



dpe

Annual Report 2009/10



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- 2009/10 key achievements
- DPE organisational structure
- HR statistics
- Programme performance review
- Highlights from financial statements



Some key achievements

- **SOE oversight** has been strengthened through, inter alia, :-
 - Refinement of strategic mandate and intent.
 - Conclusion of Shareholder Compacts with Boards.
 - Implementation of a business intelligence dashboard - *Isibuko*.
 - Strengthened Board compositions.
 - Introduction of portfolio level monitoring.
- **The South African Power Project** - implementation plan approved by Cabinet.
- **Competitive Supplier Development Programme**
 - Eskom & Transnet have produced 5 yr Supplier Development Plans.
 - Extensive procurement capability training undertaken.
 - Supplier Benchmarking Programme developed, with UNIDO.
 - Regional Supplier Development Programme initiated.
- **Construction & Maintenance Agreement and Supplier Contract Agreement for the West African Cable System (WACS)** signed on 8 April 2009.



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Some key achievements

- **Logical Planning, Monitoring and Evaluation Framework** - an annual chronological cycle of tasks and events that links national strategic priorities to SOE delivery and ensures effective shareholder oversight management and achievement of desired strategic outcomes and objectives by the SOE.
- **Infraco WACS Supply Contract** in force.
- **Nuclear Education Course** completed.
- A R60 billion subordinated loan was approved and government guarantees of R176 billion were secured for **Eskom**.
- Transfer of management of hospital in **Alexander Bay** to Northern Cape Provincial Government.

