

**DEPARTMENT: PUBLIC ENTERPRISES**

**REPUBLIC OF SOUTH AFRICA**

**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**QUESTION NO.: PQ 823**

**QUESTION:**

**823. Mrs M O Clarke (DA) to ask the Minister of Public Enterprises:**

Whether, in light of the five State-owned enterprises (SOEs), namely SA Airways, Alexkor, Safcol, Denel and SA Express that failed to submit their annual reports as required in terms of the Public Finance Management Act, Act 1 of 1996, his department will support the policy position which seeks to provide for additional measures in order to ensure SOE accountability in instances where the executive authority fails to table an annual report and financial statements of a department and/or public entity? NW982E

**REPLY:**

1. The Department has adequate measures to ensure SOCs accountability in instances where the executive authority fails to table an annual report of the department and/or entity. Furthermore, extenuating circumstances would need to be considered on a case by case basis. The following are the extenuating circumstances that led to the following SOCs in not tabling annual reports and financial statements:
   1. **Denel**: Denel’s AGM was held on the 29 January 2021. Several reasons resulted in the delay, including the liquidity challenges, which affected its ability to continue operating on a going concern basis. Consequently, Denel was unable to provide sufficient evidence to demonstrate that it is a going concern, resulting in the delayed external audit finalization by the Auditor General. The delayed finalisation of the AFS was also exacerbated by the COVID-19 pandemic which impacted day-to-day activities in general. The AFS and Integrated Report were tabled at Parliament on Tuesday, 9 February 2021.
   2. **Safcol**: The audit was protracted due to the COVID-19 pandemic. The annual report was tabled on 10 March 2021, followed by the presentation to the Portfolio Committee, held on 17 March 2021.
   3. **Alexkor**: The Alexkor AGM is expected to be held during the last week of March 2021. Alexkor’s operational and liquidity challenges not only resulted in delayed finalisation of the AFS and external audit by the Company’s auditors but has impacted its ability to continue operating on a going concern basis, resulting in a disclaimed audit opinion. It is expected that the AFS and IR will be tabled immediately after the AGM is held.
   4. **SAA**: The airline could not table the annual report and financial statements due to financial and liquidity challenges. This had an impact on the going concern assessment which eventually led to the airline being placed under business rescue.
   5. **SA Express**:The airline could not table the annual report and financial statements due to financial and liquidity challenges. This had an impact on the going concern assessment which eventually led to the airline being placed under business rescue and is now in provisional liquidation.

1. The last 2 years have been a difficult period for all SOCs, in terms of addressing all matters related to state capture, stabilising the SOC, and the impact of COVID-19 pandemic. The majority of the SOCs are facing serious financial challenges, which impact on going concern and the audit outcome. The accountability framework includes the oversight of Parliament as it relates to non-submission of annual reports. The SOCs, being corporate entities are also required to apply to the Companies Tribunal to grant an extension of the date within which to hold the Annual General Meeting and to present its annual report to the Shareholder. Late submission of the annual report, coupled with going concern and the viability of the company also impacts on loan covenants, which the Board and the Shareholder must address.
2. The Boards are also accountable for other non-negotiable targets such as the achievement of an unqualified audit outcome and the achievement of at least 80% of the total sum of key performance indicators of the Compact. In line with consequence management, but also informed by the financial constraints, Boards and management takes a 0% annual increase when these non-negotiable targets are not met. However, addressing the viability of the SOC remains one of government’s key objective.