritten signature in black ink, appearing to read 'Makgola Makololo', is positioned above a horizontal line.

**Ms Makgola Makololo**  
**Acting Director-General**  
**Department of Public Enterprises**





## 5. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY OF THE ANNUAL REPORT

To the best 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 judgements made on this information.

The Accounting Officer is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements.

In my opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the department for the financial year ended 31 March 2018.

Yours faithfully

**Ms Makgola Makololo**  
*Acting Director-General*



## 6. STRATEGIC OVERVIEW

### Vision

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

### Mission

To provide decisive strategic direction to the SOCs, so that their businesses are aligned with the national growth strategic arising out of the NDP.

### Values

**Bold** – We must dare to be brave even in challenging times.

**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 passion.

**Batho Pele Principles** – guide our engagement with clients and other stakeholders.

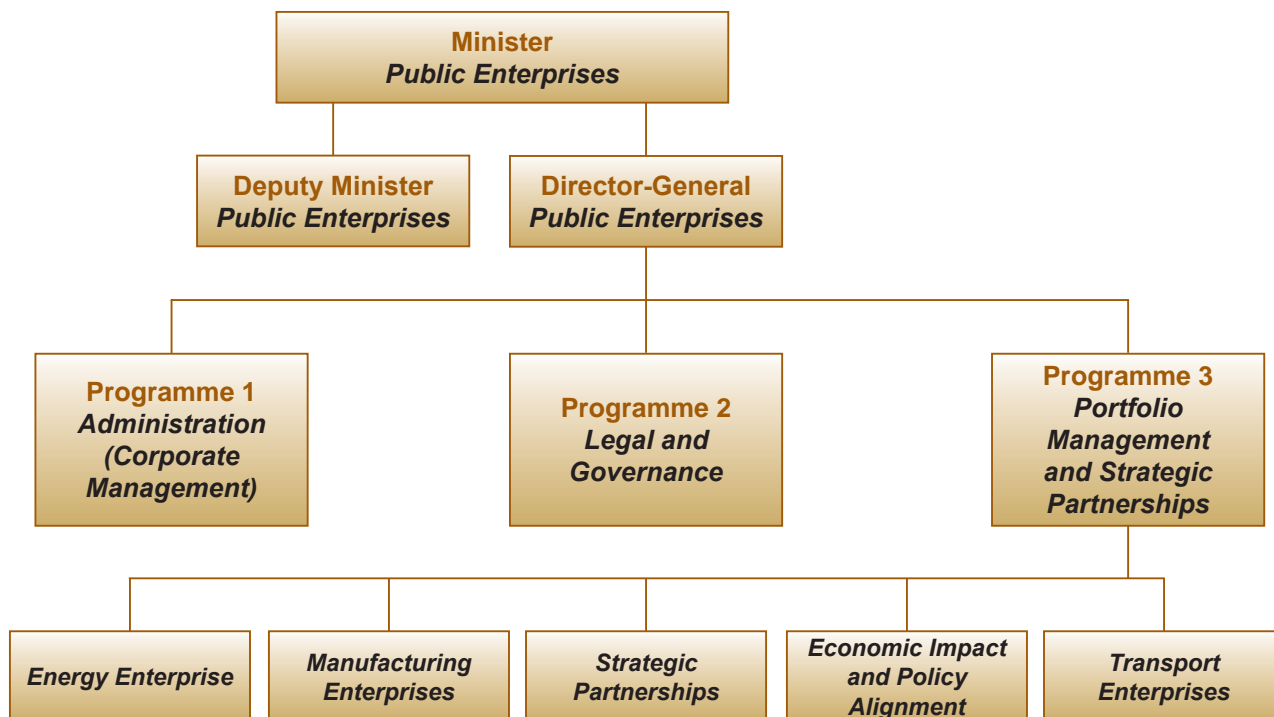
## 7. LEGISLATIVE AND OTHER MANDATES

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 relating 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.



## 8. ORGANISATIONAL STRUCTURE





## 9. 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 Airways (SA Express)	South African Express Act 34 of 2007	Shareholder Representative	South African Express operates regional and domestic flights from OR Tambo International Airport in Johannesburg, serving secondary routes in South Africa and Africa.
South African Forestry Company Limited (SAFCOL)	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 AGSA currently performs certain procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management.

Refer to page 83 of the Report of the Auditor General, published as Part E: Financial Information.

## 2. OVERVIEW OF DEPARTMENTAL PERFORMANCE

In terms of the performance delivery environment, the DPE has an obligation to assess and provide shareholder oversight on six SOCs, namely Eskom, Transnet, SAFCOL, Alexkor, Denel and South African Express. Processes and systems need to be put in place to facilitate effective performance monitoring and evaluation of the SOCs and ensure corrective actions are established in order for the SOCs to drive investment, productivity, transformation as well as to unlock economic growth.

Improvement in the performance of the SOCs will require changes in the environmental system within which the SOCs operate. This must be augmented by improvement in the execution of the oversight function and capacity to ensure that SOCs remain financially sustainable as they execute their developmental mandates.

The Department continues to monitor and conduct an intensive review of the financial state of SOCs. This is crucial to ensure that interventions to enhance efficiency at the SOC are adequate and diligently implemented. In addition, the assessment of the operational performance of the SOC strive to ensure adequate support to the priorities of the State as their services are essential for the competitiveness of the economy.

### 2.1 Service Delivery Improvement Plan

The Service Delivery Improvement Plan (SDIP) of the Department is an extension of the Strategic Plan with the key focus on areas that are related to the key service delivery related issues linked to the Batho Pele Principles. The premise for the new financial year is to consult with various components within the Department to identify areas that can be included as services that should form part of the Service Delivery Improvement (SDI). Subsequently, the Department will conduct monthly monitoring to ensure progressive implementation of the planned improvements as per the SDIP.

### 2.2 Organisational Environment

During the year under review, the Department completed the organisational re-alignment exercise to considerably strengthen the existing structure by centralising some critical line functions, for example "Financial Analysis", to ensure agility and relevancy to the changing environment within which SOCs operate.

The budget cuts on Compensation of Employees introduced in 2016/17 continued to have an impact on the Department's re-alignment exercise and a structure was agreed on within the budgetary constraints.

The re-alignment was supported by a strong change management strategy to ensure that staff were properly prepared for the impending changes.

The new structure will be phased in during 2018/19 and it will allow the Department to strengthen the oversight role in supporting the Shareholder Representative (Executive Authority).



The State of Capture Report of the Public Protector in October 2016 highlighted glaring gaps in the Department's oversight role. These include allegations of State capture, corruption and malfeasance.

Subsequently a process was initiated to rotate the Boards of Eskom, Transnet, Denel, SA Express, SAFCOL and Alexkor. Eskom's Board was replaced in January 2018 and the other companies will follow in 2018/19.

### **2.3 Key Policy Developments and Legislative Changes**

None

## **3. STRATEGIC OUTCOME ORIENTED GOALS**

The Department of Public Enterprises plays an instrumental role in implementing the 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 key objectives of Outcome 6 are:

- Increasing the electricity reserve margins;
- Increasing investment to 25% of the GDP;
- Increasing rail volume to 330 million tonnes; and
- Increasing ports' productivity.

The overarching goal of Outcome 6 is to accelerate the movement of the economy from consumption driven to an investment driven economy as well as leveraging Government's Build Programme to boost demand and build new capabilities and capacity in the economy. The state of the economy continues to necessitate sustained interventions by the State to turnaround the current economic outlook. The current capex programme has been centred around the State institutions, creating a conducive environment for accelerated investments and mandating SOCs to accelerate their investments.

The Economic Sectors, Employment and Infrastructure Development (ESEID) Cluster oversee the responsibility of Outcomes 4, 5, 6, 7 and 10 of the MTSF five year period. These outcomes are cross cutting across different economic aspects of the South African economy, including:

- Increase of decent employment through inclusive economic growth;
- Improving education, training and innovation;
- Competitive and responsive, economic infrastructure network;
- Inclusive rural economy as well as environmental sustainability and resilience.

Moreover, the ESEID Cluster oversee economic policy and plans related to trade, transport, energy, and environmental assessment among others. DPE is responsible for Outcome 6 coordination among different government departments.

The performance of SOCs in the electricity sector and freight logistics is essential for the development of the South African economy. Enhancing performance in this area requires a highly focused, results-orientated Department where commercial discipline is never subverted and transformative objectives continue to be prioritised.



## **CAPEX PROGRAMME**

### **ESKOM**

Electricity generation is one of the key pillars of economic growth and is part of the MTSF deliverable which states that 19% of the electricity reserve margin is maintained to avoid load shedding. It is therefore imperative for the Department to ensure that Eskom delivers its capital Build Programme and maintains existing operations.

Progress made to date on the Build Programme includes Kusile unit 1 achieving commercial operations on 30 August 2017, ahead of the revised schedule adding 800 MW to the electricity grid. Kusile Unit 1 is the first unit installed with the Flue Gas Desulphurisation technology, which is essential for the environmental protection in the area. The achievement adds to the capacity, brought online by Medupi unit 4 and unit 5. Medupi unit 5 attained operation status in April 2017 with an installation of capacity of 794 MW. Medupi unit 4 was commercialised in November 2017. In total, the new capacity brought on line by Medupi and Kusile was 2 387 MW by end of March 2018.

Medupi Unit 3 and Kusile Unit 2 achieved first synchronisation on 8 April 2018 and 24 March 2018 respectively and are expected to be in commercial operation by September 2018 and March 2019 respectively. During the period under review, transmission lines of 722.3 kilometers were constructed and transformer capacity of 2 510 MVA was commissioned. As at 31 March 2018, 38 111 active jobs had been created at Medupi, Kusile, Ingula and power delivery projects.

### **TRANSNET**

#### **Capital Investment**

Transnet made substantial investments in South Africa's national infrastructure. These include R107 billion in the country's rail network, R18 billion in our ports infrastructure and R17 billion in the national pipeline network. Overall, approximately R168 billion has been invested in the previous six years; and Transnet intends to invest a further R163,7 billion in capital over the next five years to 2022/23.

#### **Efficiency gains**

The unprecedented national infrastructure investments are measurable through the improved efficiency gains that have contributed to the lower cost of doing business in South Africa. Rail has seen improvement in on-time departures from 47 percent in 2013 to 87 percent today. This has not only helped in running a more precise and scheduled railway but has played a pivotal role in reducing the overall train cycle times. The Pipeline Volumes target was under achieved by 7% (budget: 17, 6 billion litres vs Actual: 16.3) due to the explosion at National Refineries (NATREF) in May 2017. Ports' efficiency measures except for train turnaround time did not achieve their targets.





## 4. PERFORMANCE INFORMATION BY PROGRAMME

### 4.1 PROGRAMME 1 - ADMINISTRATION

#### Programme 1: Administration

##### Purpose

**To provide strategic leadership, management and support services to the Department, and capacity building.**

##### Strategic Objectives

- Strengthen the delivery capacity of the Department through the optimisation of the structure as well as increased investments in technology.
- Increase engagements between the Department and key stakeholders such as provincial governments, universities, business and civil society.
- Optimise internal processes to fast-track decision making.

##### 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; Management; Corporate Services; Chief Financial Officer; Human Resources; Communications; Strategic Planning, Monitoring and Evaluation; Inter-Governmental and Stakeholder Relations and Internal Audit.

##### Office of the Minister

This sub-programme supports the Minister and Deputy Minister by providing executive and administrative support. The sub-programme is responsible for the development of systems and mechanisms for handling parliamentary questions and replies, Cabinet matters, correspondence, submissions and memoranda.

##### Office of the Director-General

This sub-programme is responsible for providing strategic direction and leadership to the organisation.

##### Management

This sub-programme provides administrative support and reports to the Director-General. It consists of the following corporate services:

**Security and Facilities Management** – Provides a safe and secure environment and internal administration and facilities services to internal customers.

**Information Management and Technology** – provides information technology services and applications as strategic tools for business enablement, coupled with comprehensive records management, knowledge management, and library and information services.

**Office of the Chief Financial Officer** provides financial management services to ensure compliance with various legislation, including the Public Finance Management Act, 1999 (Act No 1 of 1999), Public Audit Act, 2004 and Treasury Regulations; and efficient and effective supply chain management services.



**Human Resources** assists line management to implement operational excellence and for developing the human capital potential in the Department.

**Communications** repositions the DPE as a strong shareholder department; makes the DPE brand relevant and meaningful to ordinary South Africans; impacts media relations and media communication and improves employee engagement.

**Strategic Planning, Monitoring and Evaluation** co-ordinates, manages and oversees outcomes based performance reporting of the Department; implementation of performance monitoring and evaluation processes for individual programmes and business units as a mechanism for measuring delivery of our 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 related to Intergovernmental, International and Stakeholder Relations.

**Internal Audit** provides independent and objective assurance and consults internal audit services to add value and improve the Department's operations; as well as assists the Department to accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.



## Strategic objectives, performance indicators planned targets and actual achievements

### Strategic objectives

Programme 1: Administration							
Strategic objectives	Actual achievement 2014/15	Actual achievement 2015/16	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
Promote institutional alignment in the execution of the oversight function.	None	Business case of the BIS completed	None	BIS developed	Not achieved	The process to develop the business intelligence system was not completed due to lack of additional data source required to finalise the development of the system.	Engagement with relevant stakeholders to be held in 2018/19 to determine adequate data the development and functionality of the system.
	IT independent assessment	Review of business processes	Four system improvement projects implemented focused on business process optimisation and Enterprise Information Portal (EIP)	Automate three business processes to improve operational efficiency	Not achieved	The three targeted business processes are still under development and are yet to be fully completed.	The automation of the three processes will be finalised in the 2018/19 financial year.
	None	Proposal for the development of long-term scenarios	Proposal for the development of long-term scenarios	Long-term scenarios developed in the six sectors where SOCs in the Department's portfolio operate	Not achieved	Project was discontinued due to lack of adequate proposals to acquire service providers which were not received timeously	None



## Performance indicators

Programme 1: Administration					
Performance indicator	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
Development of the BIS	None	BIS developed	Not achieved	The process to develop the business intelligence system was not completed due to lack of additional data source required to finalise the development of the system.	Engagement with relevant stakeholders to be held in 2018/19 to determine the adequate data to support the functionality of the system.
Automation of key business processes	Four system improvement projects implemented focused on business process optimisation and Enterprise Information Portal (EIP)	Three key business processes automated (acquisition, organisational performance planning and monitoring and contract management).	Not achieved	The three targeted business processes are still under development and are yet to be fully completed.	The automation of the three processes will be finalised in the 2018/19 financial year.
Development of long-term scenarios	Proposal for the development of long-term scenarios	Long-term scenarios completed	Not achieved	Project was discontinued due to lack of adequate proposals to acquire service providers which were not received timeously.	None

## 2017/18 Key achievements

The Department has stabilised its IT infrastructure during the period under review. ICT services continue to remain available to the users and ICT disruptions are kept to a minimum. The corporate governance of ICT within DPE has significantly improved. The development of automated workflows such as application for leave, expense claims and submissions onto SharePoint will improve the efficiency of the DPE's internal operations.

## Strategy to overcome areas of underperformance

Due to the delay to receive adequate proposals for the development of the long-term scenario project, the department will consider reviewing the project to determine elements of the project that can be undertaken internally. Key ICT projects outlined in the OPP could not be implemented due to the budget constraints attributable to ICT infrastructure investments for the new building. Also, the Enterprise Architecture project was put on hold due to organisation re-alignment project. These projects will be implemented in the 2018/19 financial year. Implementation of the ICT strategy continues to be the key focus to ensure that the ICT department achieves its vision of providing credible, capable and adaptable ICT support and services to become a strategic enabler for DPE.



One of the impediments in the present reporting process of the SOC performance is that the data is historic and not on-time data. As a result this forces the department to heavily rely on SOC quarterly reports submitted four weeks after the end of the quarter. The development of the Business Intelligence System is intended to improve the oversight of SOC's in the DPE portfolio by creating a central point to receive on-time data which can provide early warning and challenges faced by SOC. The development of the dashboard oversight will be embarked on in the 2018/19 financial year.

### Changes to Planned Targets

None

### Sub-programme expenditure

Sub-Programme Administration	2017/18			2016/17		
	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	35 252	34 985	267	29 118	29 026	92
Management (Prog.1)	9 412	8 757	655	12 119	11 750	369
Corporate Services	38 352	36 017	2 335	29 998	29 840	158
Chief Financial Officer	16 173	16 142	31	15 314	15 285	29
Human Resources	15 331	14 827	504	20 998	20 877	121
Communications	14 745	13 158	1 587	23 981	23 747	234
Strategic Planning, Monitoring and Evaluation	4 696	3 380	1 316	4 329	4 186	143
Inter-Governmental Relations	6 597	6 586	11	4 651	4 408	243
Internal Audit	4 701	3 579	1 122	4 626	4 012	614
Office Accommodation	13 209	13 198	11	10 658	10 657	1
<b>Total</b>	<b>158 468</b>	<b>150 629</b>	<b>7 839</b>	<b>155 792</b>	<b>153 788</b>	<b>2 004</b>

### Expenditure narrative

Expenditure on the programme amounted to R 150.6 million or 96.68% of the total budget in 2017/18, while expenditure for the 2016/17 financial year totalled R153.8 million or 98.71% of the total budget of R155.8 million. The relative decrease in expenditure is as a result of vacant posts within the programme.

### 4.2 Programme 2: Legal, Governance and Risk

Purpose: Provides legal services and corporate governance frameworks, as well as facilitates the implementation of all legal aspects of transactions that are strategically important to the Department and SOC's. Ensures alignment with Government's strategic intent by, among others, monitoring the performance indicators of SOC's.





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.
- **Legal** - internal legal services and support to oversight of the SOC's. 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 SOC within their oversight.
- **Governance** - develops and maintains effective corporate governance, systems and processes for the Department and SOC's in its portfolio, 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 Objective**

Over the MTEF period the programme will ensure effective shareholder oversight of SOC's by:

- Providing ongoing legal services and coordinating governance systems.
- Facilitating the ongoing implementation of all legal aspects of transactions that are strategically important to the Department and SOC's.
- Ensuring that financial and operational risk management processes are embedded throughout the Department as and when required, over the medium-term.
- Addressing constraints on SOC's' 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 shareholder compact framework annually in terms of Public Finance Management Act (1999).
- Providing ongoing guidance on appropriate delegation frameworks between the SOC Boards and executive management on a regular basis.
- Advising the Minister regularly on the appointments of board of directors including remuneration, preparation for Annual General Meetings (AGMs), and conducting annual reviews of ownership policies, appointments and the performance of Boards and executive management.



## Strategic Objectives

Sub-programme: Legal, Governance and Risk					
Strategic Objective	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
Promote the development of a strong shareholder	Not achieved	Develop draft Bill on Shareholder Management	Not achieved	DPE awaiting re-initiation of meetings by IMC on SOC Reform in order to continue consultations on government Shareholder Management Policy Concept Paper	DPE is in the process of consulting with DPME on Socio-Economic Impact Assessment System (SEIAS) prior to approval of the Concept Paper on government Shareholder Management Policy by Cabinet
Completion of the liquidation of Aventura	Draft Bill submitted to Cabinet	Draft Bill submitted to Parliament	Achieved	None	None

## Performance indicators

Sub-programme: Legal, Governance and Risk							
Performance Indicator	Actual Achievement 2014/15	Actual Achievement 2015/16	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
Develop shareholder policy	Government Shareholder Management Bill	SOC Stabilisation Programme	Draft concept paper on Shareholder Policy	Develop draft Bill on Shareholder Management	Not achieved	DPE awaiting re-initiation of meetings by IMC on SOC Reform in order to continue consultations on government Shareholder Management Policy Concept Paper	DPE is in the process of consulting with DPME on Socio-Economic Impact Assessment System (SEIAS) prior to approval of the Concept Paper on government Shareholder Management Policy by Cabinet
Repeal of the Overvaal Act 127 of 1993	Draft Bill to repeal the Overvaal Act (1993)	Bill to repeal the Overvaal Act 127 of 1993 approved by Cabinet	Draft Bill submitted to Cabinet	Draft Bill submitted to Parliament	Achieved	None	None



## 2017/18 Key achievements

Government Shareholder Management Policy Draft Concept Paper prepared and consultations held with key stakeholder departments and IMC on SOC Reform in respect of approval of Draft Concept paper. Consultations held with key stakeholder departments as well as the IMC on SOC Reform for approval of Draft Guide for SOC's Remuneration and Incentives for Executive Directors, Prescribed Officers and Non-Executive Directors (REM Guide).

## Strategy to overcome areas of under-performance

DPE awaiting re-initiation of meetings by the IMC on SOC Reform in order to continue consultations on Government Shareholder Management Policy Concept Paper. DPE is in the process of consulting with DPME on the Socio-Economic Impact Assessment System (SEIAS) prior to approval of the Concept Paper on the Government Shareholder Management Policy by Cabinet.

## Changes to planned targets

None

## Sub-programme expenditure

Sub- Programme Legal and Governance	2017/18			2016/17		
	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	3 074	2 825	249	2 864	2 687	177
Legal	13 408	11 589	1 819	14 317	14 078	239
Governance	7 761	7 158	603	8 725	6 538	2 187
<b>Total</b>	<b>24 243</b>	<b>21 572</b>	<b>2 671</b>	<b>25 906</b>	<b>23 303</b>	<b>2 603</b>

## Expenditure narrative

Expenditure on the programme amounted to R 21.6 million in 2017/2018 as compared to R23.3 million in 2016/17. The decreased expenditure variance of R1.7 million can be attributed to various disciplinary cases that are in the process of being resolved and where funds have not been disbursed to service providers. Expenditure in the programme can be protracted as it is also dependent on the decisions of the courts and on outstanding litigations and disciplinary cases. The underspending on compensation of employees is as a result of delays in filling of vacant posts due to realignment of the departmental structure.

## 4.3 PROGRAMME 3 - PORTFOLIO MANAGEMENT AND STRATEGIC PARTNERSHIPS

### Programme 3: Portfolio Management and Strategic Partnerships

#### Purpose:

Align the strategies of the SOC's with government policy and strategy, and monitor their financial and operational performance and capital investment plans. Align shareholder oversight with overarching government economic, social and environmental policies, and build focused strategic partnerships between SOC's, strategic customers, suppliers and financial institutions.

The sub-programmes in this programme are as follows:



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

## Programme expenditure

Sub-Programme Portfolio Management and Strategic Partnerships	2017/18			2016/17		
	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 Enterprise	15 803	14 449	1 354	15 280	13 388	1 892
Manufacturing Enterprises	18 938	17 679	1 259	25 808	24 160	1 648
Transport Enterprises	16 080	14 973	1 107	16 616	14 607	2 009
Economic Impact and Policy Alignment	25 540	25 150	390	15 797	15 465	332
Strategic Partnerships	7 624	5 961	1 663	12 777	9 068	3 709
<b>Total</b>	<b>83 985</b>	<b>78 212</b>	<b>5 773</b>	<b>86 278</b>	<b>76 688</b>	<b>9 590</b>

## Expenditure narrative

Expenditure on the programme amounted to R 78.2 million in the 2017/18 financial year in comparison to R76.7 million in the 2016/17 financial year. The marginal increase in expenditure is due to the payments made to different universities in terms of research and development services related to the various SOC's. The underspending on compensation of employees is as a result of delays in filling of vacant posts, due to the realignment of the departmental structure.

## Detailed information on the five sub-programmes is as follows:

### 4.3.1 Sub-programme: Energy Enterprise

- Management – the office of the Deputy Director-General, which provides strategic leadership and management of programme personnel.
- Eskom – shareholder management and oversight of Eskom's financial performance.

## Strategic objectives, performance indicators, planned targets and actual achievements

### Strategic Objectives

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

- Provide shareholder management and oversight of the Eskom business, including the generation, transmission and distribution of electricity, with particular emphasis on ensuring the security of supply, over the medium-term.