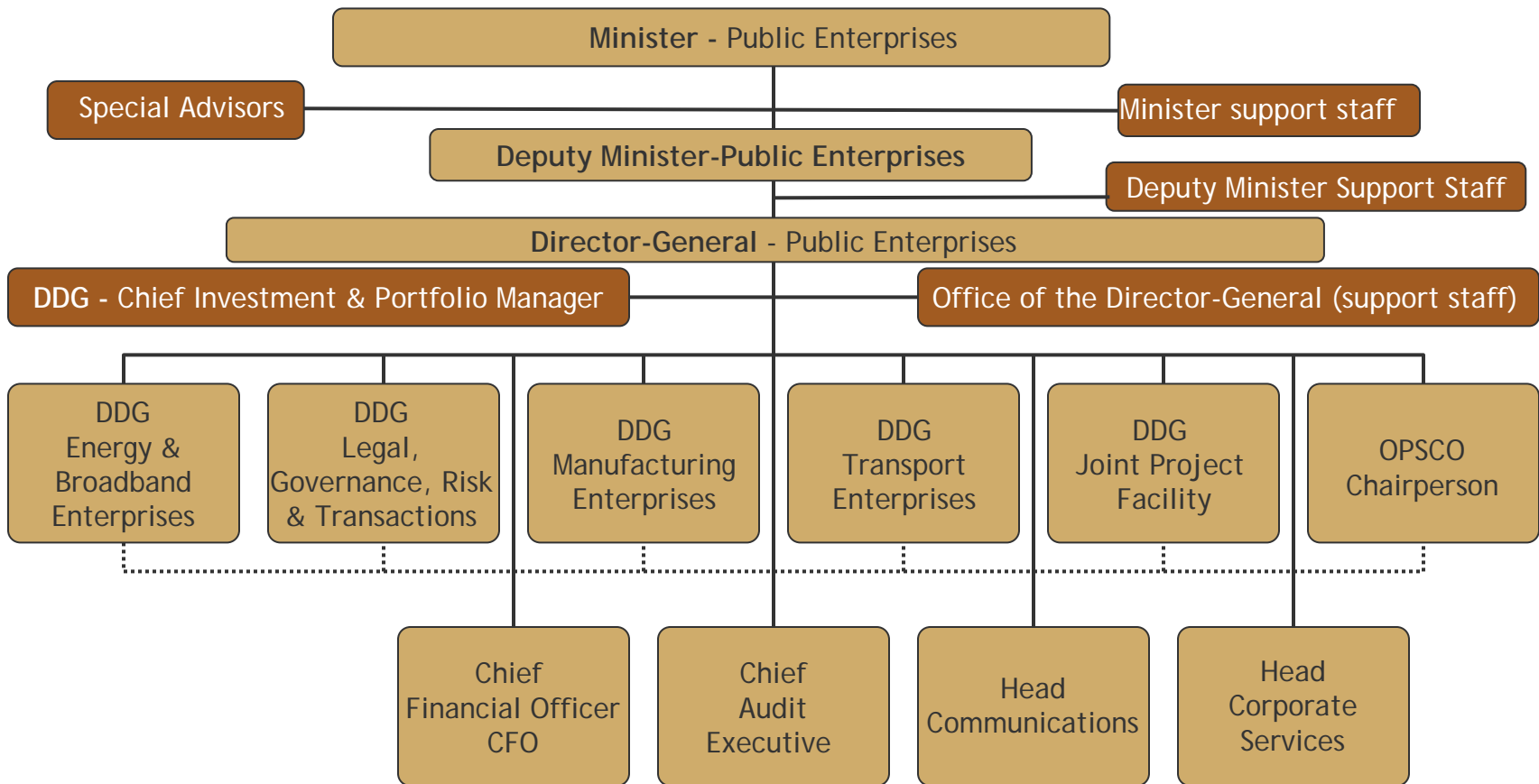


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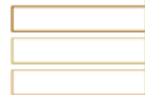
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dpe organisational structure -31 march 2010



dpe statistics



Total establishment as at 01 April 2010	164	
Filled posts as at 01 April 2010	140	
Interns appointed	22	
Graduates Development programme recruits	4	
Total establishment as at 31 March 2010	168	
Filled posts as at 31 March 2010	140	
Vacancies as at 31 March 2010	28	
Interviews in progress	1	Offer Made: 4 Advertised : 11
Total new appointments (01/04/09-31/03/10)	15	
	8	Level 13 - 16
	5	Level 9 - 12
	2	Level 1 - 8
Total exits (01/04/09-31/03/10)	15	
	7	Level 13-16 (6 Resignations, 1 Transfer)
	4	Level 9 -12 (1 Resignation, 3 Transfers)
	4	Level 1 -8 (2 Transfers, 2 Resignations)
Vacancy Rate as at 31 March 2010	14.6%	Public Sector Vacancy Rate as at 31 March 2010: 22% (overall status)
Turnover Rate as at 31 March 2010 as per Oversight Report calculation (Total exits divided by Filled posts as at 1 April 2009)	14.9%	Public Sector Turnover Rate as at 31 March 2010: 18 % (overall status)



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employment equity targets- as at 31 March 2010

Statistics SA (mid-year population estimates)	African		Indian		Coloured		White		Disability
	F	M	F	M	F	M	F	M	
Target	40.3%	39.2%	1.3%	1.2%	4.5%	4.4%	4.7%	4.5%	DPSA Target 2%
Achieved % Actual	42.85% 60	32.14% 45	3.57% 5	1.42% 2	5.00% 7	3.57% 5	8.57% 12	2.85% 4	4.28% 6



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review of programme performance



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Programme 1 : Administration (CIPM)



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administration: Chief Investment & Portfolio Management

Targeted output 2009/10

- Develop a Logical Planning, Monitoring and Evaluation framework guideline and Logical Planning, Monitoring and Evaluation calendar
- Develop Guidelines for SOE corporate plan contents and format

Achievements 2009/10

- Logical Planning, Monitoring and Evaluation Framework Guidelines and Logical Planning, Monitoring and Evaluation Calendar developed.
- Guidelines for SOE corporate plan contents and format developed.

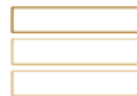


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Targeted output 2008/09

- Fully populated *Isibuko* Dashboard and reporting

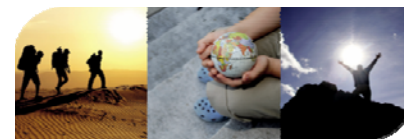
Achievements 2008/09

- SOE Dashboard enhancements to integrated infrastructure, CSDP, ESDA, property disposals, subsidiaries, guarantees, shares, economic indicators, correlations and sensitivities between SOE performance indicators and economic and other variables.



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administration: Chief Investment & Portfolio Management



Targeted output 2009/10

- Investor briefs to DPE board on performance assessments
- Risk management framework for detection, monitoring and mitigation of cross-cutting shareholder risks

Achievements 2009/10

- DPE Board meetings held as scheduled. Reports covering financial, operational, capital investment, capitalisation, socio-economic and risk at SOE and portfolio level presented. SOE and portfolio performance reporting using Dashboard.
- Workshop held to identify and prioritise shareholder risks.



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Targeted output 2009/10

- Develop quantitative capital structure framework

Achievements 2009/10

- Developed a quantitative capital structure decision making framework comprising a process and methodology that enables consistent assessment of the capital requirements of each SOE.



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Targeted output 2009/10

- Capital structure framework assessment for all SOE

Achievements 2009/10

- SAA, Transnet and Denel capital evaluation completed.
- Model utilised in SAFCOL dividend and Eskom funding assessments.
- National Treasury developing similar capital structure framework for all SOE, DPE and NT exploring synergies between approaches to ensure uniform framework with no duplication of effort.

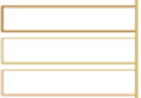


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Targeted output 2009/10

- Develop guideline on share subscriptions, shareholder loans and guarantees
- Establish share, shareholder loans and guarantee office

Achievements 2009/10

- Developed Guarantee and share office guidelines outlining a framework for issuing government guarantees, adequate monitoring and reporting of government guarantees, shareholder agreements, shareholder loans and share subscriptions and provide administrative practices for effective management of these instruments.



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Targeted output

2009/10

- SOE MTEF applications (SOE in the economy, national funding priorities and measures to improve financial health)
- Study of infrastructure funding required by SOE



Achievements 2009/10

- SOE MTEF applications submitted for Alexkor, PBMR and Denel .
- Study undertaken of the different possibilities for facilitating infrastructure funding required by SOE with research into the funding models considered to be most appropriate and an information pack which includes a description of each funding model including example applications and perspective on the advantages and disadvantages of each in the SOE.

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Targeted output 2009/10

- Study of the regulatory frameworks employed for infrastructure investment in order to determine the most appropriate approach and key interventions required for an efficient level of infrastructure investment by SOE to be attained
- Transaction advice and input on financial, legal and governance issues relating to SOE

Achievements 2009/10

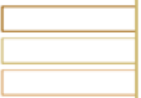
- Not completed. Call for proposals to service providers issued. Service provider still to be appointed.
- Transactions executed: SAA Airbus A320 purchase agreement; WACS; Denel Airbus Military A400M transport aircraft; SAX; Eskom funding (World Bank and African Development Bank); Aviation Portfolio restructuring. Assessment and guidance provided to LGT and SOE Teams as and when required.



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administration: Planning, Monitoring & Evaluation



Targeted output 2009/10

- Integrated business plan aligned to the Department's Strategic Plan and ENE
- Quarterly reporting against business plans and regular revision of business plans

Achievements 2009/10

- Approved Business and Strategic Plans.
- Quarterly Reports and End of Year Report completed.



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Programme 2 : Energy & Broadband Enterprises



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ICT broadband enterprises

Targets 2009/2010

- Annual Assessment
- Shareholder Compact with Broadband Infraco
- Achievement of MTEF targets by Broadband Infraco
- Invested in International Submarine Cable to increase competition and drive down prices and rolling out of the rest of the terrestrial network
- Assessment of Infraco's impact on Broadband Pricing in South Africa
- Expand South Africa's ICT infrastructure to enhance the ICT capacity and lower costs

Achievements 2009/10

- Annual Assessment completed as planned.
- Compact to be concluded in June 2010
- Monthly, quarterly and annual monitoring completed as planned. Applications were assessed as planned.
- Progressing well
- Analysis of industry results on South African Broadband pricing completed.
- Quarterly assessment completed as planned.



Targeted output 2009/10

- Monitoring Eskom's capacity expansion programme
- Funding of Kusile Power Station
- Contribute to improving the electricity distribution infrastructure in South Africa
- Appointment of CEO and Chairman

Achievements 2009/10

- Procurement and delivery of new build tracked on a monthly basis.
- Interventions made to prevent delays.
 - A framework was proposed.
- Report of assistance provided to municipalities.
- Process was initiated and concluded in the new financial year.



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Targeted output 2009/10

- PBMR's Rationalisation
- PBMR's Business Case

Achievements 2009/10

- Monthly meetings being held and progress on the restructuring is being monitored.
- DPE approved a revised Business Case for PBMR based on participation in the NGNP project.



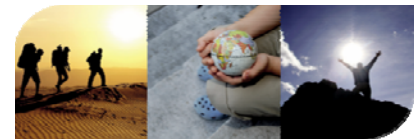


Programme 3 : Legal, Governance & Risk



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Targeted output 2009/10

- Transfer of Telkom shares (previously held in Diabo Trust) to intended beneficiaries.

Achievements 2009/10

- Negotiated, after protracted discussions and delays, agreed with Trustees to accept indemnity stipulated in clause 23 of the Trustee deed. Trustees agreed to transfer Trust assets.
- Service provider appointed. Over-seeing service provider to warehouse shares for Trust beneficiaries
- Reached agreement with Steering Committee on the procedure, entity and process that should be followed to trace outstanding beneficiaries.



Targeted output 2009/10

- Winding up of Aventura

Achievements 2009/10

- Received and submitted audited annual financial statements from Aventura from 2004 - 2008. 2004/05 Annual Financial Statement finalised and audited.
- Appointed service providers to conduct a due diligence on Aventura properties and assist in preparing the company for winding up.
- Prepared consent and certificate from Minister of Public Enterprises to Ministers of Public Works and Finance to transfer Plettenberg Bay to Forever Resorts.