- Ensure the legal regulatory compliance of Eskom by ongoing engagement on policies and regulations with stakeholders such as the Department of Energy (DoE), the Department of Environmental Affairs (DEA), the Department of Water and Sanitation and the National Energy Regulator of South Africa (NERSA).
- Reduce Eskom's dependence on funding from the fiscus by quarterly monitoring cost escalations for its capital investment programme and operations to roll out the build programme cost-effectively.
- Exercise oversight to ensure that Eskom's capital investment supports local suppliers by monitoring the implementation of the competitive supplier development programme and assessing progress in the company's quarterly report.
- Support Eskom to address the municipal debt challenges to ensure financial sustainability.

### Eskom SOC Limited

- Support the security of electricity supply by the following ongoing actions:
  - Examining Eskom's maintenance plans, operational practices, electricity generation and distribution efficiency, and its reserve margins.
  - Ensuring that Eskom supplies electricity by monitoring, evaluating and engaging with the company on system security and the new build programme to alleviate constraints.
  - Facilitating engagement between Eskom and other spheres of government to address municipal debt.
  - Monitoring the rollout of the capital investment programme to ensure that it is delivered on time, is of appropriate quality and is within budget.

### Strategic objectives

Sub-programme: Energy Enterprises					
Strategic objectives	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
Ensure improved and sustainable operations within Eskom	Position paper on Eskom's operational sustainability	Monitor Eskom's operational performance	Achieved	None	None
	None	Report on Eskom's operating model	Achieved	None	None
Ensure delivery of Eskom's Build Programme	Review and monitor the delivery of the Build Programme	Monitor the delivery of the Build Programme (Medupi, Kusile)	Achieved	None	None
Ensure financial sustainability	None	Monitor Eskom to reduce operating costs	Achieved	None	None





## Performance indicators

Sub-programme: Energy Enterprises							
Performance Indicator	Actual Achievement 2014/15	Actual Achievement 2015/16	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
Monitor Eskom's operational performance	None	Improved operations to minimise load shedding	Improved Eskom operational performance	Monitor Eskom operational performance	Achieved	None	None
Review of Eskom operating model	None	None	None	Report on Eskom's operating model	Achieved	None	None
Progress report on the delivery of Eskom Capital Programme	None	Delivery of Medupi, Kusile, Ingula and Sere Wind Farm	Review and monitor the delivery of the Build Programme	Monitor the delivery of the Build Programme (Medupi, Kusile)	Achieved	None	None
Review of Eskom operating cost structure	None	Improved Eskom financial metrics and company financial sustainability	None	Monitor Eskom to reduce operating costs	Achieved	None	None

## 2017/18 Key achievements

The financial year 2017/18 was very challenging for the entity's financial performance, the qualified audit opinion at the end of the 2016/17 financial year, coupled with corporate governance failures restricted the ability to access the capital markets to execute the borrowing plan. Furthermore, the NERSA decision to grant Eskom tariff increases that are below average inflation for two consecutive years (2.2% in 2017/18 and 5.23% in 2018/19) coupled with the declining demand of electricity contributed significantly to the decline in revenues failing to meet operational costs and debt repayment obligations. In that context, a deep dive exercise into Eskom's cost structure was undertaken and the cost drivers were identified. The recommendations emanating from the exercise were used as a base to review Eskom's cost structure and the business operating model which has formed the basis of the company's strategic review to deal with financial sustainability and repositioning the company for growth whilst responding to the changing energy landscape. The appointment of a credible Board in January 2018 restored investor confidence and resulted in the entity raising R43 billion in the last quarter of the financial year which the entity could not raise in the first three quarters of the 2017/18 financial year.

The changing energy landscape necessitated an understanding of the energy evolution and the review of Eskom's operating model to ensure survival and both operational and financial sustainability. The Department commissioned a number of studies with a view of re-positioning Eskom to ensure future relevance and sustainability. Furthermore, the Department played a critical role in the stimulation of the dwindling demand by supporting Eskom on their initiative to develop a Special Pricing Agreement for large energy users to ensure that they are supported during the difficult economic environment. It is envisaged that the spinoff will be the protection of jobs that were on the brink of being lost due to closure of the plants by intensive users. Eskom's operational performance remains robust with the



electricity capacity increasing by 2 387MW through commercialisation of Medupi Units 5 and 4, and Kusile Unit 1. The plant availability improved to 78% (2016/17: 77.3%) in the 2017/18 financial year demonstrating the improved plant maintenance and increased capacity due to the acceleration on delivering the infrastructural Build Programme.

### Strategy to overcome areas of under performance

None

### Changes to Planned Targets

None

### Sub-programme expenditure

Sub- Programme Energy Enterprise	2017/18			2016/17		
	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	1 461	1 203	258	1 382	1 055	327
Financial Analysis	5 680	4 617	1 063	6 117	4 569	1 548
Eskom	8 662	8 629	33	7 781	7 764	17
<b>Total</b>	<b>15 803</b>	<b>14 449</b>	<b>1 354</b>	<b>15 280</b>	<b>13 388</b>	<b>1 892</b>

### Expenditure narrative

Expenditure on the sub-programme amounted to R 14.4 million in 2017/18 , compared to R13.4 million in 2016/17, which included the transfer payment of R23 billion to Eskom in terms of the Eskom Special Appropriation Act (2015). The underspending on compensation of employees is as a result of delays in filling of vacant posts, due to the realignment of the departmental structure.

#### 4.3.2 Sub-programme: Manufacturing Enterprises

- Management – the office of the Deputy Director-General, which provides strategic leadership and management of programme personnel.
- Denel – shareholder management and oversight of Denel's financial performance and strategy implementation.
- Alexkor – Shareholder management and oversight of Alexkor including review of its strategy to enhance financial sustainability, and overseeing implementation of the Richtersveld Deed of Settlement.
- SAFCOL – shareholder management and oversight including forestry management, timber harvesting, timber processing and related activities, both domestically and internationally, 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:

- Ensure 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 SOC's 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.
- Promote collaboration among SOC's to contribute towards achieving national economic development objectives.

### **Denel SOC Limited**

- Ongoing oversight of the development of a long-term growth strategy to achieve financial stability and the growth of manufacturing export products.
- Leverage off the company's advances in manufacturing capability through securing work packages in support of the industrialisation drive aligned with the Industrial Policy Action Plan (IPAP) in the medium-term.
- Ensure Denel's ongoing sustainability by monitoring the implementation of the multi-year turnaround plan in the medium-term.

### **Alexkor SOC Limited**

- Ensure increased diamond production and promote the financial stability of the Alexkor and Richtersveld Mining Company's Pooling and Sharing Joint Venture (PSJV) by monitoring the implementation of Alexkor's strategy to promote financial sustainability and monitoring quarterly joint venture's turnaround strategy.
- Ensure collaboration and alignment in the medium term between Alexkor and the African Exploration Mining and Finance Corporation (AEMFC) through the development of a collaborative model over the medium-term.
- Contribute to developing non-mining sustainable economic activities through the support and coordinated joint efforts of the Department of Public Enterprises, the Department of Mineral Resources and the Department of Rural Development and Land Reform (DRDLR) in the 2016/17 financial year.

### **South African Forestry Company SOC Limited (SAFCOL)**

- Oversee the implementation of the land restitution strategy for claims over the Komatiland Forests' land claims settlement model to ensure meaningful benefits to the successful land claimants over the medium-term.
- Oversee the implementation of the SAFCOL's corporate strategy in the medium-term.
- Engage with the DRDLR, Department of Agriculture, Forestry and Fisheries (DAFF) and the Department of Trade and Industry (dti) to ensure the warehousing of SAFCOL shares in the four privatised forestry companies.



## Strategic objectives

Sub-programme: Manufacturing Enterprises					
Strategic objectives	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
Promote commercial viability of SOCs' operations	R1.8bn guarantee support	Recommend renewal of Denel's government guarantee	Achieved	None	None
Position SOCs to support the reindustrialisation of the South African economy	None	Recommendation of SAFCOL sawlog allocation model	Achieved	None	None

## Performance Indicators

Sub-programme: Manufacturing Enterprises							
Performance Indicator	Actual Achievement 2014/15	Actual Achievement 2015/16	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
Manage Denel's reliance on government guarantees	R1.8bn guarantee support	R1.8bn guarantee support	R1.8bn guarantee support	Recommend renewal of Denel's government guarantee	Achieved	None	None
Promote increase of internal processing capacity of SAFCOL operations	None	None	None	Recommendation of SAFCOL sawlog allocation model	Achieved	None	None

## 2017/18 key achievements

### Denel

The 2017/18 financial year was the most difficult year in over a decade for the SOC. The entity experienced crippling liquidity challenges that affected operations and delivery of key projects. The SOC had to request not only the rollover of existing guarantees (R1.85 billion), but had to request additional guarantees (R580 million) for emergency capital requirements. As a result, the SOC is expected to reverse the trend of growing revenue and profitability. The situation remains grim with many suppliers remaining unpaid and a number of contracts running behind schedule. A new Board was put in place at the beginning of the 2018/19 financial year. The Board is mandated to drive the turnaround of the business and to improve the stakeholder environment which is key to the sustainability of the SOC.

### Alexkor

Alexkor Richtersveld Mining Company Pooling and Sharing Joint Venture (Alexkor RMC PSJV) commenced with the exploration of new shallow water channels which were previously unexplored. Over 6 000 carats were produced against the target of 5 000 carats at the shallow water operations.



Despite the introduction of new diamond mining operations, Alexkor RMC PSJV did not achieve its targeted annual production of 57 000. The diamond operations achieved 48 434 carats.

Diamond revenue decreased from R386m to R209m in 2017/18. The decline in revenue was further exacerbated by the disruption of the deep sea mining operations. The deep sea mining vessel caught fire in April 2017, which resulted in extensive damages. The deep sea operations are expected to resume in the second quarter of 2018/19.

## SAFCOL

The Group had the most challenging year with revenue declining by approximately 20% for the 2017/18 financial year as a result of poor performance. Furthermore, SAFCOL failed to deliver on agreed annual strategic projects due to the indecisiveness of the Board. However, the Company has indicated that it is in the process of reviewing its Corporate Strategy in an effort to improve performance. During the year under review, the SOC successfully hosted the first Forestry Industrialisation Conference in collaboration with government. Despite the decline in performance, SAFCOL remains stable and able to sustain itself without Government financial support. The SOC has continued to invest in surrounding communities whilst waiting for the Department of Rural Development and Land Reform to finalise the settlement of land claims.

### Strategy to overcome areas of under performance

None

### Changes to Planned Targets

None

### Sub-programme expenditure

Sub-Programme Manufacturing Enterprises	2017/18			2016/17		
	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	3 392	3 381	11	3 548	3 378	170
Denel	5 085	5 082	3	4 308	4 286	22
Alexkor	3 568	2 462	1 106	2 239	1 511	728
SAFCOL	6 893	6 754	139	15 713	14 985	728
<b>Total</b>	<b>18 938</b>	<b>17 679</b>	<b>1 259</b>	<b>25 808</b>	<b>24 160</b>	<b>1 648</b>

### Expenditure narrative

Expenditure on the sub-programme amounted to R 17.7 million, compared to R24.2 million in 2016/17. The decrease in expenditure is due to the non-payment of transfers in the current financial year as compared to the previous year. The underspending on compensation of employees is as a result of vacant posts that were put on hold due to the realignment of the departmental structure.

#### 4.3.3 Sub-programme: Transport Enterprises

The programme comprises of the following sub-programmes:

- Management – the office of the Deputy Director-General, which provides strategic leadership and management of programme personnel.





- Transnet – aligns the corporate strategies of Transnet with government's strategic intent and monitors and benchmarks financial and operational performance.
- SA Express – aligns SA Express corporate strategies with government's strategic intent and monitor and benchmark financial and operational performance.

## **Strategic objectives, performance indicators, planned targets and actual achievements**

### **Strategic Objectives**

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

- Ensure alignment of the corporate strategies of Transnet and SA Express in line with government's strategic intent and ensure that these companies remain competitive, financially sustainable and deliver an optimal service to the economy.
- Supporting Transnet and SA Express in delivering on their objectives by identifying appropriate benchmarks and key performance measures for their shareholder compacts and corporate plans.
- 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 regulators.
- Ensuring effective use of existing logistics infrastructure, planning for the creation of new infrastructure and provision of optimal services.

### **Transnet SOC Limited**

- Provides oversight on Transnet implementation of the market demand strategy to optimise the economic impact of infrastructure investment on the economy by monitoring the rollout of Transnet's Capital Expenditure Programme on a quarterly and annual basis to assess any significant deviations from the corporate plan as well as potential cost overruns and time delays.
- Contribute to the national freight logistic strategy by informing the freight sector on developments and attributes to guide policy such as government commitment to investments or rail and modal optimisation.

### **SA Express SOC Limited**

- Ongoing monitoring of and assistance with the implementation of SA Express 20:20 Vision and austerity measures.
- Engage with policy department during the 2017/18 financial year on the strategic direction of policy and regulation in the aviation sector to ensure that new policies take into consideration the mandate and objectives of the airline as determined by the Government.
- Develop a strategic proposal in the 2017/18 financial year for the optimal group structure of the state-owned airlines to assist in rationalising and unifying their operations.
- Facilitate the review of commercial arrangements, as and when required during the 2017/18 financial year, to support the financial position of the company and ensure its long-term financial and commercial sustainability.



## Strategic objectives

Sub-programme: Transport Enterprises					
Strategic objectives	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
Promote commercial viability of SOCs' operations	None	Report on effectiveness of City Deep inland intermodal facility to support Road-to-Rail Migration Strategy	Achieved	None	None
	Strategic proposal for optimal group structure of State-owned airlines	Review of developed optimal group corporate structure for realignment of State-owned airline assets	Achieved	None	None

## Performance Indicators

Sub-programme: Transport Enterprises							
Performance Indicator	Actual Achievement 2014/15	Actual Achievement 2015/16	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
Assessment of Transnet's City Deep inland intermodal facility in relation to road-to-rail migration strategy	None	None	None	Report on effectiveness of City Deep inland intermodal facility to support Road-to-Rail Migration Strategy	Achieved	None	None
Assessment of developed optimal group corporate structure	None	None	Strategic proposal for optimal group structure of State-owned airlines	Review of developed optimal group corporate structure for realignment of State-owned airline assets	Achieved	None	None

## 2017/18 key achievements

Transnet continued to demonstrate solid performance in the 2017/18 financial year that depicted growth in various sectors of the land freight and logistics sectors. This performance demonstrates Transnet's commitment to stimulate economic activity in various sectors of the economy, which led to growth in the following strategic sectors:



- 6,1% increase in port containers.
- Record general freight volumes of 90,8mt, an increase of 3,1% from the prior year.
- 7,4% growth in rail containers and automotive volumes.
- 17,5% growth in chrome.
- 13,2% increase in manganese.
- Record of 77,0mt export coal volumes (RBCT).

The Department emphasised the importance of Transnet's performance on the general freight corridors in support of the Road-to-Rail Migration Strategy. This initiative has resulted in over 3.6% performance increase compared to the prior year. However, it is still expected that Transnet can improve the operation of inland terminals and better collaborations with the road freight sector to mitigate the transport externalities challenges that impede the effective and efficient movement of freight in South Africa.

The increase in the export of coal through the Port of Richards Bay hit a record of 77 million tons. It is also to be noted that Transnet continues to increase the transportation of rail addressable freight by rail towards the target of 330 million tons as prescribed in the Medium-Term Strategic Framework. Despite the increase in port containers, the productivity and efficiency gains through the port system was not reaching desired performance targets as per the Shareholders' Compact. The Port of Durban's container terminal continues to experience challenges in turning around vessels efficiently due to the continued construction and storm experienced in the third quarter of the year under review.

DPE and SA Express continue to engage with various stakeholders to secure funding to sustain the entity and to develop turn-around initiatives.

### Strategy to overcome areas of under performance

None

### Changes to Planned Targets

None

### Sub-programme expenditure

Sub-Programme Transport Enterprises	2017/18			2016/17		
	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	1 434	1 046	388	2 004	1 680	324
Transnet	6 336	5 687	649	8 677	7 009	1 668
SA Express	8 310	8 240	70	5 935	5 918	17
<b>Total</b>	<b>16 080</b>	<b>14 973</b>	<b>1 107</b>	<b>16 616</b>	<b>14 607</b>	<b>2 009</b>

### Expenditure Narrative

Expenditure on the sub-programme amounted to R15 million in 2017/18 compared to R14.6 million in 2016/17. The underspending on compensation of employees is as a result of vacant positions that were put on hold due to the realignment of the departmental structure.



## ECONOMIC IMPACT AND POLICY ALIGNMENT (EIPA)

**This sub-programme comprises of the following sub-programmes:**

- Management – the office of the Deputy Director-General, which provides strategic leadership and management of the programme as special projects (i.e. property disposal).
- Environmental Policy Alignment – oversee 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 – this focuses on appropriate macro-economic modelling 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 – provision of scarce and critical skills by SOCs in support of the National Skills Agenda, the NGP and the NDP, as well as optimise 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 (BBBEE) legislation, the Preferential Procurement Policy Framework Act (PPPFA), Black industrialists policy, Employment Equity (EE) and SMME strategy.

The activities and outputs of this sub-programme entail systematic coordination and partnerships with the relevant government Departments, with a primary mandate on the above, as well as with other key stakeholders.

### Strategic Objectives

- Ongoing oversight and supervision of processes to conduct macro-economic modelling, research and impact evaluation to ensure SOC contribution towards economic growth.
- Oversee processes to ensure that SOCs comply with environment laws and optimise the impact of SOCs on the reduction of carbon emission and the development of a green economy, while supporting the business needs of SOCs.
- Enhance the alignment of SOCs' investments and operational activities with national industrial policy, macroeconomic policy and the role of SOCs; and monitor implementation in 2017/18.
- Oversee the implementation of SOC economic and social transformation agendas in support of national policies and economic growth, with a specific focus on skills development, job creation, procurement/BBBEE; Enterprise and Supplier Development and corporate social investment (CSI) targeted at designated groups.



## Strategic objectives

Sub-programme: Economic Impact and Policy Alignment					
Strategic Objectives	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
Accelerate the transformation of the South African economy	DPE Black Industrialists Programme approved	Six business cases approved for the development of black industrialists to leverage on SOC procurement and industrial capabilities	Not achieved	Six business cases were developed but not approved	Further engagement to refine the business cases to be undertaken in 2018/19
Position SOCs to support the reindustrialisation of the South African economy	Nine high-impact CSI projects launched in rural areas	Stakeholder engagement on criteria for the selection of more high-impact CSI projects done	Achieved	None	None
	None	ESD programme for SMME participation in SOCs' core value chains approved	Achieved	None	None

## Performance Indicators

Sub-programme: Economic Impact and Policy Alignment							
Performance Indicator	Actual Achievement 2014/15	Actual Achievement 2015/16	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
Develop Black Industrialists Programme	None	None	DPE Black Industrialists Programme approved	Six business cases approved for the development of black industrialists to leverage on SOC procurement and industrial capabilities	Not achieved	Six business cases were developed but not approved	Further engagement to refine the business cases to be undertaken in 2018/19
Develop ESD programme for SMME participation in SOCs' core value chains	None	None	None	ESD programme for SMME participation in SOCs' core value chains approved	Achieved	None	None





Sub-programme: Economic Impact and Policy Alignment							
Performance Indicator	Actual Achievement 2014/15	Actual Achievement 2015/16	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
Develop high impact CSI projects in rural communities	None	None	Nine high-impact CSI projects launched in rural areas	Stakeholder engagement on criteria for the selection of more high-impact CSI projects done	Achieved	None	None

## 2017/18 key achievements

### Development of the Black Industrialists Programme

The Black Industrialist Programme entailed the development of Black Industrialist business cases to leverage on SOC procurement and industrial capability for consideration within the DTI support programme through the partnership between the two departments. A Business Development Unit (PMU) managed under the Central University of Technology Innovation Services (CUTs) together with the Enterprises Unit of the University of Pretoria were commissioned for undertaking this exercise. In this regard, the knowledge and experience of the universities were channelled towards the project. The crux of this initiative was to provide leadership to maximise the focus on growing the number of start-up enterprises that becomes industrialist and create much needed jobs. The enterprises are to be supported through consideration of business cases with the potential to create manufacturing footprint of products and services with demand from the SOCs, thus giving a tangible expression to accelerating transformation of the South African economy. The creation of these industrialists will create jobs.

### The Enterprise Supplier Development Programme

For this indicator, the focus was on minimising the barriers for SMMEs to participate in the supply chains of the SOCs. An exploration of the barriers for SMMEs was undertaken focusing on specific unsuccessful invitations for bids by SOCs. Specific interventions undertaken entailed reviewing procurement solicitations to maximise opportunities for SMMEs, using targeted assistance mechanisms, including suggested alternative procurement packaging to optimise opportunities for SMMEs. The nature of interventions begged on two important virtues, the importance of building creative solutions as well as the importance of collaborations. The former was made possible through the mutual engagement of the various Fora for Transformation as per the Departmental Transformation Framework and Guidelines (TFG) document. The document supplicates the Department to focus on four areas for Transformation, namely: Job Creation, Skills Development, Enterprise Supplier Development (ESD) and Corporate Social Investment (CSI). Furthermore, the document proposed mechanisms for relationship-building to make it possible to gain information about the individual SOCs with regard to the four elements of transformation. With regard to collaborations, the Department lunched on the Memorandum of Understanding with the Department of Small Business Development (DSBD) whose intention is to facilitate joint cooperation in the delivery of, among others, pragmatic guidance and related interventions to heighten SMME support by SOCs in DPE's portfolio. DPE will therefore continue embarking on initiatives within this relationship with DSBD to realise the objectives of the MOU and to coordinate efforts to build growing support for SMME development.



## Corporate Social Investment

The importance of stakeholder engagement on criteria for and selection of more high impact projects was the centrepiece for the indicator on Corporate Social Investment. In the context of DPE and the SOCs, a CSI Forum was the confluence platform for dealing with different business realities, including collaborative models, to assist in contextualising CSI within the development mandate of the SOCs. One of the key advances in this regard is the work that DPE is undertaking to refocus CSI in order to spread the impact even in areas where the SOCs have no operational footprint. The elaborate context in the engagement with the SOCs highlighted the practicalities with regard to development of integrative CSI projects and concurrence on the approach towards an integrative project to be undertaken collaboratively by SOCs. Beyond conceptual discourses on re-formatting the approach to engagement on CSI, DPE also delivered through the SOC a number of projects in rural communities across the provinces around the country. Among those, were a comprehensive library container structure that was presented with books to Van Cutsem Combined School in De Doorns, Western Cape. Another project that was delivered was the donation of workshop equipment for three workshops at Mamellong School in Tsakane, Gauteng. Two Telematics programmes were delivered to Tsakane Secondary School in Gauteng and another in Lephalale, Limpopo.

## Strategy to overcome areas of under performance

The six Black Industrialist business cases were developed during the year under review; however, the process of finalising the business cases is still on-going and will be finalised in the 2018/19 financial year. The ultimate goal of this initiative is to support enterprise readiness for meaningful participation in the process of the SOCs, and the finalisation of new enterprises with productive capacity to handle manufacturing supplier goods and services required by the SOCs.

## Changes to Planned Targets

None

## Sub-programme expenditure

Sub-Programme Economic Impact and Policy Alignment	2017/18			2016/17		
	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	11 085	10 979	106	2 481	2 438	43
Environmental Policy Alignment	2 201	2 199	2	2 269	2 259	10
Economic Policy Alignment	4 684	4 681	3	6 568	6 331	237
Transformation, Skills Development and Youth	7 570	7 291	279	4 479	4 438	41
<b>Total</b>	<b>25 540</b>	<b>25 150</b>	<b>390</b>	<b>15 797</b>	<b>15 465</b>	<b>332</b>

## Expenditure narrative

Expenditure in the sub-programme amounted to R 25.2 million in 2017/18, compared to R15.5 million in 2016/17. The underspending on compensation of employees is a result of vacant positions that were placed on hold due to the realignment of the departmental structure.