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Targeted output 2009/10

- Request from and execute Eskom guarantee with concurrence of Minister of Finance
- Establishment of Regional Electricity Distributors (REDs)
- Eskom AFDB (African Development Bank) Loan and Guarantee

Achievements 2009/10

- Negotiated, prepared and advised Minister on the Eskom Guarantee Framework Agreement and the Eskom Guarantee which were approved and executed by Minister, Eskom and the Minister of Finance.
- Provided input on proposed Constitutional amendments to facilitate establishment of REDs.
- Negotiated with Eskom AFDB Loan and Guarantee which was signed by Minister and Minister of Finance.



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Targeted output 2009/10

- Input into Department of Communications licensing process for Infraco and support Infraco license application

Achievements 2009/10

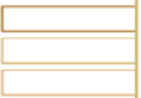
- Supported Infraco, extensively interacted with ICASA and advised Minister and Department on the issue of the ECNS license to Infraco.
- Advised Minister on the Ministerial directions from Minister of Communications relating to the granting of an ECS license for Infraco.



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Targeted output 2009/10

- Provide legal support to Transnet and Department of Transport on implementation of Ports Act
- Claim for R 2.2 Billion by Umthunzi against Government and Transnet

Achievements 2009/10

- Resolution of port limits issue following legal opinion.
- Obtained senior counsel advice and, prepared and drafted proposed amendments of the corporatization clause (chapter 2) of the National Ports Act, 2005.
- Umthunzi and Transnet settled the matter out of court.



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Targeted output 2009/10

- Londoloza Parhapur (new summons issued in March 2009)

Achievements 2009/10

- Plaintiffs requested to amend their particulars of claim but failed to meet high court rules deadlines and subsequently requested an extension to the prescribed.





Targeted output 2009/10

- Signed and concluded agreements adequately protecting Government's legal rights and mitigating legal risks

Achievements 2009/10

- Preliminary inputs and comments on draft agreements provided
- Transaction superceded by restructuring of PBMR



Targeted output 2009/10

- Implementation of shareholder governance audit process.
- Report to Cabinet on all SOE
- Conduct Board inductions of all new SOE Board members.
- Review Board remuneration guidelines from service provider.

Achievements 2009/10

- Ensured supply of information on SOE subsidiaries as part of the governance audit.
- Advised Minister on composition of SOE Boards and terms of Board members.
- Reviewed and advised on SOE governance systems on dashboard.
- Conducted SAA Board Induction.
- Finalised and submitted updated remuneration guidelines.
- Prepared ToRs and appointed service provider to support and provide secretariat services to the Remuneration Panel.
- Remuneration Guidelines updated and submitted to Minister for approval.

Targeted output 2009/10

- Legislative Review
- Develop SOE legislative and regulatory frameworks to provide the legislative environment within which the SOE operate.
- Implement Companies Act

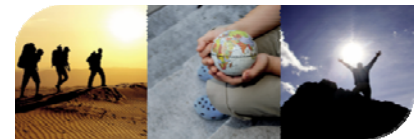
Achievements 2009/10

- Prepared TORs and appointed a service provider to provide a legislative comparison between the Companies Act (both old and new) and the PFMA.
- Approval of TORs for the Oversight Committee.
- Drafted and submitted to Minister Board database framework.



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Targeted output 2009/10

- Advise Minister on SOE's annual performance and adherence to corporate governance and legislative compliance
- Review Board Performance
- Submit guidelines and Evaluation questionnaires for Minister's approval

Achievements 2009/10

- Assisted SOE teams with advising Minister on AGMs and Board appointments
- Reviewed and advised on SOE Board assessments for (SAX, Safcol, Denel, SAA and Infraco).
- Prepared and submitted SOE CEO appointment Guidelines to Minister.
- Prepared and submitted SOE Board performance evaluation questionnaire.



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Programme 4 : Manufacturing Enterprises



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Targeted output 2009/10

- Progress on implementation of Denel future state, especially in areas requiring buy-in from DoD
- Retention of strategic and sovereign capabilities in areas agreed to with DOD

Achievements 2009/10

- Process is underway to align Denel's capabilities with the DoD's strategic requirements. This is contingent upon the DoD finalising its Military Strategy.
- Not much improvement, but Denel continued to perform within the international benchmark of 85% success rate securing for long term orders.



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Targeted output 2009/10

- Concepts and scoping of initiatives to improve Denel's industrial impact and deepening of local supply chains
- Finalise proposal with CIPS

Achievements 2009/10

- Not achieved. Going concern challenges facing Denel made it difficult for the SOE to leverage its capability for industrial impact. However, Denel continued to strive to achieve over 50% local content.
- Not achieved. Funding was not secured for this project.



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manufacturing enterprises: defence

Targeted output 2009/10

- Roll over of existing guarantees and securing new guarantees to meet funding shortfall for the current financial year
- On time submission of recapitalisation application to National Treasury
- Visible improvement in Denel SAAB Aero structures financial and operational performance
- Establishment of a defence export council

Achievements 2009/10

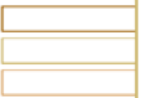
- The R1.3 billion government guarantee was rolled over to March 2010.
- Further R550 million government guarantee was approved. The guarantee expires in July 2010.
- No recapitalisation made available to Denel. Government guarantees provided to protect solvency.
- Not achieved. The delays in the A400M programme had a material impact on the financial condition of the business.



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Targeted output 2009/10

- Strategic Due Diligence of proposed transaction
- Review of PFMA application

Achievements 2009/10

- Strategic due diligences were done on Pretoria Metal Pressings and Denel Dynamics Missiles.
- The PFMA application for Denel Dynamics Missiles equity transaction with a global missiles company was processed and approval was granted subject to certain conditions being met.
- Intragovernmental consultations to find a workable solution to the definition of National Strategic Capability.



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manufacturing enterprises: defence

Targeted output 2009/10

- Position Paper and implementation plan for achieving landward consolidation
- Implementation of proposed consolidation strategy
- Alignment on Roles and Responsibilities in marketing Denel capabilities and products

Achievements 2009/10

- Difficulties experienced in reaching consensus with industry players on this proposal.
- Denel is going public for a request for information (RFI) which will then be followed by a request for proposals (RFP).
- Intragovernmental consultations to find a workable solution to the definition of National Strategic Capability.
- Not achieved. No framework was agreed with Denel.



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manufacturing enterprises: defence

Targeted output 2009/10

- Agreed set of KPI's aligned to Strategic Intent Statement and shareholder compact
- Year on year improvement in profit margins (gross, operating and net)
- Year on year improvement in BEE rating of Denel Business Units
- Assessment of the suitability of Denel Board composition, identifying any weakness or gaps and making recommendations on corrective action

Achievements 2009/10

- KPIs were agreed with Denel and were included in the 2010/11 Shareholder's Compact.
- Not achieved. Declining local orders and the general economic slowdown hampered financial performance.
- Achieved. Denel set itself a BBEE rating of 5 in this financial year.
- Achieved. A process is underway to strengthen the Board.



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manufacturing enterprises: forestry

Targeted output 2009/010

- Annual Assessment
- Shareholder Compact with SAFCOL
- Monthly, quarterly and annual monitoring
- Assessment of PFMA Section 54 applications

Achievements 2009/10

- Finalised.
- Finalised.
- SAFCOL met its net profit targets set in its 2008/09 corporate plan.
- Application for Fibre Project rejected.



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Programme 5 : Transport Enterprises



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Targeted output 2009/10

- Agree framework with key stakeholders to oversee joint venture in Ngqura container terminal
- Initiate and monitor transaction process.
- Monitor establishment of institution (branch line entity).

Achievements 2009/10

- Proposed framework forwarded to Department of Transport (DoT) for consideration.
- Transnet Board requested to follow up on transaction structure. The transaction process will be undertaken by Transnet National Ports Authority (TNPA).
- Draft branch lines strategy finalised by DPE, DoT and Transnet. Branch lines entity established within Transnet Freight Rail (TFR) including appointment of management structure.



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Targeted output 2009/10

- Identify initial set of concessions on the network.
- NCPM System development and agreed indicators.
- Transnet Capex Annual assessment
- Identification of CSDP opportunities in Transnet

Achievements 2009/10

- Potential concessions categorised in phases, and initial list of concessions agreed by DPE, DOT and Transnet.
- NCPM IT system implementation on the different corridors:
 - Orex (Sishen-Saldanha Corridor)
 - Coal Link (Richards Bay Corridor)
 - Cape Town/Gauteng Corridor.
- An assessment of Transnet CSDP opportunities the progress on the capital expenditure projects is undertaken on a quarterly basis.
- Assessment completed during September 2009.



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transport enterprises: aviation

Targeted output 2009/10

- Implementation of the Africa Aviation Strategy by SAA and SAX
- Assessment of the business airlines' plans
- Financial model developed & used for scenario planning and forecasting

Achievements 2009/10

- SAA launched three new routes.
 - SAX implemented its first phase of its African hub strategy through a joint venture airline, Congo Express in the Democratic Republic of Congo.
- Airlines' business plans reviewed as part of the Corporate Plan review.
- Not carried out due to non availability of funds.



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transport enterprises: aviation

Targeted output 2009/10

- Work with SAA to develop business plan for selected business focus units and assess capital requirements.
- Assessment of feasibility of SAAT as a refocused maintenance facility with outside equity investment.

Achievements 2009/10

- Process to create Voyager as a profit centre initiated.
- SAA has appointed consultants to advise on establishing SAA technical as a multi-airline focused African maintenance hub.