#### 4.3.4 Strategic Partnerships

### The programme comprises the following sub-programmes

- Management – the office of the Deputy Director-General, 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 partners in the medium term.
- Oversight of Eskom's and Transnet's implementation of the CSDP; and oversight of Transnet's locomotive fleet procurement design and implementation of the executive leadership programme.

### Strategic objectives

Sub-programme: Strategic Partnerships					
Strategic objectives	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2016/18	Comment on deviations
Ensure SOC financial sustainability	Capital Structure Optimisation Strategy developed	Draft paper on investment and funding developed	Achieved	None	None
Oversee the implementation of infrastructure programmes within SOCs	Establishment of executive forum for SIPs	Integrated assessment report of the allocated strategic priority projects	Achieved	None	None



## Performance Indicators

Sub-programme: Strategic Partnerships							
Performance Indicator	Actual Achievement 2014/15	Actual Achievement 2015/16	Actual Achievement 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2016/18	Comment on deviations
Driving investment and optimising funding	Draft Private Sector Participation (PSP) Policy Framework	Review of PSP policy Framework Funding Framework	Capital structure optimisation strategy developed for the Department's portfolio	Draft paper on investment and funding developed	Achieved	None	None
Monitoring and implementation of DPE allocated projects from the Top 40 strategic and priority projects	None	Approval of the business plans and commencement of implementation	Establishment of executive forum for SIPs chaired by the Minister	Integrated assessment report of the allocated strategic priority projects	Achieved	None	None

## 2017/18 key achievements

### Funding Mechanism

Aligned with the strategic objective of the Department of ensuring financial sustainability of SOCs, the unit has conducted a benchmark study on international best practices in the area of funding and investment decisions. The work has culminated into a risk management framework and proposal for codification of different types of risks and modelling of capital structures of SOCs.

### Project Oversight

The Executive Forum for SIPs 09 and 10 chaired by the Minister of Public Enterprises has assisted by ensuring that there is sufficient energy in the country. Moreover, the country has experienced an excess supply leading to improved exports of electricity to neighbouring countries, thus contributing to regional economic integration and development. The achievements include the commercial operation of units 5 and 4 of Medupi Power Station as well as the commercial operation of Unit 1 of Kusile Power Station. These achievements have added 2 388 MW to the Eskom Grid.

Subsequent to the commercial operation above, the utility has also synchronised Kusile unit 2 on 24 March 2018 and Medupi unit 3 on 8 April 2018.

With regard to household electrification for the 2017/18 financial year, Eskom achieved 215 519 connections against a target of 214 097 and municipalities achieved 42 833 connections including rollovers. A total of 722, 3 km of transmission network have been installed for the 2017/18 financial year exceeding a target of 677KM. The shareholder compact target for MVAs of 2 010 has also been exceeded, whereby the utility has constructed 2 510MVAs. This indicates that the Turnaround Strategy implemented by Eskom since 2015 is delivering positive results.

### Strategy to overcome areas of underperformance

None



## Changes to Planned Targets

None

## Sub-programme expenditure

Sub-Programme Strategic Partnerships	2017/18			2016/17		
	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	2 936	2 899	37	3 494	3 484	10
Project Oversight	1 669	921	748	2 813	2 503	310
Funding Mechanisms	2 052	1 758	294	3 477	2 716	761
Supplier Relationships	967	383	584	2 993	365	2 628
<b>Total</b>	<b>7 624</b>	<b>5 961</b>	<b>1 663</b>	<b>12 777</b>	<b>9 068</b>	<b>3 709</b>

## Expenditure narrative

Expenditure on the sub-programme is R 6 million in 2017/18, compared to R9.1 million in 2016/17. The underspending on compensation of employees is as a result of posts that were put on hold, pending implementation of the realigned structure.

## 5. TRANSFER PAYMENTS

### 5.1 Transfer Payments to Public Entities

The Department did not make any transfer payments to any public entity.

### 5.2 Transfer payments to all organisations other than Public Entities

Transfer payments to municipalities are as a result of purchases of motor vehicle licences in respect of departmental vehicles. Transfer payments to households include payments of leave gratuities to officials who resigned.

The Department, on a monthly basis, tables a report to the Executive Authority and the Accounting officer, on the progress of expenditure against the budget with the primary purpose of monitoring the expenditure on all levels of the economic classification, including transfer payments.

### 5.3 Conditional grants

None.

### 5.4 Donor Funds received

None.

### 5.5 Capital investments, maintenance and asset management plan

The Department does not have any major capital and/or investment infrastructure projects.



## 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 of delivery. In this regard, short- and long-term plans are being instituted to facilitate improvements and to be more responsive recommendations issued by internal and external assurance providers.

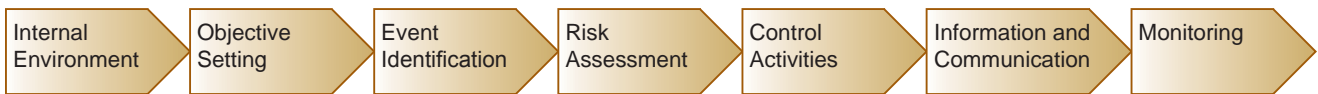
## 2. RISK MANAGEMENT

### Enterprise Risk Management Architecture

The Enterprise Risk Management (ERM) architecture aims to ensure that the Department maintains sound risk management practices that support the implementation of the overall organisational strategy that is aligned to the National Development Plan. The ERM Framework, its supporting tools, people and processes are aligned to the Department's strategy in order to address uncertainties associated with the objectives and goals outlined in the APP.

The ERM Architecture provides a synopsis of the inputs, policies, processes and structures that inform the overall risk management activities of the Department.

DRIVERS OF STRATEGY These are the best practice policies, legislation and standards which provide guidance and support to ERM and Performance Management	ERM AND FRAUD PREVENTION ENABLERS These are the policies and governance documents specific to the department that provide guidance and support to ERM	FIRST LINE OF DEFENCE Responsible for ensuring that the DPE has and maintains an efficient and effective integrated system of risk management	SECOND LINE OF DEFENCE Responsible for supporting the DPE to develop a culture of risk and performance management	THIRD LINE OF DEFENCE Responsible for providing and independent opinion on the effectiveness of risk and management systems as well as the fairness of the DPE's financial statement	KEY OVERSIGHT STRUCTURES Responsible for holding management accountable on the functioning of the risk management system
National Development Plan	ERM Framework	Director-General	Chief Risk Officer	Audit and Risk Committee	Parliament
Departmental Strategy	ERM Policy	Executive Committee	Director Strategic Planning Monitoring and Evaluation	Auditor-General (External Audit)	Minister of Public Enterprises
Management Performance Assessment Tool	ERM Implementation Plan	Operations Committee		Internal Audit	Department of Performance Monitoring and Evaluation
Public Sector RM Framework	Fraud Prevention Plan	Ethics and Expenditure Control Committee			National Treasury
Public Sector Code of Conduct	Fraud Prevention Policy	Business Unit Heads			Department of Public Service and Administration
Minimum Anti-Corruption Capacity Requirements	Fraud Prevention Implementation Schedule	Senior Management Team			
Public Service Regulations	Whistle Blowing Policy	Other Personnel			
Public Finance Management Act	Standard Operating Procedures	Code of Conduct and Business Ethics			
	Code of Conduct and Business Ethics				



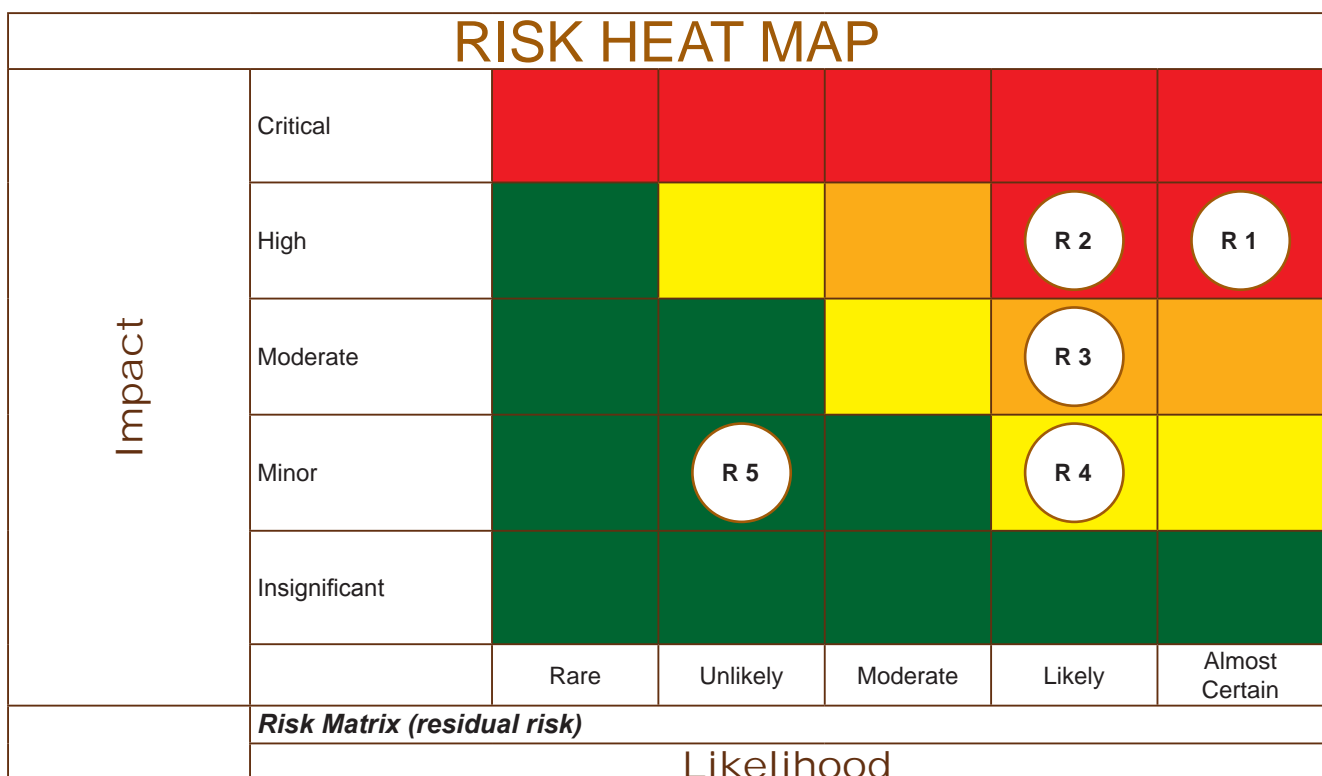
The last financial year continued with progress made in placing greater emphasis on fostering accountability by maintaining an integrated risk and performance management practices in the department. This was done through direct correlation between the risks identified, the strategic objectives and targets outlined in the APP and OPP. The integrated risk and performance reports were independently assessed by the internal audit unit on a quarterly basis. This was done to provide reasonable assurance to the leadership of the department as well as the ARC that the:

- Performance reported by relevant functionaries is accurate.
- Progress reported quarterly is in line with the desire to ensure that all targets are fully met by the end of the financial year.
- The control environment is stable and commensurate with the desire to achieve the level of performance that can contribute to improving the living standards of the country's citizens.

An overview of the department's risk profile and its impact on programme performance is outlined below.

### 2017/18 Strategic Risk Profile

The heat map below depicts the residual risk exposure as at 31 March 2018 concerning strategic risks that were identified as key to attaining the 2017/18 APP.





At the beginning of the financial year, the Department had seven strategic risks that were identified as threats to attaining the 2017/18 performance objectives. Six of the seven risks were identified as Priority 1 (High) risks while one was identified as a Priority 2 (Medium) risk. All Priority 1 and 2 risks required management response plans to bring them to the tolerable range of exposure in order to enhance the chances of meeting the related pre-determined objectives. In essence, the controls that existed were not adequate to mitigate the risks at the time they were identified.

At 31 March 2018, only two risks remained as Priority 1, which means that the related controls introduced by management during the year were ineffective at reducing the risks to desirable levels. The risks resulted in non-achievement of a target in Programme 2, i.e. Legal, Governance and Risk Programme.

Management controls implemented during the course of the year reduced another risk from Priority 1 to Priority 2 (Medium). However, the controls were not optimally effective in reducing the risk within the tolerance range. Consequently, two targets in Programme 1 (Corporate Management) could not be achieved by the end of the financial year.

The remainder of the risks were effectively managed and this is demonstrated by the fact that the controls implemented by management enabled the attainment of the predetermined objectives linked to them. Summarily, there remained five risks on the Department's risk profile by 31 March 2019. Two were Priority 1 (High) risks as mentioned above, one was Priority 2 (Medium) risk, another was a Priority 3 (Cautionary) while one was Priority 4 (Low) risk. One risk (Priority 4) was retired as the related targets were achieved and the projects were fully completed.

	Strategic risks associated with annual performance targets	Inherent Risk Exposure	Residual Risk Exposure (01 April 2017)	Residual Risk Exposure (31 March 2018)	Control Effectiveness Trend	Comments
1	Limited resources and capacity					For additional information on the linked target refer:  Develop Shareholder Policy (Programme 2: Legal, Governance and Risk)  Assessing strategic and priority projects (Programme 3: Strategic Partnerships)
2	Stakeholder cooperation and support					For additional information on the linked target refer to:  Draft Bill on Repeal of Overvaal Act submitted to cabinet; Develop Shareholder Policy (Programme 2: Legal, Governance and Risk)  Investment and Funding Paper (Programme 3: Strategic Partnerships) Long term scenarios (Programme 1: Corporate Management)  Optimal Group Structure (Programme 3: Strategic Partnerships)  Recommendation on renewal of Denel's government guarantee (Programme: Manufacturing Enterprises)



3	Inadequate project management					For additional information on the linked target refer to:  Develop BIS (Programme 1: Corporate Management)  Key Business Processes Automated (Programme 1: Corporate Management)
4	Dependency on industrial value chain opportunities available at the SOC					For additional information on the linked target refer to:  Develop Black Industrialist Programme (Programme 3: Economic Impact and Policy Alignment)
5	Categorisation of the high impact CSI projects					For additional information on the linked target refer to:  (Programme 3: Economic Impact and Policy Alignment)
6	SAFCOL internal processing capacity					For additional information on the linked target refer to:  Recommendation of a SAWLOG allocation model (Programme 3: Manufacturing Enterprises)
7	Information availability and integrity					For additional information on the linked target refer to Programme 3

Legends							
HIGH		MEDIUM		CAUTIONARY		LOW	
Control Effectiveness							
Improved		Regressed		Same			

## Risk Management Maturity

The Department revised its Fraud and Risk Management Policy and the Fraud Prevention Policy in order to address the gaps that were identified during the 2016/17 financial year. The review of the policies was meant to strengthen the governance of fraud risk practices and to ensure that management takes accountability of the maintenance of an effective, efficient and transparent system of risk management that fully complies with regulatory requirements. To this end, the Department was found to have exceeded level three requirements, which are the minimum set of risk management practices that must be maintained as set out by the Management Performance Assessment Tool rolled out by the DPME. The Department was also found to have fully met level 4 requirements of MPAT, which is the highest set of risk management standards that can be achieved across government.

Having managed to maintain a stable control environment, the Department will focus its efforts on supporting the Minister to ensure that SOCs' Risk Management Practices are adequate and effective. Therefore in the 2018/19 financial year, the Department's priority will be to ensure that Risk Governance forms the cornerstone of programme performance across all the organisations under the Ministry of Public Enterprises.



### 3. FRAUD AND CORRUPTION

The Department conducted a fraud risk assessment in line with its commitments on zero tolerance against fraud and corruption. The Department continued to maintain anonymous whistle-blowing measures within the organisation. No incidents were registered during the period under review. The plan to implement the Department's dedicated Fraud Hotline was deferred to the 2018/19 financial year. The move was as a result of the need to ensure optimum use of resources by establishing a hotline that caters for both the SOCs and the Department. The hotline will be launched by 30 June 2018 and should go a long way in turning around the culture of corruption across all organisations under the Ministry of Public Enterprises.

### 4. MINIMISING CONFLICT OF INTEREST

The Department has rolled out several training and awareness campaigns over an extended period of time, focusing on the implementation of Sections 11(b); 13(f) and 14(b) of the Public Service Regulations 2016, to minimise conflict of interest within the Department and to further ensure 100% compliance with the financial disclosure regulatory requirements across all designated groups including the senior and middle management cadres, as well as the Financial and Supply Chain Management components of the Department. The Executive Authority has personally managed the applications for Outside Remunerative Work (ORW), with only 50% of applications having met with her approval. One case of unauthorised ORW was discovered and the employee tendered his resignation at the commencement of disciplinary proceedings against him. The management of conflict of interest remains consistently and strictly monitored by the Department's Ethics and Expenditure Control Committee.

### 5. CODE OF CONDUCT

The Department's Employee Relations Unit has implemented a focused training programme on the revised Public Service Code of Conduct (PSR 2016) with two to four training and awareness workshops per quarter addressing *inter alia* those aspects of the code of conduct pertaining to the management of time and attendance at work, the receipt of gifts and sponsorships, the management of conflict of interest and the issue of remunerative work outside the public service, paying specific attention to ensuring that public servants dedicate all their time to serving the public interest as well as ensure that the public service resources are only being utilised for official purposes. There have been no formal disciplinary proceedings this year and all other corrective disciplinary action has been through the issuing of written warnings based on the management of poor work performance for reasons other than incapacity.

### 6. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

- DPE is compliant with the Safety Health Environment Risk and Quality (SHERQ) Policy in terms of reporting and compatibility with DPSA Policy Framework.
- Occupational Health and Safety (OHS) Committee members are active and form part of the emergency team during evacuation drill exercises.
- Two emergency drill exercises were conducted as per the SHERQ Policy.
- DPE first aiders attended to three incidences of light injuries.
- Quarterly Employee and Health Awareness Reports, including the annual one, were submitted to DPSA as required.



## **7. PORTFOLIO COMMITTEE**

During the year under review, the Department appeared before the Portfolio Committee as follows:

- On 10 May 2017, the Department appeared before the Portfolio Committee to present its 2017/18 Annual Performance Plan and Strategic Plan and shareholder compacts signed with state-owned companies.
- On 5 September 2017, the Department appeared before the Standing Committee on Appropriation (SCOA) to present the 2016/17 fourth quarter expenditure.
- On 30 January 2018, the Department appeared before the Portfolio Committee to present an update on progress made in addressing governance challenges in state-owned companies.
- On 6 February 2018, the Department appeared before the Portfolio Committee to present the Department and SOCs' quarter 3 performance.

## **8. SCOPA RESOLUTIONS**

The Department did not have any resolutions issued by SCOPA.

## **9. INTERNAL CONTROL**

Refer to Risk Management on page 48.

## **10. INTERNAL AUDIT AND AUDIT COMMITTEES**

### **10.1 INTERNAL AUDIT**

The Internal Audit Activity (IAA) is responsible for evaluating the control environment and assisting the Audit and Risk Committee (ARC) to fulfill its responsibilities. The IAA also provides the ARC 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 ARC.

The Chief Audit Executive reports administratively to the DG and functionally to the ARC. During the 2017/18 financial year the department used a co-sourcing model to perform its internal audit mandate due to the size and complexity of the environment and also to allow a diverse set of skills.

### **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 (DPE SMS) stakeholders, Audit Committee and the Office of the Auditor-General (AGSA) developed a comprehensive three-year rolling plan, incorporating an annual plan that was approved by the ARC. IAA executed the risk-based audit assignments as per the annual plan. Included in areas audited are Performance Information, Strategic, Departmental planning (Strategic, Annual performance and operational plan), Financial Management, Interim Financial Statement, Supply Chain and Asset Management, Risk Management, Human Resources, Shareholder Oversight review, Internal governance review, Information Technology and the Annual Report (Financial Statement) reviews.

The IAA provides recommendations to management with regard to internal control, risk management and governance processes, it performs a follow-up of the agreed upon management action plan using the implementation date that has been provided by management. The IAA also provides management advisory services when requested by management, as and when necessary. Prepares and reports quarterly to EXCO and ARC progress against the approved Annual Plan.

## **Internal Audit achievements**

The IAA successfully completed 97% of the targets set in its approved Annual Plan, with the exception of one target relating to a follow-up audit which was postponed to the next financial year. The IAA continued to increase its audit coverage in line with newly identified risks, management and ARC requests.

## **Audit Committee**

The Department has established the Audit and Risk Committee (ARC) in line with Section 77(c) of the PFMA of 1999. ARC 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 and Risk Committee Charter and six ARC meetings were convened for the year.

## **Audit and Risk Committee objective and key activities**

The overall objective and key activities of the ARC 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.

## **Membership and attendance of the ARC meetings**

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



The table below provides relevant information on the Audit and Risk Committee members:

Name	Qualifications	Internal/ external	Date appointed	Date Resigned	No. of Meetings attended
<b>Mr. Richard Cascarino</b>	<ul style="list-style-type: none"> <li>- Master of Business Administration Thesis on Internal Audit</li> <li>- SCOTBEC Diploma in Computer Data Processing</li> <li>- CIA - Certified Internal Auditor</li> <li>- CISA - Certified Information Systems Auditor</li> <li>- CFE - Certified Fraud Examiner</li> <li>- CISM - Certified Information Security Manager</li> <li>- CRMA - Certification in Risk Management Assurance</li> </ul>	External	19 Nov 2012	14 February 2018	<b>4/6</b>
<b>Ms. Modi Dolamo</b>	<ul style="list-style-type: none"> <li>- Masters in Financial Management</li> <li>- Chartered Accountant (CA-SA)</li> <li>- B Com (Hons) and certificate in theory of accounting (CTA)</li> <li>- Bachelor of Commerce (Accounting)</li> </ul>	External	1 April 2014	N/A	<b>6/6</b>
<b>Mr. Reginald Haman</b>	<ul style="list-style-type: none"> <li>- Masters Degree in Business Administration (MBA)</li> <li>- Executive Leadership Programme</li> <li>- Post-Graduate Diploma in Business Administration (PDBA)</li> <li>- Graduate Diploma in Company Direction (GDGD)</li> <li>- National Higher Diploma: School of Science</li> <li>- National Diploma: School of Science</li> </ul>	External	1 November 2015	N/A	<b>4/6</b>
<b>Ms. Zanele Monnakgotla</b>	<ul style="list-style-type: none"> <li>- Masters in Finance</li> <li>- Masters in Tax</li> <li>- Management Advance programme</li> <li>- Bachelor of Law</li> <li>- Bachelor of Commerce</li> </ul>	External	1 October 2017	N/A	<b>2/6</b>



## 11. AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2018.

### 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, noted 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
- Follow up audits (AG and Internal Audit reports)
- Management Performance Assessment Tool (MPAT)
- Human Resource Management
- Supply Chain and Asset Management
- Financial Management
- Interim Financial Statement
- Information Technology
- Departmental planning (Annual Performance Plan) review
- Shareholder Oversight Review
- Internal Governance Review

The Audit and Risk Committee (ARC) concludes that the systems of internal control tested were found to be adequate and materially effective.

We do, however, emphasise that in certain instances controls were found to be only partially effective. The ARC was concerned with a number of vacant post that were not filled timeously, especially the key management posts. These areas require further improvement, and we have received assurance that management is addressing the matter. The ARC will monitor the implementation of these corrective actions.

The following were areas of concern/assessment of IA reports:



- Lack of alignment of quarterly performance targets to annual performance targets.
- Performance agreements & assessments not finalised in the required period.
- ITC governance framework implementation.

### **The effectiveness of the Internal Audit Activity**

The Internal Audit Activity (IAA) is responsible for evaluating the control environment and assisting the Audit and Risk Committee (ARC) to fulfil its responsibilities. The IAA has been operating satisfactorily and successfully completed 97% of the targets set in its approved annual plan for the 2017/2018 financial year. The function has remained effective and independent of the management function.

The IAA continued to increase its audit coverage in line with newly-identified risks, management and ARC requests. However, the ARC noted that the internal audit unit should be adequately capacitated in order to continue providing the required level of assurance.