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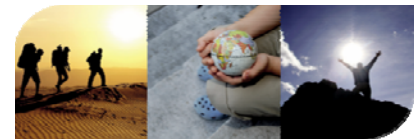


Programme 6 : Joint Project Facility



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Targeted output 2009/10

- Quarterly monitoring of CSDP on Dashboard
- Database of benchmarked suppliers, gap analysis and support to upgrade equipment and skills.
- CSDP process flow. Review current SOE procurement methodology and hold workshop with SOE.

Achievements 2009/10

- CSDP Dashboard developed.
- 54 foundry and steel construction firms benchmarked & training undertaken, 125 opportunities identified and 15 agencies & programmes linked to suppliers.
- Draft transactional policy and key elements of programmatic policy developed.



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Targeted output 2009/10

- Union and other stakeholder engagement on leveraging procurement.
- Definition of government policy intent on leveraging procurement.
- Agreement with private sector on CSDP.

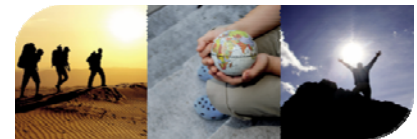
Achievements 2009/10

- Position paper on leveraging procurement across government developed and stakeholder engagement undertaken.
- Locomotive fleet procurement process launched.
- DPE position on supplier development incorporated into industrial policy.
- Engagements with private sector companies initiated - indicative support for the proposal.



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Targeted output 2009/10

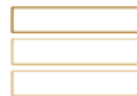
- Ministerial approval on Eskom and Transnet SDPs.
- Research study to inform SDPs
- Set up mini MBA 'bootcamps' for Transnet and Eskom

Achievements 2009/10

- Eskom and Transnet produced 5-year SDPs which have received Ministerial approval and are now in the implementation phase.
- Between 10 and 20 mini MBA procurement capacity building 'bootcamps' were held for Transnet and Eskom respectively.
- ISAPA e-learning procurement capacity building programme facilitated and being implemented in Transnet (discussions with Eskom regarding implementation still proceeding).
- Research study completed to inform SDPs.



joint project facility: TSAPPRO



Targeted output 2009/10

- Nuclear education programme
- Clear statement of national vision.

- Procurement strategy defined.

- Renewables and Industrial Policy development.

Achievements 2009/10

- Nuclear education course completed for review.
- IMC nuclear work programme input provided.
- Eskom study expanded to include a range of procurement issues pertinent to government.
- Renewables and Industrial Policy recommendations (Phase I) completed and received Ministerial support, Phase 2 launched. Engagements established with UK and Germany.



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joint project facility: Africa Regional Supplier Development Programme and Regional Electricity & Rail Programme

Targeted output 2009/10

- Establishment of five Sub contracting Partnership Exchanges (SPX) in Southern Africa
- Establish contact in other African countries, to begin training in 2009/2010
- Intergovernmental consensus on rail and power projects and signed PPA.

Achievements 2009/10

- Agreements with four out of five SPX host institutions established (Kenya, Uganda, Tanzania, Zambia).
- SPX unified methodology linking benchmarking, profiling and matchmaking initiated (including draft manual and Management Information System).
Investor Survey has started in Uganda, Tanzania, Zambia and Kenya.
- Intergovernmental negotiations in Mozambique and Botswana.



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joint project facility: human resources & capacity building

Targeted output 2009/10

- Develop skills dashboard to monitor learner enrolments, completions and placements by SOE and suppliers.
- Support SOE and suppliers to access Services Sector Education & Training Authority (SETA) grants for placements.
- Conduct study to identify gaps in the FET programmes against the electrical and welding artisan trades qualifications and curricula augmented.

Achievements 2009/10

- Skills dashboard completed and SOE reports submitted and monitored quarterly.
- Participated in multi-stakeholder artisan programmes to support learner placement by SOE and suppliers.
- Reports on analysis of FET programmes against the electrical & welding trades qualifications completed.



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joint project facility: human resources & capacity building

Targeted output 2009/10

- Develop workplace experiential guidelines for artisan trades.

Achievements 2009/10

- Terms of Reference completed to develop workplace experiential guidelines. Guidelines approved.



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joint project facility: Solar Water Heater (SWH) Skills Development Programme

Targeted output 2009/10

- Plumbing & Services Industries enroll learners to attain SWH certification.
- Acquire funds from DoL and SETA.
- Monitoring and evaluation framework in place.

Achievements 2009/10

- National SWH installers Training Plan completed (qualification registration and training centre readiness).
- Material development finalised including visual and audio aides for illiterate learners.
- Identified 3,000 installers for top up training (1,000 trained to date) and 10,000 for top-up and certification (training to commence following SETA approval).



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joint project facility: Management Learning Programme and Autumn School



Targeted output 2009/10

- Identify tertiary Institution for SOE Reader
- DPE to host Portfolio and NCOP Select Committee to attend Autumn School

Achievements 2009/10

- DPE-UCT MOU concluded, course content developed and draft Reader completed.
- Autumn school held in August 2009.



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joint project facility: Aerostructures

Targeted output 2009/10

- Oversight of Turnaround Plan for Denel-Saab Aerostructures business.

Achievements 2009/10

- A strategic framework for joint operations has been developed.
- Framework for joint business plan between DSA and Aerosud developed.
- Completed first draft financial models for selected DSA/Aerosud scenarios.
- Initial funding requirement for DSA completed.



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joint project facility: Technology and Innovation Programme and ICT/Marine Cable



Targeted output 2009/10

- Develop Framework for SOE performance.
- Successful participation of Infraco in Marine Cable

Achievements 2009/10

- Framework for assessment of SOE innovation performance developed.
- Final version of Agreement completed.
- WACS supply contract in force.



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joint project facility: Property Project

Targeted output 2009/10

- SOE to dispose of non-core properties
- Conclusion of process to develop Key Integrated Projects
- Property Project Assessment

Achievements 2009/10

- Approval for Transnet's second non-core property list granted.
- Monitoring and facilitation of key state transactions and facilitation undertaken with relevant stakeholders. Property dashboard developed and refined to monitor disposals.
- Government Shared Servitude Utilisation TOR developed and project launched. Alexkor transfers: town planning information gathering and consolidation.



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joint project facility: Environmental Issues

Targeted output

- Signed DPE-DEA-Eskom MOU on cohesive & integrated environmental & infrastructure plans.
- Dashboard for monitoring of EIA for SID.
- DPE position incorporated into DEA's Framework

Achievements 2009/10

- DPE-DEA-Eskom MOU signed.
- Dashboard developed and refined for improved monitoring of EIA for Strategically Important Developments (SID).
- Fund monitored on a quarterly basis and quarterly SOE contributions facilitated.
- Completed DPE position paper on Climate Change and participation on intergovernmental forum.



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Financial Highlights



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annual financial statements 2009/10



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The department achieved an unqualified audit for 2009/10.

There was an emphasis of matter which is standard for all departments as follows:

- Basis of Accounting : The department's policy is to prepare financial statements on the modified cash basis of accounting, except where stated otherwise in note 1.1 to the financial statements. (refer page 85 of the Annual Report)



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departmental expenditure trends 2008/09 - 2009/10

The following table provides a summary of actual expenditure incurred for the 2009/10 and 2008/09 financial year's vs budget appropriated for each programme:

Programme	2009/10		2008/09	
	Final Appropriation R'000	Actual Expenditure R'000	Final Appropriation R'000	Actual Expenditure R'000
1: Administration	90 502	86 999	78 294	77 939
2: Energy and Broadband Enterprises	1 959 965	1 958 790	2 137 317	2 136 811
3: Legal, Governance, Risk and Transactions	147 379	145 793	148 868	147 889
4: Manufacturing Enterprises	199 003	198 068	269 281	267 027
5: Transport Enterprises	1 568 659	1 568 656	605 015	604 930
6. Joint Project Facility	25 652	24 986	30 603	30 553
Total	3 991 160	3 983 292	3 269 378	3 265 149



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departmental expenditure trends 2008/09 - 2009/10

The increase of R722 million in the annual appropriation from R3.3 billion in 2008/09 to R3.9 billion in 2009/10, is mainly as a result of an increase in transfer payments to State Owned Enterprises.

Under-spending in the department amounting to R7.8 million was recorded in the current financial year. This amount is made up of current expenditure in the operational budget which was mainly under Compensation of Employees (COE) as a result of some posts not having been filled due to scarcity of specialist skills in the market. The department achieved expenditure within the 2% expenditure benchmark.

There was no substantive impact on delivery within programmes as a result of this under-spending.



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appropriation statement per economic classification

Appropriation per economic classification									
	2009/10							2008/09	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R000	R000	R000	R000	R000	R000	%	R000	R000
Current payments									
Compensation of employees	81 424	-	-	81 424	75 220	6 204	92.4%	72 080	70 445
Goods and services	91 487	(51)	-	91 436	89 775	1 661	98.2%	93 893	93 238
Financial transactions in assets and liabilities	-	29	-	29	29	-	100.0%	344	298
Transfers and subsidies									
Public corporations and private enterprises	3 816 316	-	-	3 816 316	3 816 316	-	100.0%	3 101 516	3 099 640
Households	680	-	-	680	678	2	99.7%	650	650
Payments for capital assets									
Machinery and equipment	1 253	6	-	1 259	1 258	1	99.9%	861	844
Software and other intangible assets	-	16	-	16	16	-	100.0%	34	34
Total	3 991 160	-	-	3 991 160	3 983 292	7 868	99.8%	3 269 378	3 265 149