### **Enterprise Risk Management**

The ARC exercised its oversight on the Enterprise Risk Management of the Department and is satisfied that the governance of risk is sound and directly correlates with the intent to drive programme performance within the department. However, the ARC noted that the Risk Unit should be adequately capacitated in order to maintain the level of maturity achieved.

Furthermore, there is a need to ensure that risk management activities are designed to improve the state of corporate governance in SOCs. The ARC is satisfied that the Department's 2018/19 Annual Performance Plan outlines initiatives meant to address gaps that have been identified.

### **In-Year Management and Monthly/Quarterly Report**

The Department reported quarterly to the Treasury as required by the PFMA. The ARC 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**

The ARC reviewed and discussed with the DPE Executives and Auditor General South Africa (AGSA), the annual financial statements to be included in the annual report. We are satisfied with the submission and quality of both the interim and annual financial statements prepared by the Department.

### **Auditor General's Report**

The ARC reviewed AGSA's audit report and management letter as well as the management's response to the issues raised in the management letter. The ARC concurs and accepts the conclusions of the Auditor-General on the annual financial statements and the annual performance report. The ARC is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.

A handwritten signature in black ink, appearing to read 'Reginald Haman', is positioned above a horizontal line.

**Mr Reginald Haman**  
**Chairperson of the Audit Committee**  
**Department of Public Enterprises**  
**Date: 31 July 2018**



## PART D: HUMAN RESOURCE MANAGEMENT





## 1. OVERVIEW OF HUMAN RESOURCES

The information contained in this part of the Annual Report has been prescribed by the Minister of Public Service and Administration for all departments in the Public Service.

## 2. HUMAN RESOURCES OVERSIGHT STATISTICS

HR offers Strategic support to the core business of the Department by assisting the line-management to implement operational excellence and development of human capital capabilities/ potential.

The re-alignment of the organisational structure was finalised and approved by MPSA in December 2017 for implementation with effect from 1st April 2018/19. The Organisational structure and the Budget structure of the department are now aligned. The project proceeded parallel with other critical activities such as:-

- Job evaluation of all 209 posts.
- Review and update of all job profiles.
- Vigorous Change Management programme that included (focused group workshops / discussions, Talks, written messages and exercises)
- Consultation process with all the stakeholders throughout the project.

The Migration and Placement Strategy was developed, approved and a committee to implement it was appointed with the intention to ensure transparency and objectivity during the placement phase.

The vacancy rate for the year 2017/18 was at 13.4% with a turnover of 11.5%. The Department did not perform well in the recruitment process, some critical posts remain vacant and the delay in finalising the process led to non-compliance to the Policy on Recruitment and Selection timeframes.

An Employment Equity Committee was resuscitated, an induction session for all the newly appointed committee members was held with the support of the Department of Labour (DoL). The status of women representation at SMS currently sits at 45% and 1.6% is people with disabilities, i.e. below the target.

The DPE upholds the principle of human development through various formal and non-formal platforms. The Workplace Skills Plan for the Department was approved and submitted to the PSETA by the 31st April 2017. SMS compulsory training commenced in Q3 of 2017/18 and the rollout will continue to cover key competency gaps. Approximately 56 employees are bursary beneficiaries studying through various recognised tertiary institutions, 2 enrolled for PHDs, 13 Masters Degrees and the rest enrolled for Honours, BTech Degrees, etc.

The Department managed to address the majority of Performance Management and Development System (PMDS) challenges emanating from the previous performance cycles during the 2017/18 financial year for both SMS members and non-SMS. Furthermore, payments of the relevant performance incentives to senior managers and employees on salary levels 1 – 12 were concluded within the 1.5% allocated personnel budget as prescribed.

Employee Relations has successfully implemented the departmental Anti-fraud and Anti-Corruption Strategy by *inter alia* the effective and efficient management of conflict of interest through the extension of the Public Service electronic financial monitoring system to all spheres of management, including all Finance and Supply Chain management personnel. During this year, the unit defended with success seven out of ten quasi-judiciary disputes to the value of R11 230 438.00, the remaining three are pending further adjudication.





The Employee Health and Wellness Annual Plan and supporting compulsory monthly, as well as annual, compliance reports were submitted to DPSA on time. A Wellness Programme was hosted quarterly providing employees the opportunity to focus on their health status by testing for HIV & AIDS and TB; lifestyle diseases; cancer screening for both men and women; consulting with a dietician; relaxation interventions as well as electronic health-related messages. The service offering includes confidential financial, legal, managerial and personal (face-to-face) counselling services. The personal counselling services focus on emotional difficulties, family and relationship concerns, alcohol, drug and gambling abuse, managing stress and change, career issues, violence and trauma, HIV/AIDS, general health concerns, bereavement and loss. The annual utilisation has increased to 16.87% compared to 9.04% in the previous year, projecting the confidence of employees to utilise the service.

## 2.1 Personnel related expenditure

Table 2.1.1 Personnel expenditure by programme for the period 1 April 2017 to 31 March 2018

Programme	Total expenditure	Personnel Expenditure	Training expenditure	Professional and special services expenditure	Personnel expenditure as a % of total expenditure	Average personnel cost per employee
	(R'000)	(R'000)	(R'000)	(R'000)		(R'000)
Administration	150 629	73 187	749	5 259	48.6	334
Portfolio Management and Strategic Partnerships	78 212	52 547	0	11 705	67.2	240
Legal and Governance	21 572	16 441	0	0	76.2	75
<b>Total as on Financial Systems (BAS)</b>	<b>250 413</b>	<b>142 175</b>	<b>749</b>	<b>16 964</b>	<b>56.8</b>	<b>649</b>

Table 2.1.2 Personnel Costs by salary band for the period 1 April 2017 to 31 March 2018

Salary Band	Personnel Expenditure (R'000)	% total personnel cost	Number of employees	Average personnel cost per employee (R'000)
Skilled (Levels 3 - 5)	1 720	1.2	7	246
Highly Skilled production (Levels 6 – 8)	20 351	14.3	53	384
Highly Skilled supervision (9 – 12)	47 288	33.2	67	706
Senior Management (Levels 13 – 16)	70 462	49.6	56	1 258
Periodical Remuneration	2 057	1.4	11	187
Abnormal Appointment	297	0.2	25	12
<b>TOTAL</b>	<b>142 175</b>	<b>99.0</b>	<b>219</b>	<b>649</b>



Table 2.1.3 Salaries, overtime, home owner's allowance and medical aid by programme for the Period 1 April 2017 to 31 March 2018

Programme	Salaries		Overtime		Home owner's 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 costs
Dep:Administration	73 187	100	551	0.7	1 055	1.4	1 513	2.1
Dep:Legal and Governance	16 441	100	133	0.8	50	0.3	184	1.1
Dep: man & strat part	52 547	100	11	0	695	1.3	743	1.4
<b>Total</b>	<b>142 175</b>	<b>100</b>	<b>695</b>	<b>0.5</b>	<b>1 800</b>	<b>1.3</b>	<b>2 440</b>	<b>1.7</b>

Table 2.1.4 Salaries, overtime, home owner's allowance and medical aid by salary band for the Period 1 April 2017 to 31 March 2018

Programme	Salaries		Overtime		Home owner's 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 costs
Highly skilled production (Levels 3-5)	1 720	100	18	1.0	94	5.5	158	9.2
Highly skilled production (Levels 6-8)	20 351	100	378	1.9	675	3.3	895	4.4
Highly skilled supervision (Levels 9-12)	47 288	100	294	0.6	513	1.1	1 527	3.2
Senior management (Levels 13-16)	70 462	100	0	0	519	0.7	373	0.5
Periodical Remuneration	2 057	100	0	0	0	0	0	0
Abnormal Appointment	297	100	0	0	0	0	0	0
<b>Total</b>	<b>142 175</b>	<b>100</b>	<b>690</b>	<b>0.5</b>	<b>1 801</b>	<b>1.3</b>	<b>2 953</b>	<b>2.1</b>

## 2.2 Employment and vacancies

The tables in this section summarise the position with regard to employment and vacancies. The following tables summarise the number of posts on the establishment, the number of employees, the vacancy rate and whether there are any staff that are additional to the establishment.

This information is presented in terms of three key variables:

- Programme
- Salary band
- Critical occupations (see definitions on 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 2.2.1 Employment and vacancies by programme as at 31 March 2018**

Programme	Number of posts	Number of posts filled	Vacancy Rate	Number of posts filled additional to the establishment
Skilled (3-5)	7	7	0	0
Highly skilled production (6-8)	54	50	7.4	1
Highly skilled supervision (9-12)	73	68	6.8	0
Senior management (13-16)	75	56	25.3	0
<b>Total</b>	<b>209</b>	<b>181</b>	<b>13.4</b>	<b>1</b>

**Table 2.2.2 Employment and vacancies by salary band as at 31 March 2018**

Programme	Number of posts on approved establishment	Number of posts filled	Vacancy rate (%)	Number of employees additional to the establishment
Dep:administration, Permanent	119	105	11.8	1
Dep:legal and governance, Permanent	19	16	15.8	0
Dep:portfolio management & strategic partnerships, Permanent	71	60	15.5	0
<b>Total</b>	<b>209</b>	<b>181</b>	<b>13.4</b>	<b>1</b>

**Table 2.2.3 Employment and vacancies by critical occupation as at 31 March 2018**

Critical occupation	Number of posts on approved establishment	Number of posts filled	Vacancy rate (%)	Number of employees additional to the establishment
Administrative related, Permanent	33	30	9.1	0
Client inform clerks (switch receipt inform clerks), Permanent	3	2	33.3	0
Communication and information related, Permanent	5	5	0	0
Finance and economics related, Permanent	17	16	5.9	0
Financial clerks and credit controllers, Permanent	6	6	0	0
Food services aids and waiters, Permanent	4	4	0	0
Head of department/chief executive officer, Permanent	1	1	0	0
Human resources & organisational development & related professions, Permanent	10	9	10	0
Information technology related, Permanent	9	7	22.2	0
Library mail and related clerks, Permanent	10	9	10	1
Logistical support personnel, Permanent	7	7	0	0
Messengers, porters and deliverers, Permanent	5	5	0	0
Secretaries & other keyboard operating Clerks	22	21	4.5	0



Critical occupation	Number of posts on approved establishment	Number of posts filled	Vacancy rate (%)	Number of employees additional to the establishment
Security officers, Permanent	3	3	0	0
Senior managers, Permanent	74	56	24.3	0
<b>Total</b>	<b>209</b>	<b>181</b>	<b>13.4</b>	<b>1</b>

## 2.3 Filling of SMS posts

Table 2.3.1 SMS post information as at 31 March 2018

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	6	67	3	33
Salary Level 14	22	20	91	2	9
Salary Level 13	43	29	67	14	33
<b>Total</b>	<b>75</b>	<b>56</b>	<b>75</b>	<b>19</b>	<b>25</b>

Table 2.3.2 SMS post information as at 30 September 2017

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	1	0	0
Salary Level 16	0	0	0	0	0
Salary Level 15	9	5	56	4	44
Salary Level 14	22	20	91	2	9
Salary Level 13	43	32	74	11	26
<b>Total</b>	<b>75</b>	<b>58</b>	<b>77</b>	<b>17</b>	<b>23</b>

Table 2.3.3 Advertising and filling sms posts for the period as at 31 March 2018

SMS Level	Advertising	Filling of posts	
	Number of vacancies per level advertised in 6 months of becoming vacant	Number of vacancies per level filled in 6 months of becoming vacant	Number of vacancies per level not filled in 6 months but filled in 12 months
Director-General/Head of Department	0	0	0
Salary Level 16	0	0	0
Salary Level 15	4	0	0
Salary Level 14	2	1	0
Salary Level 13	10	0	0
<b>Total</b>	<b>16</b>	<b>1</b>	<b>0</b>



**Table 2.3.4 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 2017 to 31 March 2018**

The delay in finalising the process led to non-compliance to the policy on Recruitment and Selection timeframes.

**Table 2.3.5 Disciplinary steps taken for not complying with the prescribed timeframes for filling SMS posts within 12 months for the period 1 April 2017 to 31 March 2018**

No disciplinary steps were taken.

## 2.4 Job evaluation

**Table 2.4.1 Job evaluation by salary band for the period 1 April 2017 to 31 March 2018**

Salary Band	Number of posts on approved establishment	Number of jobs evaluated	% of posts evaluated by salary band	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	7	100	0	0	4	57
Highly skilled production (Levels 6-8)	54	54	100	0	0	8	15
Highly skilled supervision (Levels 9-12)	73	73	100	0	0	7	10
Senior Management - service band A	43	43	100	0	0	0	0
Senior Management - service band B	22	22	100	0	0	0	0
Senior management - service band C	9	9	100	0	0	0	0
Senior Management - service band D	1	1	100	0	0	0	0
<b>Total</b>	<b>209</b>	<b>209</b>	<b>100</b>	<b>0</b>	<b>0</b>	<b>19</b>	<b>9</b>

**Table 2.4.2 Profile of employees whose positions were upgraded due to their posts being upgraded for the period 1 April 2017 to 31 March 2018**

Gender	African	Asian	Coloured	White	Total
Female	0	0	0	0	0
Male	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Employees with a disability	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



Table 2.4.3 Employees with salary levels higher than those determined by job evaluation by occupation for the period 1 April 2017 to 31 March 2018

Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
Human resources related	2	11	12	Job redesign and segregation of duties
Administrative related	1	11	12	Job redesign
Human resources related	1	9	10	Job redesign and segregation of duties
Financial clerks and credit controllers	1	9	10	Job redesign and segregation of duties
Logistical support personnel	1	9	10	Job redesign and segregation of duties
Administrative clerks	3	6	5	Job redesign
Information technology related	1	9	10	Job redesign
Messengers, potters and deliveries	1	3	5	Job redesign
Messengers, potters and deliveries	3	3	6	Job redesign
Food service aid	3	3	5	Job redesign
Security officers	1	7	8	Job redesign and outsourcing of other services
Security officers	1	5	6	Job redesign
<b>Total number of employees whose salaries exceeded the level determined by job evaluation</b>	<b>19</b>			
<b>Percentage of total employed</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>0</b>

Table 2.4.4 Profiles of employees who have salary levels higher than those determined by job Evaluation for the period 1 April 2017 to 21 March 2018

Gender	African	Asian	Coloured	White	Total
Female	9	0	0	1	10
Male	8	0	0	0	8
<b>Total</b>	<b>17</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>18</b>
Employees with a disability	0	0	0	1	1
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>
Total number of employees whose salaries exceeded the grades determined by job evaluation					19





## 2.5 Employment changes

Table 2.5.1 Annual turnover rates by salary band for the period 1 April 2017 to 31 March 2018

Salary band	Number of employees at beginning of period - 1 April 2017	Appointments and transfers into the Department	Terminations and transfers out of the Department	Turnover rate
Skilled (Levels 3-5)	7	0	0	0
Highly skilled production (Levels 6-8)	50	5	3	6.0
Highly skilled supervision (Levels 9-12)	71	6	10	14.1
Senior Management-service band A	39	2	8	20.5
Senior Management-service band B	18	0	1	5.6
Senior management-service band C	5	0	0	0
Senior Management-service band D	1	1	0	0
<b>Total</b>	<b>191</b>	<b>14</b>	<b>22</b>	<b>11.5</b>

Table 2.5.2 Annual turnover rates by critical occupation for the period 1 April 2017 to 31 March 2018

Critical occupation	Number of employees at beginning of period - 1 April 2017	Appointments and transfers into the Department	Terminations and transfers out of the Department	Turnover rate
Administrative related, Permanent	29	7	6	20.7
Client inform clerks (switch receipt inform clerks), Permanent	3	0	1	33.3
Communication and information related, Permanent	6	0	0	0
Finance and economics related, Permanent	19	0	3	15.8
Financial clerks and credit controllers, Permanent	6	0	0	0
Permanent				
Food services aids and waiters, Permanent	4	0	0	0
Head of Department/Chief Executive Officer	1	0	0	0
Human resources & organisational development & related profession, Permanent	10	0	1	10
Information technology related, Permanent	6	1	1	16.7
Library mail and related clerks, Permanent	9	2	0	0
Material-recording and transport clerks, Permanent	7	0	0	0
Messengers, porters and deliveries, Permanent	5	1	1	20.0
Permanent				
Secretaries & other keyboard operating permanent	21	0	0	0
Security officers, Permanent	3	0	0	0
Senior managers, Permanent	62	3	9	14.5
<b>Total</b>	<b>191</b>	<b>14</b>	<b>22</b>	<b>11.5</b>



Table 2.5.3 Reasons why staff left the department for the period 1 April 2017 to 31 March 2018

Termination type	Number	% of Total Resignations
Death	0	0
Resignation	12	54.5
Expiry of contract	8	36.4
Dismissal – operational changes	0	0
Dismissal – misconduct	1	4.5
Dismissal – inefficiency	0	0
Discharged due to ill-health	0	0
Retirement	1	4.5
Transfers to other public service departments	0	0
Other	0	0
<b>Total</b>	<b>22</b>	<b>100%</b>
<b>Total number of employees who left as a % of total employment</b>	<b>12 %</b>	<b>100%</b>

Table 2.5.4 Promotions by critical occupation for the period 1 April 2017 to 31 March 2018

Occupation	Employees - 1 April 2017	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	29	0	0	23	79
Client inform clerks (switch b receipt inform clerks),	3	0	0	3	100
Communication and information related	6	0	0	4	67
Finance and economics related	19	0	0	11	58
Financial clerks and credit controllers	6	0	0	6	100
Food services aids and waiters	4	0	0	4	100
Head of Department/Chief Executive Officer	1	0	0	0	0
Human resources & organisational development & related profession	10	0	0	6	60
Information technology related	6	0	0	4	67
Library mail and related clerks	9	0	0	7	78
Material-recording and transport clerks	7	0	0	2	29
Messengers, porters and deliveries	5	0	0	1	20
Secretaries and other operating clerks	21	0	0	17	81
Security officers	3	0	0	2	67
Senior managers	62	0	0	36	58
<b>Total</b>	<b>191</b>	<b>0</b>	<b>0</b>	<b>126</b>	<b>66</b>



Table 2.5.5 Promotions by salary band for the period 1 April 2017 to 31 March 2018

Salary band	Employees- 1 April 2017	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	7	0	0	7	100
Highly skilled production (Levels 6-8) Permanent	50	0	0	33	66
Highly skilled supervision (Levels 9-12) Permanent	71	0	0	50	70
Senior Management (Levels 13-16), Permanent	63	0	0	36	57
<b>Total</b>	<b>191</b>	<b>0</b>	<b>0</b>	<b>126</b>	<b>66</b>

## 2.6 Employment equity

Table 2.6.1 Total number of employees (including employees with disabilities) in each of the following occupational categories as at 31 March 2018

Occupational category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers, Permanent	25	4	1	0	19	1	1	2	53
Professionals, Permanent	18	0	1	0	15	1	1	4	40
Technicians and associate professionals, Permanent	13	0	0	1	12	0		2	28
Clerks, Permanent	11	0	0	0	34	1	0	1	47
Service and sales workers, Permanent	7	0	0	0	6	0	0	0	13
<b>Total</b>	<b>74</b>	<b>4</b>	<b>2</b>	<b>1</b>	<b>86</b>	<b>3</b>	<b>2</b>	<b>9</b>	<b>181</b>

Table 2.6.2 Total number of employees (including employees with disabilities) in each of the following occupational bands as at 31 March 2018

Occupational Band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	3		0	0	3	0	0	1	7
Senior Management	22	4	1	0	16	1	2	1	47
Professionally qualified and experienced specialists and mid-management	18	0	1	0	15	1	0	4	39
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	24	0	0	1	46	1	0	3	75



Occupational Band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Semi-skilled and discretionary decision making	7	0	0	0	6	0	0	0	13
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>74</b>	<b>4</b>	<b>2</b>	<b>1</b>	<b>86</b>	<b>3</b>	<b>2</b>	<b>9</b>	<b>181</b>

Table 2.6.3 Recruitment for the period 1 April 2017 to 31 March 2018

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
discretionary decision making, Permanent	1	0	0	0	0	0	0	0	1
<b>Total</b>	<b>16</b>	<b>0</b>	<b>3</b>	<b>1</b>	<b>9</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>29</b>
Employees with disabilities	0	0	0	0	0	0	0	0	0

Table 2.6.4 Promotions for the period 1 April 2017 to 31 March 2018

Occupational Band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	0	0	0	0	0	0	0	0	0
Senior Management	0	0	0	0	0	0	0	0	0
Professionally qualified and experienced specialists and mid-management	0	0	0	0	0	0	0	0	0
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	0	0	0	0	0	0	0	0	0
Semi-skilled and discretionary decision making	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Employees with Disabilities	0	0	0	0	0	0	0	0	0



Table 2.6.5 Terminations for the period 1 April 2017 to 31 March 2018

Occupational Band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	0	0	0	0	0	0	0	0	0
Senior Management	5	1	0	1	1	1	0	0	9
Professionally qualified and experienced specialists and mid-management	2	0	0	0	3	0	0	0	5
Skilled technical and academically qualified workers, junior mgt, supervisors Foremen	3	0	0	0	2	0	0	0	5
Semi-skilled and discretionary decision making	0	1	0	0	2	0	0	0	3
<b>Total</b>	<b>10</b>	<b>2</b>	<b>0</b>	<b>1</b>	<b>8</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>22</b>

Table 2.6.6 Disciplinary action for the period 1 April 2017 to 31 March 2018

Disciplinary action	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Gross Dishonesty	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Table 2.6.7 Skills development for the period 1 April 2017 to 31 March 2018

Occupational category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	12	1	1	0	11	1	0	1	27
Professionals	7	0	1	0	2	0	0	3	13
Technicians and associate professionals	12	0	0	1	9	0	0	1	23
Clerks	3	0	0	0	21	1	0	1	26
Elementary occupations	2	0	0	0	2	0	0	0	4
<b>Total</b>	<b>36</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>45</b>	<b>2</b>	<b>0</b>	<b>6</b>	<b>93</b>
Employees with disabilities	0	1	0	0	0	0	0	1	2





## 2.7 Signing of Performance Agreements by SMS members

Table 2.7.1 Signing of a Performance Agreement by SMS members as at 31 May 2017

SMS level	Total number of funded SMS posts	Total number of SMS members	Total number of signed performance agreements	Signed performance agreements as % 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	6	6	100%
Salary Level 14	22	18	17	94%
Salary Level 13	43	33	33	100%
<b>Total</b>	<b>75</b>	<b>58</b>	<b>57</b>	<b>100%</b>

Table 2.7.2 Reasons for not having concluded a performance agreement with all SMS members as at 31 May 2017

Reasons
There were disagreements between the manager and incumbent.

Table 2.7.3 Disciplinary steps taken against SMS members for not having concluded a Performance Agreement as at 31 May 2017

Reasons
Letter of non-compliance was given to the incumbent.

## 2.8 Performance rewards

Table 2.8.1 Performance rewards by race, gender and disability for the period 1 April 2016 to 31 March 2017

Race and gender	Beneficiary profile			Cost	
	Number of beneficiaries	Number of employees	% of total within group	Cost (R'000)	Average cost per employee (R'000)
<b>African</b>					
Female	79	93	85	1 065.7	13.5
Male	56	80	70	954.4	17
<b>Asian</b>					
Female	2	3	67	60.1	30
Male	2	2	100	46.8	23.4
<b>Coloured</b>					
Female	2	4	50	29.6	15
Male	2	6	33	62.6	31.3
<b>White</b>					
Female	8	9	89	149.2	19
Male	1	2	50	9.8	9.8



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)
<b>Disability</b>	3	3	100	39.4	13.1
<b>Total</b>	<b>152</b>	<b>199</b>	<b>76.38</b>	<b>2 378.1</b>	<b>16</b>

Table 2.8.2 Performance rewards by salary band for personnel below senior management level for the period 1 April 2016 to 31 March 2017

Salary band	Beneficiary profile			Cost		Total cost as a % of the total personnel expenditure
	Number of Beneficiaries	Number of employees	% of total within salary band	Total cost (R'000)	Average cost per employee (R'000)	
Skilled (Levels 3-5)	6	7	86	26.5	4.4	1.6
Highly skilled production (Levels 6-8)	46	51	90	343.8	7.5	1.9
Highly skilled supervision (Levels 9-12)	62	71	87	991.2	16	2.3
Contract (Levels 3-5)	0	0	0	0	0	0
Contract (Levels 6-8)	3	3	100	20.5	7	1.8
Contract (Levels 9-12)	4	6	67	37.4	9.4	0.9
Periodical Remuneration	0	0	0	0	0	0
Abnormal Appointment	0	0	0	0	0	0
<b>Total</b>	<b>121</b>	<b>138</b>	<b>88</b>	<b>1 419.4</b>	<b>12</b>	<b>100.2</b>

Table 2.8.3 Performance rewards by critical occupation for the period 1 April 2016 to 31 March 2017

Critical occupation	Beneficiary profile			Cost	
	Number of beneficiaries	Number of employees	% of total within salary bands	Total cost (R'000)	Average cost per employee (R'000)
Administrative related	17	20	85	202.8	12
Client information clerks (switch board reception information clerks)	3	3	100	16.9	5.6
Communication and information related	5	6	83	68.6	14
Financial and Economic related	15	20	75	181.6	12
Financial clerks and credit controllers	6	6	100	63.1	11
Food service aids and waiters	3	4	75	13.2	4.4
Head of department/chief executive officer	0	1	0	0	0
Human resources related	9	10	90	137.9	15.3
Information technology related	5	7	71	68.6	14
Library mail and related clerks	9	9	100	78.9	9
Logistical support personnel	3	5	60	41.9	14
Messengers, porters and deliveries	4	4	100	22.8	6
Other occupations	5	6	83	65.4	13
Secretaries & other keyboard operating clerks	33	34	97	422.8	12.8



Critical occupation	Beneficiary profile			Cost	
	Number of beneficiaries	Number of employees	% of total within salary bands	Total cost (R'000)	Average cost per employee (R'000)
Security officers	3	3	100	34.8	12
Senior managers	31	61	51	958.8	31
<b>Total</b>	<b>151</b>	<b>199</b>	<b>76</b>	<b>2 378.1</b>	<b>16</b>

Table 2.8.4 Performance related rewards (cash bonus), by salary band for Senior Management level for the period 1 April 2016 to 31 March 2017

Salary band	Beneficiary profile			Cost		Total cost as a % of the total personnel expenditure
	Number of Beneficiaries	Number of employees	% of total within salary band	Total cost (R'000)	Average cost per employee (R'000)	
Band A	20	37	54	599.3	30	0.9
Band B	10	17	59	308.8	31	0.4
Band C	1	6	17	50.7	50.69	0.1
Band D	0	1	0	0	0	0
<b>Total</b>	<b>31</b>	<b>61</b>	<b>51</b>	<b>958.8</b>	<b>31</b>	<b>17.8</b>

## 2.9 Foreign workers

Table 2.9.1 Foreign workers by salary band for the period 1 April 2017 to 31 March 2018

Salary band	1 April 2017		31 March 2018		Change	
	Number	% of total	Number	% of total	Number	% Change
Lower skilled	0	0	0	0	0	0
Highly skilled production (Levels 6-8)	0	0	0	0	0	0
Highly skilled supervision (Levels 9-12)	0	0	0	0	0	0
Contract (Levels 9-12)	0	0	0	0	0	0
Contract (Levels 13-16)	3	100	2	100	1	33
<b>Total</b>	<b>3</b>	<b>100</b>	<b>2</b>	<b>100</b>	<b>1</b>	<b>33</b>

Table 2.9.2 Foreign workers by major occupation for the period 1 April 2017 to 31 March 2018

Major occupation	1 April 2017		31 March 2018		Change	
	Number	% of total	Number	% of total	Number	% Change
Senior Management	3	100	2	100	1	33
<b>Total</b>	<b>3</b>	<b>100</b>	<b>2</b>	<b>100</b>	<b>1</b>	<b>33</b>



## 2.10 Leave utilisation

Table 2.10.1 Sick leave for the period 1 January 2017 to December 2017

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)
Skilled (Levels 3-5)	64.00	151.6	5.0	3.0	13.0	53.0
Highly skilled production (Levels 6-8)	419	73.0	49.0	29.5	9.0	590.0
Highly skilled supervision (Levels 9-12)	413	70.7	68.0	41.0	6.0	9 070.0
Top and senior management (Levels 13-16)	301	69.0	44.0	26.5	7.0	992.0
<b>TOTAL</b>	<b>1 197.0</b>	<b>75.2</b>	<b>166.0</b>	<b>100</b>	<b>7.0</b>	<b>10 705</b>

Table 2.10.2 Disability leave (temporary and permanent) for the period 1 January 2017 to 31 December 2017

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)
Highly skilled supervision (Levels 9-12)	7.0	100	1.0	50.0	7.0	19.0
Senior management (Levels 13-16)	3.0	100	1.0	50.0	3.0	11.0
<b>Total</b>	<b>10.0</b>	<b>100</b>	<b>2</b>	<b>100</b>	<b>5.0</b>	<b>30.0</b>

Table 2.10.3 Annual leave for the period 1 January 2017 to 31 December 2017

Salary band	Total days taken	Number of employees using annual leave	Average per employee
Lower skills (Level 1-2)	0	0	0
Skilled (Levels 3-5)	177.0	10.0	18.0
Highly skilled production (levels 6-8)	1 264.0	67.0	19.0
Highly skilled supervision (Levels 9-12)	2 972.0	94.0	32.0
Senior management (Levels 13-16)	1 049.0	61.0	17.0
<b>Total</b>	<b>5 462.0</b>	<b>232.</b>	<b>24.0</b>



Table 2.10.4 Capped leave for the period 1 January 2017 to 31 December 2017

Salary band	Total days of capped leave available at the end of the period	Number of employees as at the end of the period	Average Capped leave per employee
Skilled (Levels 3-5)	5.5	1	6.0
Highly skilled production (levels 6-8)	139.8	7	20.0
Highly skilled supervision (Levels 9-12)	294.2	9	33.0
Senior management (Levels 13-16)	242.6	7	35.0
<b>Total</b>	<b>682.1</b>	<b>24</b>	<b>28.0</b>

Table 2.10.5 Leave payout for the period 1 April 2017 to 31 March 2018

Reason	Total amount (R'000)	Number of employees	Average per employee (R'000)
Leave payout for 2016/17 due to non-utilisation of leave for the previous cycle	130.0	2	65
Current leave payout on termination of service for 2017/18	1 141	26	44
<b>Total</b>	<b>1 271</b>	<b>28</b>	<b>45</b>

## 2.11 HIV/AIDS & Health Promotion Programmes

Table 2.11.1 Details of health promotion and HIV/AIDS programmes (tick the applicable boxes and provide the required information)

NONE

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 2.11.2 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: R1 650 000
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 service 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, Recruitment Policy, Leave 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		The Department, through the Wellness Programme, has measures in place through a service provider to assist employees who are 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		167 employees tested in the 2017/18 financial year.
8.	Has the Department developed measures/indicators to monitor & evaluate the impact of its health promotion programme? If so, list these measures/ indicators.	X		<ul style="list-style-type: none"> <li>- Conduct survey.</li> <li>- Report analysis on quarterly basis.</li> <li>- Increased number of employees' participation in wellness activities.</li> </ul>

## 2.12 Labour Relations

**Table 2.12.1 Collective agreements for the period 1 April 2017 to 31 March 2018**

Subject matter	Date
Total number of collective agreements	None



Table 2.12.2 Misconduct and disciplinary hearings finalised for the period 1 April 2017 to 31 March 2018

Outcomes of disciplinary hearings	Number	% of total
Correctional counselling	0	0
Verbal warning	0	0
Written warning	0	0
Final written warning	1	100
Suspended without pay	0	0
Fine	0	0
Demotion	0	0
Dismissal	0	0
Not guilty	0	0
Case withdrawn	0	0
<b>Total</b>	<b>1</b>	<b>100</b>
Total number of disciplinary hearings finalised		None

Table 2.12.3 Types of misconduct addressed at disciplinary hearings for the period 1 April 2017 to 31 March 2018

Type of misconduct	Number	% of total
None	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

Table 2.12.4 Grievances logged for the period 1 April 2017 to 31 March 2018

Grievances	Number	% of total
None	0	0
<b>TOTAL NUMBER OF GRIEVANCES LODGED</b>	<b>0</b>	<b>0</b>

Table 2.12.5 Disputes logged with councils for the period 1 April 2017 to 31 March 2018

Disputes	Number	% of total
Unfair Dismissal – Failure to renew contract	4	40
Unfair Labour Practice	2	20
Unfair Dismissal	4	40
<b>TOTAL NUMBER OF DISPUTES LODGED</b>	<b>10</b>	<b>100</b>

Table 2.12.6 Strike action for the period 1 April 2017 to 31 March 2018

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 2.12.7 Precautionary suspensions for the period 1 April 2017 to 31 March 2018

Number of people suspended	1
Number of people whose suspension exceeded 30 days	1
Average number of days suspended	184 Days
Cost of suspension (R'000)	R 251 232

## 2.13 Skills Development

Table 2.13.1 Training needs identified for the period 1 April 2017 to 31 March 2018

Occupational category	Gender	Number of employees as on 1 April 2017	Training needs identified at start of the reporting period			
			Learnerships	Skills programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	24	0	38	4	42
	Male	30	0	59	9	68
Professionals	Female	20	0	16	0	16
	Male	19	0	5	1	6
Technicians and associate professionals	Female	14	0	11	4	15
	Male	14	0	11	4	15
Clerks	Female	36	0	61	6	67
	Male	11	0	4	2	6
Elementary occupations	Female	6	0	0	2	2
	Male	7	0	4	3	7
Sub total	Female	100	0	126	16	142
	Male	81	0	83	19	102
<b>Total</b>		<b>181</b>	<b>0</b>	<b>209</b>	<b>35</b>	<b>244</b>

Table 2.13.2 Training provided for the period 1 April 2017 to 31 March 2018

Occupational category	Gender	Number of employees as on 1 April 2017	Training needs identified at start of the reporting period			
			Learnerships	Skills programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	24	0	9	6	15
	Male	30	0	7	7	14
Professionals	Female	20	0	4	3	7
	Male	19	0	3	7	10
Technicians and associate professionals	Female	14	0	7	6	13
	Male	14	0	6	7	13
Clerks	Female	36	0	8	18	26
	Male	11	0	0	2	2



Occupational category	Gender	Number of employees as on 1 April 2017	Training needs identified at start of the reporting period			
			Learnerships	Skills programmes & other short courses	Other forms of training	Total
Elementary occupations	Female	6	0	0	2	2
	Male	7	0	1	2	3
Sub Total	Female	100	0	28	35	63
	Male	81	0	17	25	42
<b>Total</b>		<b>181</b>	<b>0</b>	<b>45</b>	<b>60</b>	<b>105</b>

## 2.14

Table 2.14.1 Injury on duty for the period 1 April 2017 to 31 March 2018

Nature of injury on duty	Number	% of total
Required basic medical attention only	1	100
Temporary total disablement	0	0
Permanent disablement	0	0
Fatal	0	0
<b>Total</b>	<b>1</b>	<b>100</b>

## 2.15 Utilisation of consultants

Table 2.15.1 Report on consultant appointments using appropriated funds

Project Title	Total number of consultants that worked on the project	Duration of Work days	Contract Value in Rand
Website Maintenance - Second Contract	2	120	169 632.00
Events Management	7	225	1 362 077.59
Strategic Communication	2	334	1 463 649.99
Legal Advice	1	92	384 750.00
Re-Alignment of Organisational Structure	6	153	582 042.96
CSI programme evaluation and positioning paper for SOCs	3	60	16 599.00
Website Maintenance - First Contract	2	180	119 700.00
Audit of Indemnity Claim	5	28	312 728.85
eDocs Maintenance and Support	3	62	396 853.95
CSI reconfiguration	4	80	1 474 896.00
Co-source Internal Audit	18	301	1 530 136.50
Sharepoint	n/a	150	893 677.62



Table 2.15.2 Analysis of consultant appointments using appropriated funds, in terms of historically disadvantaged individuals (HDIs) for the year ended 31 March 2018

Project Title	Percentage ownership by HDI groups	Percentage management by HDI groups	Number of consultants from HDI groups that work on the project
Website Maintenance - Second Contract	63%	0	1
Events Management	100%	100%	7
Strategic Communication	50%	50%	1
Legal Advice	100%	100%	1
Re-Alignment of Organisational Structure	100%	100%	100
CSI programme evaluation and positioning paper for SOC's	51%	0	0
Website Maintenance - First Contract	100%	100%	2
Audit of Indemnity Claim	100%	100%	5
eDocs Maintenance and Support	100%	100%	1
CSI reconfiguration	51%	51%	2
Co-source Internal Audit	86%	86%	18

## 2.16 Severance packages

Table 2.16.1 Granting of employee initiated severance packages for the period 1 April 2017 to 31 March 2018

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 (Levels 3-5)	0	0	0	0
Highly skilled production (Levels 6-8)	0	0	0	0
Highly skilled supervision (Levels 9-12)	0	0	0	0
Senior management (Levels 13-16)	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>





## PART E: FINANCIAL INFORMATION

# Report of the Auditor-General to Parliament on Vote no. 9: Department of Public Enterprises

## ***Report on the audit of the financial statements***

### **Opinion**

1. I have audited the financial statements of the Department of Public Enterprises set out on pages 87 to 135, which comprise the appropriation statement, the statement of financial position as at 31 March 2018, the statement of financial performance, the statement of changes in net assets and cash flow statement for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department of Public Enterprises as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with the Modified Cash Standard (MCS) as prescribed by National Treasury and the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

### **Basis for opinion**

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the department in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Other matters**

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

### **Unaudited supplementary schedules**

7. The supplementary information set out on pages 136 to 147 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 on it.

### **Responsibilities of the accounting officer for the financial statements**

8. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with MCS and the requirements of the PFMA and for such internal control as the accounting officer determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
9. In preparing the financial statements, the accounting officer is responsible for assessing the department of public enterprises' ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is an intention either to liquidate the department or cease operations, or there is no realistic alternative but to do so.

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

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

### ***Report on the audit of the annual performance report***

#### **Introduction and scope**

12. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
13. My procedures address the reported performance information, which must be based on the department's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the department for the year ended 31 March 2018:

Programmes	Pages in the annual performance report
Programme 2: legal and governance	27 – 30
Programme 3: portfolio management and strategic partnerships	30 – 47

15. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
16. I did not raise 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.

## Other matters

17. I draw attention to the matter below.

### Achievement of planned targets

18. Refer to the annual performance report on pages 20 to 47 for information on the achievement of planned targets for the year and explanations provided for the non-achievement of certain targets.

### Report on audit of compliance with legislation

#### Introduction and scope

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

#### Other information

21. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report thereon and those selected programmes presented in the annual performance report that have been specifically reported on in the auditor's report.
22. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
23. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

#### Internal control deficiencies

24. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. I did not identify any significant deficiencies in internal control.

Auditor - General

Pretoria

31 July 2018



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## **Annexure – Auditor-general's responsibility for the audit**

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

### **Financial statements**

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

### **Communication with those charged with governance**

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

# ANNUAL FINANCIAL STATEMENTS

For the year ended  
31 March 2018

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Department of Public Enterprises, Vote 09

## APPROPRIATION STATEMENT

For the Year Ended 31 March 2018

Appropriation per programme									
2017/18							2016/17		
Programme	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>1. Administration</b>	158 468	-	-	158 468	150 629	7 839	95.1%	155 792	153 788
<b>2. Legal and Governance</b>	24 243	-	-	24 243	21 572	2 671	89.0%	25 906	23 303
<b>3. Portfolio Management and Strategic Partnerships</b>	83 985	-	-	83 985	78 212	5 773	93.1%	86 278	76 688
<b>Total</b>	<b>266 696</b>	<b>-</b>	<b>-</b>	<b>266 696</b>	<b>250 413</b>	<b>16 283</b>	<b>93.9%</b>	<b>267 976</b>	<b>253 779</b>

Appropriation per programme									
2017/18							2016/17		
Programme	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>TOTAL (brought forward)</b>	<b>266 696</b>	<b>-</b>	<b>-</b>	<b>266 696</b>	<b>250 413</b>	<b>16 283</b>	<b>93.9%</b>	<b>267 976</b>	<b>253 779</b>
Reconciliation with statement of financial performance									
<b>ADD</b>									
Departmental receipts	188							5 213	
Aid assistance	10 637							10 490	
<b>Actual amounts per statement of financial performance (total revenue)</b>	<b>277 521</b>							<b>283 679</b>	
<b>ADD</b>									
Aid assistance					4 727				6 884
<b>Actual amounts per statement of financial performance (total expenditure)</b>					<b>255 140</b>				<b>260 663</b>

Department of Public Enterprises, Vote 09

## APPROPRIATION STATEMENT

For the Year Ended 31 March 2018

Appropriation per economic classification									
Economic classification	2017/18					2016/17			
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>	<b>263 502</b>	<b>(5 305)</b>	-	<b>258 197</b>	<b>241 929</b>	<b>16 268</b>	<b>93.7%</b>	<b>263 671</b>	<b>249 480</b>
Compensation of employees	156 906	-	-	156 906	142 175	14 731	90.6%	162 150	148 321
Salaries and wages	143 495	(1 240)	-	142 255	128 773	13 482	90.5%	147 464	134 970
Social contributions	13 411	1 240	-	14 651	13 402	1 249	91.5%	14 686	13 351
Goods and services	106 596	(5 305)	-	101 291	99 754	1 537	98.5%	101 521	101 159
Administrative fees	1 598	(259)	-	1 339	1 301	38	97.2%	1 490	1 488
Advertising	1 291	(243)	-	1 048	1 041	7	99.3%	1 825	1 824
Minor assets	61	215	-	276	270	6	97.8%	92	87
Audit costs: External	3 100	194	-	3 294	3 293	1	100.0%	3 330	3 328
Bursaries: Employees	832	(250)	-	582	580	2	99.7%	407	407
Catering: Departmental activities	939	(65)	-	874	772	102	88.3%	476	456
Communication (G&S)	4 148	1 124	-	5 272	4 967	305	94.2%	7 438	7 416
Computer services	3 980	2 007	-	5 987	5 985	2	100.0%	4 763	4 762
Consultants: Business and advisory services	42 268	(25 061)	-	17 207	16 965	242	98.6%	19 995	19 823
Legal services	3 404	(142)	-	3 262	3 261	1	100.0%	3 450	3 450
Contractors	6 641	(3 394)	-	3 247	3 221	26	99.2%	4 734	4 725
Agency and support / outsourced services	1 170	1 647	-	2 817	2 642	175	93.8%	9 402	9 398
Entertainment	63	-	-	63	-	63	-	3	-
Fleet services	997	300	-	1 297	1 296	1	99.9%	965	965

# APPROPRIATION STATEMENT

For the Year Ended 31 March 2018

Appropriation per economic classification									
Economic classification	Adjusted Appropriation	2017/18					2016/17		
		Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000		R'000	R'000
Inventory: Clothing material and supplies	-	-	-	-	-	-	-	1	1
Inventory: Materials and supplies	-	-	-	-	-	-	-	18	18
Consumable supplies	580	2 038	-	2 618	2 605	13	99.5%	1 877	1 866
Consumable: Stationery, printing and office supplies	1 420	(539)	-	881	879	2	99.8%	1 267	1 265
Operating leases	8 248	4 461	-	12 709	12 703	6	100.0%	10 037	10 032
Property payments	3 332	1 845	-	5 177	5 150	27	99.5%	1 974	1 972
Transport provided: Departmental activity	556	477	-	1 033	1 031	2	99.8%	418	416
Travel and subsistence	15 713	9 419	-	25 132	24 913	219	99.1%	17 658	17 571
Training and development	1 050	(300)	-	750	749	1	99.9%	1 275	1 274
Operating payments	3 353	(897)	-	2 456	2 419	37	98.5%	1 700	1 695
Venues and facilities	706	697	-	1 403	1 337	66	95.3%	1 929	1 925
Rental and hiring	1 146	1 421	-	2 567	2 374	193	92.5%	4 997	4 995
<b>Transfers and subsidies</b>	<b>330</b>	<b>2 749</b>	-	<b>3 079</b>	<b>3 068</b>	<b>11</b>	<b>99.6%</b>	<b>439</b>	<b>434</b>
Provinces and municipalities	10	2	-	12	11	1	91.7%	11	9
Municipalities	10	2	-	12	11	1	91.7%	11	9
Municipal bank accounts	10	2	-	12	11	1	91.7%	11	9
Households	320	2 747	-	3 067	3 057	10	99.7%	428	425
Social benefits	320	2 747	-	3 067	3 057	10	99.7%	408	405

# APPROPRIATION STATEMENT

For the Year Ended 31 March 2018

Appropriation per economic classification									
Economic classification	2017/18					2016/17			
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Other transfers to households	-	-	-	-	-	-	-	20	20
<b>Payments for capital assets</b>	<b>2 864</b>	<b>2 295</b>	-	<b>5 159</b>	<b>5 156</b>	<b>3</b>	<b>99.9%</b>	<b>3 866</b>	<b>3 865</b>
Machinery and equipment	2 758	2 187	-	4 945	4 942	3	99.9%	3 764	3 763
Transport equipment	-	-	-	-	-	-	-	1 273	1 273
Other machinery and equipment	2 758	2 187	-	4 945	4 942	3	99.9%	2 491	2 490
Intangible assets	106	108	-	214	214	-	100.0%	102	102
<b>Payment for financial assets</b>	<b>-</b>	<b>261</b>	<b>-</b>	<b>261</b>	<b>260</b>	<b>1</b>	<b>99.6%</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>266 696</b>	<b>-</b>	<b>-</b>	<b>266 696</b>	<b>250 413</b>	<b>16 283</b>	<b>93.9%</b>	<b>267 976</b>	<b>253 779</b>

Programme 1: Administration									
Sub programme	2017/18					2016/17			
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Sub programme</b>									
Ministry	26 605	8 647	-	35 252	34 985	267	99.2%	29 118	29 026
Management	30 127	(20 715)	-	9 412	8 757	655	93.0%	12 119	11 750
Corporate Services	30 469	7 883	-	38 352	36 017	2 335	93.9%	29 998	29 840

# APPROPRIATION STATEMENT

For the Year Ended 31 March 2018

Programme 1: Administration									
2017/18									
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Chief Financial Officer	15 398	775	-	16 173	16 142	31	99.8%	15 314	15 285
Human Resources	16 499	(1 168)	-	15 331	14 827	504	96.7%	20 998	20 877
Communications	15 047	(302)	-	14 745	13 158	1 587	89.2%	23 981	23 747
Strategic Planning, Monitoring and Evaluation	4 796	(100)	-	4 696	3 380	1 316	72.0%	4 329	4 186
Intergovernmental Relations	5 407	1 190	-	6 597	6 586	11	99.8%	4 651	4 408
Internal Audit	4 701	-	-	4 701	3 579	1 122	76.1%	4 626	4 012
Office Accommodation	9 419	3 790	-	13 209	13 198	11	99.9%	10 658	10 657
<b>Total for sub programmes</b>	<b>158 468</b>	<b>-</b>	<b>-</b>	<b>158 468</b>	<b>150 629</b>	<b>7 839</b>	<b>95.1%</b>	<b>155 792</b>	<b>153 788</b>
<b>Economic classification</b>									
<b>Current payments</b>	<b>155 274</b>	<b>(5 130)</b>	<b>-</b>	<b>150 144</b>	<b>142 318</b>	<b>7 826</b>	<b>94.8%</b>	<b>151 614</b>	<b>149 614</b>
Compensation of employees	80 553	(34)	-	80 519	73 187	7 332	90.9%	79 829	77 893
Salaries and wages	73 915	(1 060)	-	72 855	65 770	7 085	90.3%	72 216	70 567
Social contributions	6 638	1 026	-	7 664	7 417	247	96.8%	7 613	7 326
Goods and services	74 721	(5 096)	-	69 625	69 131	494	99.3%	71 785	71 721
Administrative fees	1 598	(259)	-	1 339	1 301	38	97.2%	1 490	1 488
Advertising	1 291	(294)	-	997	991	6	99.4%	1 803	1 802
Minor assets	61	215	-	276	270	6	97.8%	92	87
Audit costs: External	3 100	194	-	3 294	3 293	1	100.0%	3 330	3 328
Bursaries: Employees	832	(250)	-	582	580	2	99.7%	407	407
Catering: Departmental activities	847	(252)	-	595	555	40	93.3%	430	426

# APPROPRIATION STATEMENT

For the Year Ended 31 March 2018

Programme 1: Administration									
	2017/18					2016/17			
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Communication	3 235	378	-	3 613	3 496	117	96.8%	6 337	6 333
Computer services	3 980	2 007	-	5 987	5 985	2	100.0%	4 763	4 762
Consultants: Business and advisory services	23 969	(18 658)	-	5 311	5 260	51	99.0%	6 631	6 626
Legal services	842	(842)	-	-	-	-	-	30	30
Contractors	2 850	(1 045)	-	1 805	1 784	21	98.8%	4 715	4 707
Agency and support / outsourced services	1 170	(413)	-	757	754	3	99.6%	4 880	4 877
Entertainment	13	-	-	13	-	13	-	-	-
Fleet services	997	300	-	1 297	1 296	1	99.9%	965	965
Inventory: Clothing material and supplies	-	-	-	-	-	-	-	1	1
Inventory: Materials and supplies	-	-	-	-	-	-	-	18	18
Consumable supplies	580	1 432	-	2 012	2 000	12	99.4%	1 784	1 777
Consumable: Stationery, printing and office supplies	1 420	(589)	-	831	830	1	99.9%	1 267	1 265
Operating leases	8 248	4 461	-	12 709	12 703	6	100.0%	10 037	10 032
Property payments	3 332	1 845	-	5 177	5 150	27	99.5%	1 974	1 972
Transport provided: Departmental activity	556	(515)	-	41	40	1	97.6%	418	416
Travel and subsistence	10 009	8 452	-	18 461	18 353	108	99.4%	11 644	11 640
Training and development	1 050	(300)	-	750	749	1	99.9%	1 225	1 225
Operating payments	3 312	(968)	-	2 344	2 308	36	98.5%	1 594	1 590
Venues and facilities	283	676	-	959	958	1	99.9%	1 818	1 817



# APPROPRIATION STATEMENT

For the Year Ended 31 March 2018

Programme 1: Administration									
2017/18									
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Rental and hiring	1 146	(665)	-	481	481	-	100.0%	4 132	4 130
<b>Transfers and subsidies</b>	<b>330</b>	<b>2 568</b>	-	<b>2 898</b>	<b>2 889</b>	<b>9</b>	<b>99.7%</b>	<b>312</b>	<b>309</b>
Provinces and municipalities	10	2	-	12	11	1	91.7%	11	9
Municipalities	10	2	-	12	11	1	91.7%	11	9
Municipal bank accounts	10	2	-	12	11	1	91.7%	11	9
Households	320	2 566	-	2 886	2 878	8	99.7%	301	300
Social benefits	320	2 566	-	2 886	2 878	8	99.7%	281	280
Other transfers to households	-	-	-	-	-	-	-	20	20
<b>Payments for capital assets</b>	<b>2 864</b>	<b>2 295</b>	-	<b>5 159</b>	<b>5 156</b>	<b>3</b>	<b>99.9%</b>	<b>3 866</b>	<b>3 865</b>
Machinery and equipment	2 758	2 187	-	4 945	4 942	3	99.9%	3 764	3 763
Transport equipment	-	-	-	-	-	-	-	1 273	1 273
Other machinery and equipment	2 758	2 187	-	4 945	4 942	3	99.9%	2 491	2 490
Intangible assets	106	108	-	214	214	-	100.0%	102	102
<b>Payments for financial assets</b>	<b>-</b>	<b>261</b>	<b>-</b>	<b>261</b>	<b>260</b>	<b>1</b>	<b>99.6%</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>158 468</b>	<b>-</b>	<b>-</b>	<b>158 468</b>	<b>150 629</b>	<b>7 839</b>	<b>95.1%</b>	<b>155 792</b>	<b>153 788</b>

# APPROPRIATION STATEMENT

For the Year Ended 31 March 2018

1.1 Ministry									
Economic classification	2017/18						2016/17		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000		R'000	R'000
<b>Current payments</b>	<b>26 565</b>	<b>6 175</b>	-	<b>32 740</b>	<b>32 474</b>	<b>266</b>	<b>99.2%</b>	<b>27 683</b>	<b>27 592</b>
Compensation of employees	19 923	-	-	19 923	19 688	235	99.9%	20 253	20 171
Goods and services	6 642	6 175	-	12 817	12 786	31	99.5%	7 430	7 421
<b>Transfers and subsidies</b>	<b>40</b>	<b>2 472</b>	-	<b>2 512</b>	<b>2 511</b>	<b>1</b>	<b>100.0%</b>	<b>162</b>	<b>161</b>
Provinces and municipalities	-	-	-	-	-	-	-	1	-
Households	40	2 472	-	2 512	2 511	1	100.0%	161	161
<b>Payments for capital assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 273</b>	<b>1 273</b>
Machinery and equipment	-	-	-	-	-	-	-	1 273	1 273

1.2 Management									
Economic classification	2017/18						2016/17		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000		R'000	R'000
<b>Current payments</b>	<b>30 127</b>	<b>(20 715)</b>	-	<b>9 412</b>	<b>8 757</b>	<b>655</b>	<b>93.0%</b>	<b>12 048</b>	<b>11 679</b>
Compensation of employees	6 716	-	-	6 716	6 077	639	90.5%	6 796	6 438
Goods and services	23 411	(20 715)	-	2 696	2 680	16	99.4%	5 252	5 241

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## 1.2 Management

### 1.3 Corporate Services

# APPROPRIATION STATEMENT

For the Year Ended 31 March 2018

1.4 Chief Financial Officer									
2017/18					2016/17				
Economic classification	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>	<b>15 388</b>	<b>512</b>	-	<b>15 900</b>	<b>15 871</b>	<b>29</b>	<b>99.8%</b>	<b>15 290</b>	<b>15 263</b>
Compensation of employees	8 571	584	-	9 155	9 154	1	100.0%	7 169	7 149
Goods and services	6 817	(72)	-	6 745	6 717	28	99.6%	8 121	8 114
<b>Transfers and subsidies</b>	<b>10</b>	<b>2</b>	-	<b>12</b>	<b>11</b>	<b>1</b>	<b>91.7%</b>	<b>24</b>	<b>22</b>
Provinces and municipalities	10	2	-	12	11	1	91.7%	10	9
Households	-	-	-	-	-	-	-	14	13
<b>Payments for financial assets</b>	<b>-</b>	<b>261</b>	-	<b>261</b>	<b>260</b>	<b>1</b>	<b>99.6%</b>	<b>-</b>	<b>-</b>

1.5 Human Resources									
2017/18					2016/17				
Economic classification	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>	<b>16 399</b>	<b>(1 168)</b>	-	<b>15 231</b>	<b>14 732</b>	<b>499</b>	<b>96.7%</b>	<b>20 998</b>	<b>20 877</b>
Compensation of employees	10 741	-	-	10 741	10 482	259	97.6%	15 948	15 835
Goods and services	5 658	(1 168)	-	4 490	4 250	240	94.7%	5 050	5 042
<b>Transfers and subsidies</b>	<b>100</b>	<b>-</b>	-	<b>100</b>	<b>95</b>	<b>5</b>	<b>95.0%</b>	<b>-</b>	<b>-</b>
Households	100	-	-	100	95	5	95.0%	-	-

# APPROPRIATION STATEMENT

For the Year Ended 31 March 2018

1.6 Communications									
Economic classification	2017/18						2016/17		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000		R'000	R'000
<b>Current payments</b>	<b>15 047</b>	<b>(308)</b>	-	<b>14 739</b>	<b>13 153</b>	<b>1 586</b>	<b>89.2%</b>	<b>23 843</b>	<b>23 610</b>
Compensation of employees	8 843	(739)	-	8 104	6 554	1 550	80.9%	6 498	6 268
Goods and services	6 204	431	-	6 635	6 599	36	99.5%	17 345	17 342
<b>Transfers and subsidies</b>	-	-	-	-	-	-	-	<b>34</b>	<b>34</b>
Households	-	-	-	-	-	-	-	34	34
<b>Payments for capital assets</b>	-	<b>6</b>	-	<b>6</b>	<b>5</b>	<b>1</b>	<b>83.3%</b>	<b>104</b>	<b>103</b>
Machinery and equipment	-	6	-	6	5	1	83.3%	104	103

# APPROPRIATION STATEMENT

For the Year Ended 31 March 2018

1.7 Strategic Planning, Monitoring and Evaluation									
2017/18								2016/17	
Economic classification	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>	<b>4 706</b>	<b>(100)</b>	-	<b>4 606</b>	<b>3 291</b>	<b>1 315</b>	<b>71.5%</b>	<b>4 322</b>	<b>4 179</b>
Compensation of employees	4 430	-	-	4 430	3 144	1 286	71.0%	3 117	2 978
Goods and services	276	(100)	-	176	147	29	83.5%	1 205	1 201
<b>Transfers and subsidies</b>	<b>90</b>	-	-	<b>90</b>	<b>89</b>	<b>1</b>	<b>98.9%</b>	<b>7</b>	<b>7</b>
Households	90	-	-	90	89	1	98.9%	7	7

1.8 Intergovernmental Relations									
2017/18								2016/17	
Economic classification	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>	<b>5 407</b>	<b>1 164</b>	-	<b>6 571</b>	<b>6 560</b>	<b>11</b>	<b>99.8%</b>	<b>4 651</b>	<b>4 408</b>
Compensation of employees	4 277	155	-	4 382	4 381	1	100.0%	4 009	3 767
Goods and services	1 180	1 009	-	2 189	2 179	10	99.5%	642	641
<b>Transfers and subsidies</b>	<b>-</b>	<b>26</b>	-	<b>26</b>	<b>26</b>	<b>-</b>	<b>100.0%</b>	<b>-</b>	<b>-</b>
Households	-	26	-	26	26	-	100.0%	-	-



# APPROPRIATION STATEMENT

For the Year Ended 31 March 2018

1.9 Internal Audit									
Economic classification	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>	<b>4 701</b>	-	-	<b>4 701</b>	<b>3 579</b>	<b>1 122</b>	<b>76.1%</b>	<b>4 626</b>	<b>4 012</b>
Compensation of employees	2 394	-	-	2 394	1 323	1 071	55.3%	2 491	1 877
Goods and services	2 307	-	-	2 307	2 256	51	97.8%	2 135	2 135

1.10 Office Accommodation									
Economic classification	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>	<b>9 419</b>	<b>3 790</b>	-	<b>13 209</b>	<b>13 198</b>	<b>11</b>	<b>99.9%</b>	<b>10 658</b>	<b>10 657</b>
Goods and services	9 419	3 790	-	13 209	13 198	11	99.9%	10 658	10 657

## APPROPRIATION STATEMENT

For the Year Ended 31 March 2018

Programme 2: Legal and Governance									
2017/18								2016/17	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Sub programme</b>									
Management	3 043	31	-	3 074	2 825	249	91.9%	2 864	2 687
Legal	12 385	1 023	-	13 408	11 589	1 819	86.4%	14 317	14 078
Governance	8 815	(1 054)	-	7 761	7 158	603	92.2%	8 725	6 538
<b>Total for sub programmes</b>	<b>24 243</b>	<b>-</b>	<b>-</b>	<b>24 243</b>	<b>21 572</b>	<b>2 671</b>	<b>89.0%</b>	<b>25 906</b>	<b>23 303</b>
<b>Economic classification</b>									
<b>Current payments</b>	<b>24 243</b>	<b>(93)</b>	<b>-</b>	<b>24 150</b>	<b>21 480</b>	<b>2 670</b>	<b>88.9%</b>	<b>25 816</b>	<b>23 213</b>
Compensation of employees	18 953	-	-	18 953	16 441	2 512	86.7%	20 095	17 695
Salaries and wages	17 241	-	-	17 241	15 102	2 139	87.6%	18 375	16 273
Social contributions	1 712	-	-	1 712	1 339	373	78.2%	1 720	1 422
Goods and services	5 290	(93)	-	5 197	5 039	158	97.0%	5 721	5 518
Catering: Departmental activities	14	-	-	14	1	13	7.1%	14	1
Communication	205	(74)	-	131	117	14	89.3%	140	134
Consultants: Business and advisory services	1 511	(1 400)	-	111	-	111	-	651	485
Legal services	2 562	700	-	3 262	3 261	1	100.0%	3 420	3 420
Entertainment	14	-	-	14	-	14	-	3	-
Consumable supplies	-	-	-	-	-	-	-	2	2
Travel and subsistence	924	703	-	1 627	1 622	5	99.7%	1 361	1 349
Training and development	-	-	-	-	-	-	-	50	49
Operating payments	-	9	-	9	9	-	100.0%	39	39

# APPROPRIATION STATEMENT

For the Year Ended 31 March 2018

Programme 2: Legal and Governance									
2017/18							2016/17		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Venues and facilities	60	(31)	-	29	29	-	100.0%	41	39
<b>Transfers and subsidies</b>	-	<b>93</b>	-	<b>93</b>	<b>92</b>	<b>1</b>	<b>98.9%</b>	<b>90</b>	<b>90</b>
Households	-	93	-	93	92	1	98.9%	90	90
Social benefits	-	93	-	93	92	1	98.9%	90	90
<b>Total</b>	<b>24 243</b>	<b>-</b>	<b>-</b>	<b>24 243</b>	<b>21 572</b>	<b>2 671</b>	<b>89.0%</b>	<b>25 906</b>	<b>23 303</b>

2.1 Management									
2017/18							2016/17		
Economic classification	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>	<b>3 043</b>	<b>(44)</b>	-	<b>2 999</b>	<b>2 751</b>	<b>248</b>	<b>91.7%</b>	<b>2 864</b>	<b>2 687</b>
Compensation of employees	2 576	-	-	2 576	2 339	237	90.8%	2 295	2 131
Goods and services	467	(44)	-	423	412	11	97.4%	569	556
<b>Transfers and subsidies</b>	<b>-</b>	<b>75</b>	-	<b>75</b>	<b>74</b>	<b>1</b>	<b>98.7%</b>	<b>-</b>	<b>-</b>
Households	-	75	-	75	74	1	98.7%	-	-

# APPROPRIATION STATEMENT

For the Year Ended 31 March 2018

2.2 Legal									
Economic classification	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>	<b>12 385</b>	<b>1 005</b>	-	<b>13 390</b>	<b>11 571</b>	<b>1 819</b>	<b>86.4%</b>	<b>14 227</b>	<b>13 988</b>
Compensation of employees	9 307	-	-	9 307	7 504	1 803	80.6%	9 652	9 418
Goods and services	3 078	1 005	-	4 083	4 067	16	99.6%	4 575	4 570
<b>Transfers and subsidies</b>	-	<b>18</b>	-	<b>18</b>	<b>18</b>	-	<b>100.0%</b>	<b>90</b>	<b>90</b>
Households	-	18	-	18	18	-	100.0%	90	90

2.3 Governance									
Economic classification	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>	<b>8 815</b>	<b>(1 054)</b>	-	<b>7 761</b>	<b>7 158</b>	<b>603</b>	<b>92.2%</b>	<b>8 725</b>	<b>6 538</b>
Compensation of employees	7 070	-	-	7 070	6 598	472	93.3%	8 148	6 146
Goods and services	1 745	(1 054)	-	691	560	131	81.0%	577	392

# APPROPRIATION STATEMENT

For the Year Ended 31 March 2018

Programme 3: Portfolio Management and Strategic Partnerships									
2017/18								2016/17	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Sub programme</b>									
Energy Enterprise	16 569	(766)	-	15 803	14 449	1 354	91.4%	15 280	13 388
Manufacturing Enterprises	18 486	452	-	18 938	17 679	1 259	93.4%	25 808	24 160
Transport Enterprises	18 624	(2 544)	-	16 080	14 973	1 107	93.1%	16 616	14 607
Economic Impact and Policy Alignment	19 182	6 358	-	25 540	25 150	390	98.5%	15 797	15 465
Strategic Partnerships	11 124	(3 500)	-	7 624	5 961	1 663	78.2%	12 777	9 068
<b>Total for sub programmes</b>	<b>83 985</b>	<b>-</b>	<b>-</b>	<b>83 985</b>	<b>78 212</b>	<b>5 773</b>	<b>93.1%</b>	<b>86 278</b>	<b>76 688</b>
<b>Economic classification</b>									
<b>Current payments</b>	<b>83 985</b>	<b>(88)</b>	<b>-</b>	<b>83 897</b>	<b>78 125</b>	<b>5 772</b>	<b>93.1%</b>	<b>86 241</b>	<b>76 653</b>
Compensation of employees	57 400	-	-	57 400	52 547	4 853	91.5%	62 226	52 733
Salaries and wages	52 339	(214)	-	52 125	47 901	4 224	91.9%	56 873	48 130
Social contributions	5 061	214	-	5 275	4 646	629	88.1%	5 353	4 603
Goods and services	26 585	(88)	-	26 497	25 578	919	96.5%	24 015	23 920
Advertising	-	51	-	51	50	1	98.0%	22	22
Catering: Departmental activities	78	187	-	265	216	49	81.5%	32	29
Communication	708	820	-	1 528	1 354	174	88.6%	961	949
Consultants: Business and advisory services	16 788	(4 969)	-	11 819	11 705	114	99.0%	12 713	12 712
Contractors	3 791	(2 349)	-	1 442	1 437	5	99.7%	19	18
Agency and support / outsourced services	-	2 060	-	2 060	1 888	172	91.7%	4 522	4 521
Entertainment	36	-	-	36	-	-	-	-	-

# APPROPRIATION STATEMENT

For the Year Ended 31 March 2018

Programme 3: Portfolio Management and Strategic Partnerships									
2017/18							2016/17		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Consumable supplies	-	606	-	606	605	1	99.8%	91	87
Consumable: Stationery, printing and office supplies	-	50	-	50	49	1	98.0%	-	-
Transport provided: Departmental activity	-	992	-	992	991	1	99.9%	-	-
Travel and subsistence	4 780	264	-	5 044	4 938	106	97.9%	4 653	4 582
Operating payments	41	62	-	103	102	1	99.0%	67	66
Venues and facilities	363	52	-	415	350	65	84.3%	70	69
Rental and hiring	-	2 086	-	2 086	1 893	193	90.7%	865	865
<b>Transfers and subsidies</b>	-	<b>88</b>	-	<b>88</b>	<b>87</b>	<b>1</b>	<b>98.9%</b>	<b>37</b>	<b>35</b>
Households	-	88	-	88	87	1	98.9%	37	35
Social benefits	-	88	-	88	87	1	98.9%	37	35
<b>Total</b>	<b>83 985</b>	<b>-</b>	<b>-</b>	<b>83 985</b>	<b>78 212</b>	<b>5 773</b>	<b>93.1%</b>	<b>86 278</b>	<b>76 688</b>



# APPROPRIATION STATEMENT

For the Year Ended 31 March 2018

3.1 Energy and Broadband Enterprises									
2017/18									
Economic classification	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>	<b>16 569</b>	<b>(766)</b>	-	<b>15 803</b>	<b>14 449</b>	<b>1 354</b>	<b>91.4%</b>	<b>15 280</b>	<b>13 388</b>
Compensation of employees	13 734	(166)	-	13 568	12 382	1 186	91.3%	13 381	11 528
Goods and services	2 835	(600)	-	2 235	2 067	168	92.5%	1 899	1 860

3.2 Manufacturing Enterprises									
2017/18									
Economic classification	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>	<b>18 486</b>	<b>452</b>	-	<b>18 938</b>	<b>17 679</b>	<b>1 259</b>	<b>93.4%</b>	<b>25 798</b>	<b>24 151</b>
Compensation of employees	14 343	(300)	-	14 043	12 855	1 188	91.5%	13 931	12 286
Goods and services	4 134	752	-	4 895	4 824	71	98.5%	11 867	11 865
<b>Transfers and subsidies</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10</b>	<b>9</b>
Households	-	-	-	-	-	-	-	10	9

# APPROPRIATION STATEMENT

For the Year Ended 31 March 2018

3.3 Transport Enterprises									
Economic classification	2017/18					2016/17			
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>	<b>18 624</b>	<b>(2 596)</b>	-	<b>16 028</b>	<b>14 921</b>	<b>1 107</b>	<b>93.1%</b>	<b>16 616</b>	<b>14 607</b>
Compensation of employees	13 181	(500)	-	12 681	11 664	1 017	92.0%	14 144	12 146
Goods and services	5 443	(2 096)	-	3 347	3 257	90	97.3%	2 472	2 461
<b>Transfers and subsidies</b>	-	<b>52</b>	-	<b>52</b>	<b>52</b>	-	<b>100.0%</b>	-	-
Households	-	52	-	52	52	-	100.0%	-	-

3.4 Economic Impact and Policy Alignment									
Economic classification	2017/18					2016/17			
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>	<b>19 182</b>	<b>6 358</b>	-	<b>25 540</b>	<b>25 150</b>	<b>390</b>	<b>98.5%</b>	<b>15 779</b>	<b>15 448</b>
Compensation of employees	9 689	966	-	10 655	10 654	1	100.0%	10 473	10 166
Goods and services	9 493	5 392	-	14 885	14 496	389	97.4%	5 306	5 282
<b>Transfers and subsidies</b>	-	-	-	-	-	-	-	<b>18</b>	<b>17</b>
Households	-	-	-	-	-	-	-	18	17

# APPROPRIATION STATEMENT

For the Year Ended 31 March 2018

3.5 Strategic Partnerships									
Economic classification	2017/18					2016/17			
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
<b>Current payments</b>	<b>11 124</b>	<b>( 3 536)</b>	-	<b>7 588</b>	<b>5 926</b>	<b>1 662</b>	<b>78.1%</b>	<b>12 768</b>	<b>9 059</b>
Compensation of employees	6 453	-	-	6 453	4 992	1 461	77.4%	10 297	6 607
Goods and services	4 671	(3 536)	-	1 135	934	201	82.3%	2 471	2 452
<b>Transfers and subsidies</b>	-	<b>36</b>	-	<b>36</b>	<b>35</b>	<b>1</b>	<b>97.2%</b>	<b>9</b>	<b>9</b>
Households	-	36	-	36	35	1	97.2%	9	9

**Department of Public Enterprises, Vote 09**  
**NOTES TO THE APPROPRIATION STATEMENT**  
For the Year Ended 31 March 2018

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

Detail of these transactions can be viewed in the note on Transfers and subsidies, disclosure notes and Annexure 1G to the Annual Financial Statements.

**2. Detail of specifically and exclusively appropriated amounts voted (after Virement):**

Detail of these transactions can be viewed in note 1 (Annual Appropriation) to the Annual Financial Statements.

**3. Detail on payments for financial assets**

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

**4. Explanations of material variances from Amounts Voted (after Virement):**

<b>4.1 Per programme</b>	<b>Final Appropriation</b>	<b>Actual Expenditure</b>	<b>Variance</b>	<b>Variance as a % of Final Appropriation</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	
<b>1. Administration</b>	158 468	150 629	7 839	4.95
<b>2. Legal and Governance</b>	24 243	21 572	2 671	11.02
<b>3. Portfolio Management and Strategic Partnerships</b>	83 985	78 212	5 773	6.87
<b>Total</b>	<b>266 696</b>	<b>250 413</b>	<b>16 283</b>	<b>6.11</b>

<b>4.2 Per economic classification</b>	<b>Final Appropriation</b>	<b>Actual Expenditure</b>	<b>Variance</b>	<b>Variance as a % of Final Appropriation</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	
<b>Current payments</b>	<b>258 197</b>	<b>241 929</b>	<b>16 268</b>	<b>6.30</b>
Compensation of employees	156 906	142 175	14 731	9.39
Goods and services	101 291	99 754	1 537	1.52
<b>Transfers and subsidies</b>	<b>3 079</b>	<b>3 068</b>	<b>11</b>	<b>0.36</b>
Provinces and municipalities	12	11	1	8.33
Households	3 067	3 057	10	0.33
<b>Payments for capital assets</b>	<b>5 159</b>	<b>5 156</b>	<b>3</b>	<b>0.06</b>
Machinery and equipment	4 945	4 942	3	0.06
Intangible assets	214	214	-	-
Payments for financial assets	261	260	1	0.38
<b>Total</b>	<b>266 696</b>	<b>250 413</b>	<b>16 283</b>	<b>6.11</b>

Note: The department has incurred an underspending of R14.731 million in respect of compensation of employees due to vacant posts in all three programmes. These vacancies are as a result of the re-alignment of the organisational structure.

**Department of Public Enterprises, Vote 09**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
For the Year Ended 31 March 2018

	<i>Note</i>	2017/18 R'000	2016/17 R'000
<b>REVENUE</b>			
Annual appropriation	1	266 696	267 976
Departmental revenue	2	188	5 213
Aid assistance	3	10 637	10 490
<b>TOTAL REVENUE</b>		<b>277 521</b>	<b>283 679</b>
<b>EXPENDITURE</b>			
<b>Current expenditure</b>			
Compensation of employees	4	142 174	148 321
Goods and services	5	99 754	101 159
Aid assistance	3	4 727	6 884
<b>Total current expenditure</b>		<b>246 655</b>	<b>256 364</b>
<b>Transfers and subsidies</b>			
Transfers and subsidies	7	3 068	434
<b>Total transfers and subsidies</b>		<b>3 068</b>	<b>434</b>
<b>Expenditure for capital assets</b>			
Tangible assets	8	4 943	3 763
Intangible assets	8	214	102
<b>Total expenditure for capital assets</b>		<b>5 157</b>	<b>3 865</b>
Payments for financial assets	6	260	-
<b>TOTAL EXPENDITURE</b>		<b>255 140</b>	<b>260 663</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>22 381</b>	<b>23 016</b>
Reconciliation of Net Surplus/(Deficit) for the year			
Voted funds		16 283	14 197
Annual appropriation		16 283	14 197
Departmental revenue and NRF Receipts	15	188	5 213
Aid assistance	3	5 910	3 606
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>22 381</b>	<b>23 016</b>

**Department of Public Enterprises, Vote 09**  
**STATEMENT OF FINANCIAL POSITION**  
For the Year Ended 31 March 2018

	<i>Note</i>	2017/18 R'000	2016/17 R'000
<b>ASSETS</b>			
<b>Current assets</b>		<b>165 050</b>	<b>157 390</b>
Cash and cash equivalents	9	161 294	153 393
Prepayments and advances	10	861	1 050
Receivables	11	2 895	2 947
<b>Non-current assets</b>		<b>103 140 557</b>	<b>103 140 659</b>
Investments	12	103 140 375	103 140 375
Receivables	11	182	284
<b>TOTAL ASSETS</b>		<b>103 305 607</b>	<b>103 298 049</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>164 717</b>	<b>157 530</b>
Voted funds to be surrendered to the Revenue Fund	14	16 283	14 197
Departmental revenue and NRF Receipts to be surrendered to the Revenue Fund	15	22	281
Payables	16	194	744
Aid assistance unutilised	3	148 218	142 308
<b>Non-current liabilities</b>			
<b>Payables</b>	17	<b>515</b>	<b>144</b>
<b>TOTAL LIABILITIES</b>		<b>165 232</b>	<b>157 674</b>
<b>NET ASSETS</b>		<b>103 140 375</b>	<b>103 140 375</b>
<b>Represented by:</b>			
Capitalisation reserve		103 140 375	103 140 375
<b>TOTAL</b>		<b>103 140 375</b>	<b>103 140 375</b>



Department of Public Enterprises, Vote 09

## STATEMENT OF CHANGES IN NET ASSETS

For the Year Ended 31 March 2018

	<i>Note</i>	2017/18	2016/17
		R'000	R'000
<b>Capitalisation Reserves</b>			
Opening balance		103 140 375	104 491 505
<b>Transfers:</b>			
Other movements		-	(1 351 130)
<b>Closing balance</b>		<b>103 140 375</b>	<b>103 140 375</b>
<b>TOTAL</b>		<b>103 140 375</b>	<b>103 140 375</b>

**Department of Public Enterprises, Vote 09**  
**CASH FLOW STATEMENT**  
For the Year Ended 31 March 2018

	<i>Note</i>	2017/18 R'000	2016/17 R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>		<b>277 426</b>	<b>283 679</b>
Annual appropriated funds received	1.1	266 696	267 976
Departmental revenue received	2	74	5 212
Interest received	2.2	19	1
Aid assistance received	3	10 637	10 490
Net (increase)/decrease in working capital		(207)	(3 409)
Surrendered to Revenue Fund		(14 644)	(47 854)
Current payments		(246 655)	(256 364)
Payments for financial assets		(260)	-
Transfers and subsidies paid		(3 068)	(434)
<b>Net cash flow available from operating activities</b>	<b>18</b>	<b>12 592</b>	<b>(24 382)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for capital assets	8	(5 157)	(3 865)
Proceeds from sale of capital assets	2.3	95	-
(Increase)/decrease in loans		-	1 351 130
<b>Net cash flows from investing activities</b>		<b>(5 062)</b>	<b>1 347 265</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase/(decrease) in net assets		-	(1 351 130)
Increase/(decrease) in non-current payables		371	144
<b>Net cash flows from financing activities</b>		<b>371</b>	<b>(1 350 986)</b>
Net increase/(decrease) in cash and cash equivalents		7 901	(28 103)
Cash and cash equivalents at beginning of period		153 393	181 496
<b>Cash and cash equivalents at end of period</b>	<b>9</b>	<b>161 294</b>	<b>153 393</b>

Department of Public Enterprises, Vote 09  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
For the Year Ended 31 March 2018

**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.

**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 Comparative information**

**6.1 Prior period comparative information**

Prior period comparative information has been presented in the current year's financial statements.

**6.2 Current year comparison with budget**

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

**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 a 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.

Department of Public Enterprises, Vote 09  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
For the Year Ended 31 March 2018

**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 expenditure**

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

**8.3 Accrued expenditure payable**

Accruals and payables not recognised are recorded in the notes to the financial statements at cost at the reporting date.

**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 a payable in the statement of financial position.

**9.2 Aid assistance paid**

Aid assistance paid is recognised in the statement of financial performance on the date of payment. Aid assistance payments made prior to the receipt of funds are recognised as a receivable in the statement of financial position.

Department of Public Enterprises, Vote 09  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
For the Year Ended 31 March 2018

**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**

Receivables included in the statement of financial position arise from cash payments made that are recoverable from another party (including departmental employees) and are derecognised upon recovery or write-off.

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

**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.

Department of Public Enterprises, Vote 09  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
For the Year Ended 31 March 2018

**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 forms part of the cost of the existing asset when ready for use.

**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 an approval by management in a manner that raises a valid expectation that the department will discharge its responsibilities, thereby incurring future expenditure that will result in the outflow of cash.

**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 of 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.



Department of Public Enterprises, Vote 09

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the Year Ended 31 March 2018

**22 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.

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Department. The number of individuals and their full compensation is recorded in the notes to the financial statements.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the Year Ended 31 March 2018

## 1. Annual Appropriation

## 1.1 Annual Appropriation

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

	2017/18			2016/17	
	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	158 468	158 468	-	155 792	155 792
2. Legal and Governance	24 243	24 243	-	25 906	25 906
3. Portfolio Management and Strategic Partnerships	83 985	83 985	-	86 278	86 278
<b>Total</b>	<b>266 696</b>	<b>266 696</b>	<b>-</b>	<b>267 976</b>	<b>267 976</b>

## 2. Departmental revenue

	<i>Note</i>	2017/18	2016/17
		R'000	R'000
Sales of goods and services other than capital assets	2.1	64	75
Interest, dividends and rent on land	2.2	19	1
Sale of capital assets	2.3	95	-
Transactions in financial assets and liabilities	2.4	10	5 137
Departmental revenue collected		188	5 213

## 2.1 Sales of goods and services other than capital assets

<b>Sales of goods and services produced by the department</b>	<b>64</b>	<b>75</b>
Sales by market establishment	38	46
Other sales	26	29
<b>Total</b>	<b>64</b>	<b>75</b>

## 2.2 Interest, dividends and rent on land

Interest	19	1
<b>Total</b>	<b>19</b>	<b>1</b>

## 2.3 Sale of capital assets

Machinery and equipment	30.2	95	-
<b>Total</b>		<b>95</b>	<b>-</b>

Department of Public Enterprises, Vote 09

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the Year Ended 31 March 2018

	<i>Note</i>	2017/18 R'000	2016/17 R'000
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### 2.4 Transactions in financial assets and liabilities

Receivables	10	2
Other receipts including Recoverable Revenue	-	5 135
<b>Total</b>	<b>10</b>	<b>5 137</b>

### 3. Aid assistance

	<i>Note</i>	2017/18 R'000	2016/17 R'000
Opening Balance		142 308	138 702
Transferred from the statement of financial performance		5 910	3 606
<b>Closing Balance</b>		<b>148 218</b>	<b>142 308</b>

#### 3.1 Analysis of balance by source

Aid assistance from other sources	148 218	142 308
<b>Closing balance</b>	<b>148 218</b>	<b>142 308</b>

#### 3.2 Analysis of balance

Aid assistance unutilised	148 218	142 308
<b>Closing balance</b>	<b>148 218</b>	<b>142 308</b>

#### 3.3 Aid assistance expenditure per economic classification

Current	4 727	-
<b>Total aid assistance expenditure</b>	<b>4 727</b>	<b>-</b>

Note 3.3 in respect of "aid assistance per economic classification" was introduced in the current financial year and as a result the amount of R6 884 000 for prior year was not disclosed.

### 4. Compensation of employees

#### 4.1 Salaries and Wages

	<i>Note</i>	2017/18 R'000	2016/17 R'000
Basic salary		95 637	98 271
Performance award		2 633	2 957
Service Based		20	18
Compensative/circumstantial		2 947	4 663
Other non-pensionable allowances		27 537	29 060
<b>Total</b>		<b>128 774</b>	<b>134 969</b>

Department of Public Enterprises, Vote 09

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the Year Ended 31 March 2018

	<i>Note</i>	2017/18 R'000	2016/17 R'000
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### 4.2 Social contributions

<b>Employer contributions</b>			
Pension		10 947	10 842
Medical		2 438	2 499
Bargaining Council		15	11
<b>Total</b>		<b>13 400</b>	<b>13 352</b>
<b>Total compensation of employees</b>			
		<b>142 174</b>	<b>148 321</b>

Average number of employees	209	223
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### 5. Goods and services

	<i>Note</i>	2017/18 R'000	2016/17 R'000
Administrative fees		1 301	1 489
Advertising		1 042	1 823
Minor assets	5.1	269	87
Bursaries (employees)		580	407
Catering		772	453
Communication		4 968	7 417
Computer services	5.2	5 986	4 761
Consultants: Business and advisory services		16 964	19 824
Legal services		3 261	3 450
Contractors		3 222	4 726
Agency and support / outsourced services		2 642	9 398
Audit cost – external	5.3	3 293	3 328
Fleet services		1 295	966
Inventory	5.4	-	19
Consumables	5.5	3 483	3 135
Operating leases		12 703	10 033
Property payments	5.6	5 149	1 971
Rental and hiring		2 373	4 994
Transport provided as part of the departmental activities		1 031	416
Travel and subsistence	5.7	24 915	17 567
Venues and facilities		1 337	1 925
Training and development		749	1 274
Other operating expenditure	5.8	2 419	1 696
<b>Total</b>		<b>99 754</b>	<b>101 159</b>

Department of Public Enterprises, Vote 09

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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	<i>Note</i>	2017/18	2016/17
		R'000	R'000

### 5.1 Minor assets

<b>Tangible assets</b>	<b>269</b>	<b>87</b>
Machinery and equipment	269	87
<b>Total</b>	<b>269</b>	<b>87</b>

### 5.2 Computer services

SITA computer services	2 028	1 608
External computer service providers	3 958	3 153
<b>Total</b>	<b>5 986</b>	<b>4 761</b>

### 5.3 Audit cost – External

Regularity audits	3 293	3 179
Investigations	-	149
<b>Total</b>	<b>3 293</b>	<b>3 328</b>

### 5.4 Inventory

Clothing material and accessories	-	1
Materials and supplies	-	18
<b>Total</b>	<b>-</b>	<b>19</b>

### 5.5 Consumables

<b>Consumable supplies</b>	<b>2 623</b>	<b>1 869</b>
Uniform and clothing	31	11
Household supplies	423	450
IT consumables	102	39
Other consumables	2 067	1 369
Stationery, printing and office supplies	860	1 266
<b>Total</b>	<b>3 483</b>	<b>3 135</b>

### 5.6 Property payments

Municipal services	1 799	1 827
Property management fees	74	51
Property maintenance and repairs	1 900	67
Other	1 376	26
<b>Total</b>	<b>5 149</b>	<b>1 971</b>

Department of Public Enterprises, Vote 09  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
For the Year Ended 31 March 2018

	<i>Note</i>	2017/18 R'000	2016/17 R'000
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#### 5.7 Travel and subsistence

Local	20 106	15 119
Foreign	4 809	2 448
<b>Total</b>	<b>24 915</b>	<b>17 567</b>

#### 5.8 Other operating expenditure

Professional bodies, membership and subscription fees	921	372
Resettlement costs	28	106
Other	1 470	1 218
<b>Total</b>	<b>2 419</b>	<b>1 696</b>

### 6. Payments for financial assets

	<i>Note</i>	2017/18 R'000	2016/17 R'000
Debts written off	6.1	260	-
<b>Total</b>		<b>260</b>	<b>-</b>

#### 6.1 Debts written off

Nature of debts written off			
Staff debts written-off		260	-
<b>Total debt written off</b>		<b>260</b>	<b>-</b>

### 7. Transfers and subsidies

	<i>Note</i>	2017/18 R'000	2016/17 R'000
Provinces and municipalities		11	9
Households	Annex 1G	3 057	425
<b>Total</b>		<b>3 068</b>	<b>434</b>

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## 8. Expenditure for capital assets

	<i>Note</i>	2017/18 R'000	2016/17 R'000
<b>Tangible assets</b>		<b>4 943</b>	<b>3 763</b>
Machinery and equipment	30	4 943	3 763
<b>Intangible assets</b>		<b>214</b>	<b>102</b>
Software	31	214	102
<b>Total</b>		<b>5 157</b>	<b>3 865</b>

### 8.1 Analysis of funds utilised to acquire capital assets – 2017/18

	Voted funds R'000	Aid assistance R'000	Total R'000
<b>Tangible assets</b>	<b>4 943</b>	-	<b>4 943</b>
Machinery and equipment	4 943	-	4 943
<b>Intangible assets</b>	<b>214</b>	-	<b>214</b>
Software	214	-	214
<b>Total</b>	<b>5 157</b>	-	<b>5 157</b>

### 8.2 Analysis of funds utilised to acquire capital assets – 2016/17

	Voted funds R'000	Aid assistance R'000	Total R'000
<b>Tangible assets</b>	<b>3 763</b>	-	<b>3 763</b>
Machinery and equipment	3 763	-	3 763
<b>Intangible assets</b>	<b>102</b>	-	<b>102</b>
Software	102	-	102
<b>Total</b>	<b>3 865</b>	-	<b>3 865</b>

## 9. Cash and cash equivalents

	<i>Note</i>	2017/18 R'000	2016/17 R'000
Consolidated Paymaster General Account		13 012	11 021
Cash on hand		64	64
Investments (Domestic)*		148 218	142 308
<b>Total</b>		<b>161 294</b>	<b>153 393</b>

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



Department of Public Enterprises, Vote 09  
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## 10. Prepayments and advances

	<i>Note</i>	2017/18 R'000	2016/17 R'000
Travel and subsistence		28	5
Advances paid	10.1	833	1 045
<b>Total</b>		<b>861</b>	<b>1 050</b>

### 10.1 Advances paid (Not expensed)

	<i>Note</i>	Balance as at 1 April 2017 R'000	Less: Amount expensed in current year R'000	Add: Current Year prepayments R'000	Balance as at 31 March 2018 R'000
National departments	10	1 045	212	-	833
<b>Total</b>		<b>1 045</b>	<b>212</b>	<b>-</b>	<b>833</b>

### 10.2 Prepayments (Expensed)

	<i>Note</i>	Amount as at 1 April 2017 R'000	Less: Received in the current year R'000	Add: Current Year prepayments R'000	Amount as at 31 March 2018 R'000
Goods and services		3 958	3 958	-	-
<b>Total</b>		<b>3 958</b>	<b>3 958</b>	<b>-</b>	<b>-</b>

Prepayments were made to Universities under the statement of financial performance.

## 11. Receivables

	<i>Note</i>	2017/18			2016/17		
		Current R'000	Non-current R'000	Total R'000	Current R'000	Non-current R'000	Total R'000
Claims recoverable	11.1	286	-	286	-	-	-
Recoverable expenditure	11.2	2 495	69	2 564	2 733	26	2 759
Staff debt	11.3	114	36	150	175	4	179
Fruitless and wasteful expenditure	11.4	-	17	17	19	-	19
Other debtors	11.5	-	60	60	20	254	274
<b>Total</b>		<b>2 895</b>	<b>182</b>	<b>3 077</b>	<b>2 947</b>	<b>284</b>	<b>3 231</b>

### 11.1 Claims recoverable

	<i>Note</i>	2017/18 R'000	2016/17 R'000
National departments		286	-
<b>Total</b>		<b>286</b>	<b>-</b>

Department of Public Enterprises, Vote 09

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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	<i>Note</i>	2017/18	2016/17
		R'000	R'000

### 11.2 Recoverable expenditure (disallowance accounts)

Cell phone Expenditure	-	26
Diners club	2 441	2 488
Ex-employees	123	245
<b>Total</b>	<b>2 564</b>	<b>2 759</b>

### 11.3 Staff debt

Other	150	179
<b>Total</b>	<b>150</b>	<b>179</b>

### 11.4 Fruitless and wasteful expenditure

Opening balance	19	-
Transfers from note 25.1 Fruitless and wasteful expenditure	26.1	-
Less amounts recovered	(2)	19
<b>Total</b>	<b>17</b>	<b>19</b>

### 11.5 Other debtors

Ex-employees	57	-
Suppliers	3	274
<b>Total</b>	<b>60</b>	<b>274</b>

## 12. Investments

	<i>Note</i>	2017/18	2016/17
		R'000	R'000
<b>Non-Current</b>			
<b>Shares and other equity</b>			
Alexkor SOC Ltd		400 000	400 000
Denel SOC Ltd		6 176 376	6 176 376
Eskom SOC Ltd		83 000 000	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
<b>Total</b>		<b>103 140 375</b>	<b>103 140 375</b>
<b>Analysis of non-current investments</b>			
Opening balance		103 140 375	103 140 375
<b>Closing balance</b>		<b>103 140 375</b>	<b>103 140 375</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the Year Ended 31 March 2018

	Note	2017/18 R'000	2016/17 R'000
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**12.1 Impairment of investments**

Estimate of impairment of investments			
Alexkor SOC Ltd		56 341	78 677
Denel SOC Ltd		5 073 199	3 525 259
<b>Total</b>		<b>5 129 540</b>	<b>3 603 936</b>

Note: 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 2017/18 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.

Impairment for previous financial year has been recalculated to R3.604 billion. This is due to the fact that some of the SOC's were not impaired as reflected above.

In the current financial year, Alexkor's impairment has been reduced by R22 million to R56 million from the prior period of R79 million, being the difference between the cost of the investment of R400 million (2016/17: R400 million) and the net asset value of R344 million (2016/17: R321 million).

In the current financial year, Denel's impairment has been increased by R1.548 million to R5.073 million from the prior period of R3.525 million, being the difference between the cost of the investment of R6.176 million (2016/17: R6.176 million) and the net asset value of R1.103 million (2016/17: R2.651 million).

The South African Express (SAX) investment was fully impaired to R585 million in the previous financial year.

The other three SOC's i.e. Eskom, Transnet and Safcol have not been impaired since they have a positive difference between the cost of investment and the net asset value.

**13. Loans**

	Note	2017/18 R'000	2016/17 R'000
Public corporations		-	-
<b>Total</b>		<b>-</b>	<b>-</b>
<b>Analysis of Balance</b>			
Opening balance		-	1 351 130
Ceded to		-	(1 351 130)
<b>Closing balance</b>		<b>-</b>	<b>-</b>

Note: 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 2018

## 14. Voted funds to be surrendered to the Revenue Fund

	<i>Note</i>	2017/18	2016/17
		R'000	R'000
Opening balance		14 197	42 919
Transfer from statement of financial performance		16 283	14 197
Paid during the year		(14 197)	(42 919)
<b>Closing balance</b>		<b>16 283</b>	<b>14 197</b>

## 15. Departmental revenue and NRF Receipts to be surrendered to the Revenue Fund

	<i>Note</i>	2017/18	2016/17
		R'000	R'000
Opening balance		281	3
Transfer from Statement of Financial Performance		188	5 213
Paid during the year		(447)	(4 935)
<b>Closing balance</b>		<b>22</b>	<b>281</b>

## 16. Payables – current

	<i>Note</i>	2017/18	2016/17
		R'000	R'000
Clearing accounts	16.1	194	77
<b>Total</b>		<b>194</b>	<b>77</b>

## 16.1 Clearing accounts

SARS	194	77
<b>Total</b>	<b>194</b>	<b>77</b>

## 17. Payables – non-current

	<i>Note</i>	2017/18				2016/17
		R'000	R'000	R'000	R'000	R'000
		One to two years	Two to three years	More than three years	Total	Total
Advances received	17.1	-	-	371	371	667
Other payables	17.2	-	-	144	144	144
<b>Total</b>		<b>-</b>	<b>-</b>	<b>515</b>	<b>515</b>	<b>811</b>

## 17.1 Advances received

Public entities	<i>Annex 8B</i>	371	667
<b>Total</b>		<b>371</b>	<b>667</b>

Department of Public Enterprises, Vote 09  
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	<i>Note</i>	2017/18	2016/17
		R'000	R'000

## 17.2 Other payables

Ex-employee	144	144
<b>Total</b>	<b>144</b>	<b>144</b>

## 18. Net cash flow available from operating activities

	<i>Note</i>	2017/18	2016/17
		R'000	R'000
Net surplus/(deficit) as per Statement of Financial Performance		22 381	23 016
Add back non cash/cash movements not deemed operating activities		(9 789)	(47 398)
(Increase)/decrease in receivables		154	(2 412)
(Increase)/decrease in prepayments and advances		189	(703)
Increase/(decrease) in payables – current		(550)	(294)
Proceeds from sale of capital assets		(95)	-
Expenditure on capital assets		5 157	3 865
Surrenders to Revenue Fund		(14 644)	(47 854)
<b>Net cash flow generated by operating activities</b>		<b>12 592</b>	<b>(24 382)</b>

## 19. Reconciliation of cash and cash equivalents for cash flow purposes

	<i>Note</i>	2017/18	2016/17
		R'000	R'000
Consolidated Paymaster General account		13 012	11 021
Cash on hand		64	64
Cash with commercial banks (Local)		148 218	142 308
<b>Total</b>		<b>161 294</b>	<b>153 393</b>

## 20. Contingent liabilities and contingent assets

	<i>Note</i>	2017/18	2016/17
		R'000	R'000
<b>Liable to Nature</b>			
Other guarantees	<i>Annex 3A</i>	251 881 495	209 566 694
Claims against the department	<i>Annex 3B</i>	698 598	699 435
<b>Total</b>		<b>252 580 093</b>	<b>210 266 129</b>

Note: 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.

The amount in respect of other guarantees consists of closing balance and guaranteed interest as at 31 March as reflected in Annexure 3A.

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## 21. Commitments

	<i>Note</i>	2017/18 R'000	2016/17 R'000
<b>Current expenditure</b>			
Approved and contracted		61 685	35 763
Approved but not yet contracted		13 890	983
<b>Total Commitments</b>		<b>75 575</b>	<b>36 746</b>

Commitment amount of R75.575 million includes R65.106 million which is longer than a year.

## 22. Accruals and payables not recognised

			2017/18	2016/17
			R'000	R'000
Listed by economic classification				
	30 Days	30+ Days	Total	Total
Goods and services	1 777	-	1 777	3 848
Total	1 777	-	1 777	3 848
Listed by programme level				
Administration			1 485	3 813
Legal and Governance			64	5
Portfolio Management and Strategic Partnerships			228	30
Total			1 777	3 848

## 23. Employee benefits

	<i>Note</i>	2017/18 R'000	2016/17 R'000
Leave entitlement		6 196	5 671
Service bonus (Thirteenth cheque)		2 846	2 760
Performance awards		2 504	1 785
Capped leave commitments		1 464	1 369
<b>Total</b>		<b>13 010</b>	<b>11 585</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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## 24. Lease commitments

## 24.1 Operating leases expenditure

2017/18	Specialised military equipment	Land	Buildings and other fixed structures	Machinery and equipment	Total
Not later than 1 year	-	-	-	428	428
Later than 1 year and not later than 5 years	-	-	-	167	167
<b>Total lease commitments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>595</b>	<b>595</b>

2016/17	Specialised military equipment	Land	Buildings and other fixed structures	Machinery and equipment	Total
Not later than 1 year	-	-	-	414	414
Later than 1 year and not later than 5 years	-	-	-	546	546
<b>Total lease commitments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>960</b>	<b>960</b>

## 25. Irregular expenditure

## 25.1 Reconciliation of irregular expenditure

	Note	2017/18 R'000	2016/17 R'000
Opening balance		821	14 849
Prior period error		-	-
As restated		821	14 849
Add: Irregular expenditure – relating to prior year		-	2 037
Add: Irregular expenditure – relating to current year		-	-
Less: Prior year amounts condoned		-	(15 804)
Less: Current year amounts not condoned and recoverable		-	(261)
<b>Closing balance</b>		<b>821</b>	<b>821</b>
<b>Analysis of awaiting condonation per age classification</b>			
Current year		-	-
Prior years		821	821
<b>Total</b>		<b>821</b>	<b>821</b>



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## 26. Fruitless and wasteful expenditure

### 26.1 Reconciliation of fruitless and wasteful expenditure

	<i>Note</i>	2017/18 R'000	2016/17 R'000
Opening balance		-	20
Prior period error		-	-
As restated		-	20
Fruitless and wasteful expenditure – relating to prior year		-	5
Fruitless and wasteful expenditure – relating to current year		29	15
Less: Amounts resolved		(2)	(21)
Less: Amounts transferred to receivables for recovery		-	(19)
<b>Fruitless and wasteful expenditure awaiting resolution</b>		<b>27</b>	<b>-</b>

Analysis of Current year's (relating to current & prior years) fruitless and wasteful expenditure		2017/18 R'000
Incident	Disciplinary steps taken/criminal proceedings	
Overpayment made to the service provider	No disciplinary steps required - service provider acknowledged the debt and full amount to be recovered	27
Interest on late payment	No disciplinary steps required - full amount recovered	1
No show & traffic fine	No disciplinary steps required - full amount recovered	1
<b>Total</b>		<b>29</b>

## 27. Related party transactions

Payments made	<i>Note</i>	2017/18 R'000	2016/17 R'000
Goods and services		2 658	11 400
<b>Total</b>		<b>2 658</b>	<b>11 400</b>
<b>Other</b>			
Guarantees issued/received	<i>Annex 3A</i>	59 243 576	42 615 142
<b>Total</b>		<b>59 243 576</b>	<b>42 615 142</b>

## 28. Key management personnel

	No. of Individuals	2017/18 R'000	2016/17 R'000
Political office bearers	2	6 398	4 211
Officials:			
Level 15 to 16	6	10 051	11 631
Level 14 (incl. CFO if at a lower level)	19	22 515	21 941
<b>Total</b>		<b>38 964</b>	<b>37 783</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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## 29. Non-adjusting events after reporting date

Nature of event	2017/18
	R'000
Labour Disputes	1 531
<b>Total</b>	<b>1 531</b>

## 30. Movable Tangible Capital Assets

MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2018					
	Opening balance	Value adjustments	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
<b>MACHINERY AND EQUIPMENT</b>	<b>29 915</b>	<b>49</b>	<b>4 943</b>	<b>(549)</b>	<b>34 358</b>
Transport assets	6 667	-	-	(549)	6 118
Computer equipment	15 657	180	2 184	-	18 021
Furniture and office equipment	3 758	(195)	202	-	3 765
Other machinery and equipment	3 833	64	2 557	-	6 454
<b>TOTAL MOVABLE TANGIBLE CAPITAL ASSETS</b>	<b>29 915</b>	<b>49</b>	<b>4 943</b>	<b>(549)</b>	<b>34 358</b>

## 30.1 Additions

ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2018					
	Cash	Non-cash	(Capital Work in Progress current costs and finance lease payments)	Received current, not paid (Paid current year, received prior year)	Total
	R'000	R'000	R'000	R'000	R'000
<b>MACHINERY AND EQUIPMENT</b>	<b>4 943</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4 943</b>
Transport assets	-	-	-	-	-
Computer equipment	2 184	-	-	-	2 184
Furniture and office equipment	202	-	-	-	202
Other machinery and equipment	2 557	-	-	-	2 557
<b>TOTAL ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS</b>	<b>4 943</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4 943</b>

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## 30.2 Disposals

DISPOSALS OF MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2018				
	Sold for cash	Non-cash disposal	Total disposals	Cash Received Actual
	R'000	R'000	R'000	R'000
<b>MACHINERY AND EQUIPMENT</b>	<b>549</b>	<b>-</b>	<b>549</b>	<b>95</b>
Transport assets	549	-	549	95
<b>TOTAL DISPOSAL OF MOVABLE TANGIBLE CAPITAL ASSETS</b>	<b>549</b>	<b>-</b>	<b>549</b>	<b>95</b>

## 30.3 Movement

MOVEMENT IN TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2017					
	Opening balance	Prior period error	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
<b>MACHINERY AND EQUIPMENT</b>	<b>27 906</b>	<b>-</b>	<b>3 763</b>	<b>(1 754)</b>	<b>29 915</b>
Transport assets	5 394	-	1 273	-	6 667
Computer equipment	14 381	-	2 165	(889)	15 657
Furniture and office equipment	3 817	-	13	(72)	3 758
Other machinery and equipment	4 314	-	312	(793)	3 833
<b>TOTAL MOVABLE TANGIBLE CAPITAL ASSETS</b>	<b>27 906</b>	<b>-</b>	<b>3 763</b>	<b>(1 754)</b>	<b>29 915</b>

## 30.4 Minor assets

MOVEMENT IN MINOR ASSETS PER THE ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2018						
	Specialised military assets	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Opening balance	-	50	-	4 262	-	4 312
Additions	-	-	-	269	-	269
Disposals	-	-	-	(1)	-	(1)
<b>TOTAL MINOR ASSETS</b>	<b>-</b>	<b>50</b>	<b>-</b>	<b>4 530</b>	<b>-</b>	<b>4 580</b>
Number of minor assets at cost	-	-	-	189	-	189
<b>TOTAL NUMBER OF MINOR ASSETS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>189</b>	<b>-</b>	<b>189</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the Year Ended 31 March 2018

MOVEMENT IN MINOR ASSETS PER THE ASSET REGISTER FOR THE YEAR ENDED AS AT 31 MARCH 2017						
	Specialised military assets	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Opening balance	-	50	-	4 540	-	4 590
Additions	-	-	-	88	-	88
Disposals	-	-	-	(366)	-	(366)
<b>TOTAL MINOR ASSETS</b>	<b>-</b>	<b>50</b>	<b>-</b>	<b>4 262</b>	<b>-</b>	<b>4 312</b>

## 31. Intangible Capital Assets

MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2018					
	Opening balance	Value adjustments	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
SOFTWARE	2 983	-	214	-	3 197
<b>TOTAL INTANGIBLE CAPITAL ASSETS</b>	<b>2 983</b>	<b>-</b>	<b>214</b>	<b>-</b>	<b>3 197</b>

## 31.1 Additions

ADDITIONS TO INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2018					
	Cash	Non-cash	(Development Work-in Progress current costs and finance lease payments)	Received current, not paid (Paid current year, received prior year)	Total
	R'000	R'000	R'000	R'000	R'000
SOFTWARE	214	-	-	-	214
<b>TOTAL ADDITIONS TO INTANGIBLE CAPITAL ASSETS</b>	<b>214</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>214</b>

## 31.2 Movement for 2016/17

MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2017					
	Opening balance	Prior period error	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
SOFTWARE	2 881	-	102	-	2 983
<b>TOTAL INTANGIBLE CAPITAL ASSETS</b>	<b>2 881</b>	<b>-</b>	<b>102</b>	<b>-</b>	<b>2 983</b>

# ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the Year Ended 31 March 2018

## ANNEXURE 1G

### STATEMENT OF TRANSFERS TO HOUSEHOLDS

HOUSEHOLDS	TRANSFER ALLOCATION				EXPENDITURE		2016/17
	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
<b>Transfers</b>							
Leave Gratuity	2 983	-	-	2 983	2 983	100%	405
National Development Plan 2030 Awards	74	-	-	74	74	100%	-
Books to students	-	-	-	-	-	-	20
<b>Total</b>	<b>3 057</b>	<b>-</b>	<b>-</b>	<b>3 057</b>	<b>3 057</b>		<b>425</b>

# ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the Year Ended 31 March 2018

## ANNEXURE 2A

### STATEMENT OF INVESTMENTS IN AND 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 17/18	% Held 16/17	Number of shares held		Cost of investment		Net Asset value of investment		Profit/(Loss) for the year		Losses guaranteed
				2017/18	2016/17	R'000	2017/18	2016/17	R'000	2017/18	2016/17	
National/Provincial Public Entity												
Alexkor Limited	II	100%	100%	400 000 000	400 000 000	400 000	400 000	343 659	321 323	37 945	6 049	No
Denel (Pty) Ltd	II	100%	100%	1 225 056 663	1 225 056 663	6 176 376	6 176 376	1 103 177	2 651 117	(1 548 000)	333 000	No
Eskom Limited	II	100%	100%	83 000 000 001	83 000 000 001	83 000 000	83 000 000	169 306 000	175 942 000	(2 088 000)	888 000	No
SAFCOL Limited	II	100%	100%	318 013 254	318 013 254	318 013	318 013	2 913 410	3 346 076	(13 310)	114 437	No
South African Express Airways (Pty)Ltd	II	100%	100%	452	452	585 000	585 000	(237 572 543)	(85 366 788)	(152 205 755)	(229 120 524)	No
Transnet Limited	II	100%	100%	12 660 986 310	12 660 986 310	12 660 986	12 660 986	156 083 000	143 563 000	4 981 000	2 765 000	No
TOTAL				97 604 056 680	97 604 056 680	103 140 375	103 140 375	92 176 703	240 456 728	(150 836 120)	(225 014 038)	

# ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the Year Ended 31 March 2018

## ANNEXURE 2B

### STATEMENT OF INVESTMENTS IN AND AMOUNTS OWING BY/TO ENTITIES (CONTINUED)

Name of Public Entity	Nature of business	Cost of investment		Net Asset value of Investment		Amounts owing to Entities		Amounts owing by Entities	
		R'000		R'000		R'000		R'000	
		2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
<b>Controlled entities</b>									
Alexkor Limited	Mining	400 000	400 000	343 659	321 323	-	-	-	-
Denel (Pty) Ltd	Manufacturing of Arms	6 176 376	6 176 376	1 103 177	2 651 117	-	-	-	-
Eskom Limited	Energy	83 000 000	83 000 000	169 306 000	175 942 000	-	-	-	-
Safcol Limited	Forestry	318 013	318 013	2 913 410	3 346 076	-	-	-	-
South African Express Airways (Pty) Ltd	Transport	585 000	585 000	(237 572 543)	(85 366 788)	-	-	-	-
Transnet Limited	Transport	12 660 986	12 660 986	156 083 000	143 563 000	-	-	-	-
<b>TOTAL</b>		<b>103 140 375</b>	<b>103 140 375</b>	<b>92 176 703</b>	<b>240 456 728</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The net asset value of the investment and profit/loss for the year ended 31 March 2018 is based on provisional amounts and is still subject to the SOC's external audit process and therefore subject to change.

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

For South African Express Airways', the amount reflected in Department's

Department's Financial Statements	Transaction Details	SAX' Financial Statements	
		IFRS Accounting	Convertible loan
Paid R140 million	To acquire SAX shares and acquire loan	R57 million	-
Transferred R445 million	Recapitalize SAX	R445 million	R357 million
<b>Total R585 million</b>		<b>R502 million</b>	<b>R357 million</b>



# ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the Year Ended 31 March 2018

## ANNEXURE 3A

### STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2018 – LOCAL

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2017	Other Movements	Guarantees drawn during the year	Guarantees repaid/ cancelled/ reduced/ released during the year	Revaluations	Closing balance 31 March 2018	Guaranteed interest for year ended 31 March 2018	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	R'000
SAX	<b>Other</b>									
	Convenants breached	439 000	439 000	-	-	-	-	439 000	-	-
	Working Capital	100 000	100 000	-	-	-	-	100 000	-	-
	Working Capital	446 000	288 000	-	-	-	-	288 000	-	-
Denel	Letters of Credit	121 000	40 300	-	-	-	-	40 300	-	-
	Note Programme	1 850 000	1 850 000	-	-	-	-	1 850 000	-	-
	Note Programme	580 000	580 000	-	-	-	-	580 000	-	-
Eskom	Eskom bonds – ES15	-	-	-	-	-	-	-	-	-
	Eskom bonds – ES18	-	2 480 909	-	-	(142 069)	-	2 338 840	96 778	-
	Eskom bonds – ES23	-	15 874 898	-	1 136 507	(106 964)	-	16 904 441	308 203	-

# ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the Year Ended 31 March 2018

## ANNEXURE 3A (continued)

### STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2018 – LOCAL

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2017	Other Movements	Guarantees draw downs during the year	Guarantees repayments/ cancelled/ reduced/ released during the year	Revaluations	Closing balance 31 March 2018	Guaranteed interest for year ended 31 March 2018	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	R'000
	Eskom bonds – ES26	-	25 055 020	-	1 142 812	-	-	26 197 832	1 021 496	-
	Eskom bonds – ES33	-	29 428 885	-	4 556 423	(1 452 787)	-	32 532 521	112 801	-
	Eskom bonds – ES42	-	13 475 798	-	882 804	-	-	14 358 602	529 737	-
	Eskom bonds – EL15	-	-	-	-	-	-	-	-	-
	Eskom bonds – EL28	-	4 169 206	-	-	-	-	4 169 206	60 414	-
	Eskom bonds – EL29	-	3 684 000	-	-	-	-	3 684 000	34 285	-
	Eskom bonds – EL30	-	3 655 990	-	-	-	-	3 655 990	18 280	-
	Eskom bonds – EL31	-	4 001 329	-	55 000	-	-	4 056 329	34 156	-
	Eskom bonds – EL36	-	3 750 000	-	-	-	-	3 750 000	16 449	-
	Eskom bonds – EL37	-	3 650 000	-	161 000	-	-	3 811 000	16 719	-
	Paper Issued Float Rate Notes	-	-	-	2 000 000	-	-	2 000 000	5 411	-
	Short term notes	-	2 000 000	-	10 825 000	(12 200 000)	-	625 000	-	-
	Short term Syndicate Facility	-	-	-	20 000 000	-	-	20 000 000	165 000	-
	<b>Subtotal</b>	<b>3 536 000</b>	<b>114 523 335</b>	<b>-</b>	<b>40 759 546</b>	<b>(13 901 820)</b>	<b>-</b>	<b>141 381 061</b>	<b>2 419 729</b>	<b>-</b>
	<b>TOTAL</b>	<b>3 536 000</b>	<b>114 523 335</b>	<b>-</b>	<b>40 759 546</b>	<b>(13 901 820)</b>	<b>-</b>	<b>141 381 061</b>	<b>2 419 729</b>	<b>-</b>

## ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the Year Ended 31 March 2018

## ANNEXURE 3A (continued)

## STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2018 – FOREIGN

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2017	Other Movements	Guarantees drawn during the year	Guarantees repaid/cancelled/reduced/ released during the year	Revaluations	Closing balance 31 March 2018	Guaranteed interest for year ended 31 March 2018	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	R'000
Transnet	Other									
	Euro-Rand medium term note (Tranche 1) #	2 000 000	2 000 000	-	-	-	-	2 000 000	255 945	-
Eskom	Euro-Rand medium term note (Tranche 2) #	1 500 000	1 500 000	-	-	-	-	1 500 000	150 000	-
	AFDB Loan (ZAR)	10 630 000	8 773 092	-	-	(701 848)	-	8 071 244	100 368	-
	AFDB Loan (Euro)	13 592 419	8 700 947	-	1 004 387	(800 279)	295 435	9 200 490	-	-
	Worldbank loan USD	10 526 290	2 884 752	(2 898 477)	2 216 495	(45 460)	(133 695)	2 023 615	9 019	-
	Worldbank loan ZAR	33 978 898	30 128 313	2 898 477	-	(1 473 167)	-	31 553 623	1 213 403	-
	AFDB USD Renewable	107 976	116 733	-	-	(7 622)	(11 937)	97 174	400	-
	AFDB USD Renewable - CTF	1 186 805	561 853	-	-	-	(59 493)	502 360	203	-
	Worldbank Renewables	2 967 013	463 678	-	-	-	(49 098)	414 580	432	-
	AFDB (Pvt Sector)	1 800 000	1 533 333	-	-	(133 333)	-	1 400 000	19 197	-
	AFDB (Pvt Sector)	3 104 789	2 958 039	-	-	(243 541)	(299 663)	2 414 835	12 337	-

## ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the Year Ended 31 March 2018

## ANNEXURE 3A (continued)

## STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2018 – FOREIGN

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2017	Other Movements	Guarantees draw downs during the year	Guarantees repayments/ cancelled/ reduced/ released during the year	Revaluations	Closing balance 31 March 2018	Guaranteed interest for year ended 31 March 2018	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	R'000
Eskom	AFDB (French Development Bank) ZAR	980 840	888 886	-	-	(61 302)	(1)	827 583	24 067	-
	AFDB (French Development Bank) EUR	1 461 550	42 552	-	-	-	1 294	43 846	311	-
	AFDB (French Development Bank) ZAR	2 273 055	815 766	-	743 666	-	-	1 559 432	59 093	-
	KFW ZAR	3 934 500	3 934 500	-	-	-	-	3 934 500	3 268	-
	KFW USD	1 186 805	-	-	-	-	-	-	-	-
	MIGA	6 869 287	6 666 535	-	-	-	202 752	6 869 287	13 739	-
	AFDB A LOAN (USD)	118 681	132 736	-	-	-	(14 055)	118 681	947	-
	AFDB B LOAN (USD)	11 452 668	12 808 976	-	-	-	(1 356 308)	11 452 668	91 338	-
	AFDB B Senior Unsecured ZAF	5 292 354	-	2 116 942	3 175 412	-	-	5 292 354	95 240	-
	CBD Short term USD	5 934 025	6 636 775	-	-	-	(702 750)	5 934 025	13 059	-
	CBD Short term USD	17 802 075	-	-	11 344 070	-	(662 825)	10 681 245	126 797	-
	<b>Subtotal</b>	<b>138 700 030</b>	<b>91 547 466</b>	<b>2 116 942</b>	<b>18 484 030</b>	<b>(3 466 552)</b>	<b>(2 790 344)</b>	<b>105 891 542</b>	<b>2 189 163</b>	<b>-</b>
	<b>TOTAL</b>	<b>138 700 030</b>	<b>91 547 466</b>	<b>2 116 942</b>	<b>18 484 030</b>	<b>(3 466 552)</b>	<b>(2 790 344)</b>	<b>105 891 542</b>	<b>2 189 163</b>	<b>-</b>

## ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the Year Ended 31 March 2018

## ANNEXURE 3B

## STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2018

Nature of Liability	Opening Balance 1 April 2017	Liabilities incurred during the year	Liabilities paid/ cancelled/ reduced during the year	Liabilities recoverable (Provide details hereunder)	Closing Balance 31 March 2018
	R'000	R'000	R'000	R'000	R'000
<b>Claims against the department</b>					
Equity Alliance (Pty) Ltd vs Government of RSA	572 000	-	-	-	572 000
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	-	-
Mr. Solomon vs The Minister & Eskom	400	-	400	-	-
Labour Disputes	3 821	4 230	4 572	-	3 479
<b>TOTAL</b>	<b>699 435</b>	<b>4 230</b>	<b>5 067</b>	<b>-</b>	<b>698 598</b>

# ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the Year Ended 31 March 2018

## ANNEXURE 4

### CLAIMES RECOVERABLE

Government Entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31/03/2018	31/03/2017	31/03/2018	31/03/2017	31/03/2018	31/03/2017
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Department</b>						
Department of Economic Development	-	-	-	52	-	52
Department of Public Works	286	-	-	-	286	-
<b>TOTAL</b>	<b>286</b>	<b>-</b>	<b>-</b>	<b>52</b>	<b>286</b>	<b>52</b>

# ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the Year Ended 31 March 2018

## ANNEXURE 6

### INVENTORIES

Inventory	Note	Quantity	2017/18		2016/17	
			R'000		R'000	
Opening balance		-	-	167	-	31
Add/(Less): Adjustments to prior year balance		-	-	-	-	-
Add: Additions/Purchases - Cash		-	-	-	-	-
Add: Additions - Non-cash		-	-	-	-	-
(Less): Disposals		-	-	-	-	-
(Less): Issues		-	-	-	-	-
Add/(Less): Adjustments		-	-	(167)	-	(31)
<b>Closing balance</b>		-	-	-	-	-



# ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the Year Ended 31 March 2018

## ANNEXURE 8A

### INTER-ENTITY ADVANCES PAID (note 10)

ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		TOTAL	
	31/03/2018	31/03/2017	31/03/2018	31/03/2017	31/03/2018	31/03/2017
	R'000	R'000	R'000	R'000	R'000	R'000
<b>NATIONAL DEPARTMENTS</b>						
Department of International Relations and Cooperations (DIRCO)	-	-	833	1 045	833	1 045
<b>Total</b>	<b>-</b>	<b>-</b>	<b>833</b>	<b>1 045</b>	<b>833</b>	<b>1 045</b>

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

# ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

For the Year Ended 31 March 2018

## ANNEXURE 8B

### INTER-ENTITY ADVANCES RECEIVED (note 17.1)

ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		TOTAL	
	31/03/2018	31/03/2017	31/03/2018	31/03/2017	31/03/2018	31/03/2017
	R'000	R'000	R'000	R'000	R'000	R'000
<b>PUBLIC ENTITIES</b>						
Non-Current						
16 days of activism against women and child abuse	371	667	-	-	371	667
<b>TOTAL</b>	<b>371</b>	<b>667</b>	<b>-</b>	<b>-</b>	<b>371</b>	<b>667</b>

## NOTES



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