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summary of transfer payments 2009/10

	2009/10	
	Final Appropriation R'000	Actual Expenditure R'000
Sponsorships	680	678
Alexkor	129 090	129 090
Broadband Infracore	208 530	208 530
Denel	191 866	191 866
Pebble Bed Modular Reactor	1 737 750	1 737 750
South African Airways	1 549 080	1 549 080
South African Express	-	-
Transnet (South African Express)	-	-
Total	3 816 996	3 816 994



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programme 1: administration

Detail per sub-programme	2009/10							2008/09	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R000	R000	R000	R000	R000	R000	%	R000	R000
1.1 Minister									
Current payment	1 880	55	-	1 935	1 898	37	98.1%	1 919	1 843
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
1.2 Deputy Minister									
Current payment	960	(55)	-	905	508	397	56.1%	-	-
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
1.3 Management									
Current payment	28 296	730	-	29 026	28 628	398	98.6%	20 149	20 041
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
1.4 Corporate Services									
Current payment	52 495	(1 733)	-	50 762	48 094	2 668	94.7%	49 220	49 066
Transfers and subsidies	680	-	-	680	678	2	99.7%	650	650
Payment for capital assets	1 253	22	-	1 275	1 274	1	99.9%	895	878
1.5 Property Management									
Current payment	4 938	981	-	5 919	5 919	-	100.0%	5 461	5 461
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
Total	90 502	-	-	90 502	86 999	3 503	96.1%	78 294	77 939



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programme 1: administration

Administration: Provides overarching management and key supporting functions and processes in order for the department to achieve its strategic objectives. The programme consists of the Ministry, the Office of the Director-General as well as Corporate Services with its sub programmes: human resources, information technology, financial management, facility management, secretariat, knowledge centre, internal audit and communications, as well as property management.

Expenditure for the year amounted to R87 million in this programme compared to R78 million in 2008/09. Expenditure for support services is centralised in this programme which includes maintenance, in-house printing and reproduction services, training, bursaries, stationery, information technology services and computer equipment, vehicle leases, telephones, maintenance and upgrading of security systems. In addition, the Office of the Deputy-Minister was established during the year which also contributed to the increased expenditure in this programme. Costs for leases and accommodation charges were devolved from the Department of Public Works to individual departments. In 2008/09 the department received R4.9 million, however the final amount paid amounted to R5.9 million. (Refer to Appropriation Statement for Programme 1 - Administration Sub Programme Property Management.)



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programme 2: energy and broadband enterprises

Detail per sub-programme	2009/10							2008/09	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R000	R000	R000	R000	R000	R000	%	R000	R000
2.1 Management									
Current payment	2 274	1 747	-	4 021	4 020	1	100.0%	1 683	1 495
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
2.2 ICT Broadband Sector									
Current payment	3 311	(1 335)	-	1 976	2 100	(124)	106.3%	1 622	1 489
Transfers and subsidies	208 530	-	-	208 530	208 530	-	100.0%	377 000	377 000
Payment for capital assets	-	-	-	-	-	-	-	-	-
2.3 Energy Sector									
Current payment	3 828	1 314	773	5 915	5 914	1	100.0%	6 552	6 509
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
2.3 Nuclear Sector									
Current payment	3 499	(1 726)	-	1 773	476	1 297	26.8%	460	318
Transfers and subsidies	1 737 750	-	-	1 737 750	1 737 750	-	100.0%	1 750 000	1 750 000
Payment for capital assets	-	-	-	-	-	-	-	-	-
Total	1 959 192	-	773	1 959 965	1 958 790	1 175	99.9%	2 137 317	2 136 811



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programme 2: energy and broadband enterprises

Energy and Broadband Enterprises: Aligns and timeously monitors the corporate strategies and performance of Eskom, Pebble Bed Modular Reactor and Broadband Infraco against government's strategic intent and associated performance targets.

Expenditure for the programme for the year amounted to R 1.9 billion compared to R2.1 billion in 2008/09. The decrease is mainly due to a reduction in transfer payments to the SOE.



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programme 3: legal, governance, risk and transactions

Detail per sub-programme	2009/10							2008/09	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R000	R000	R000	R000	R000	R000	%	R000	R000
3.1 Management									
Current payment	2 225	-	-	2 225	1 725	500	77.5%	2 086	2 062
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
3.2 Legal and Litigation									
Current payment	11 729	(401)	-	11 328	11 002	326	97.1%	9 586	9 509
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
3.3 Governance									
Current payment	1 725	(292)	-	1 433	1 079	354	75.3%	2 914	2 531
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
3.4 Risk Management									
Current payment	1 516	385	-	1 901	1 698	203	89.3%	2 986	2 498
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
3.5 Transaction									
Current payment	1 094	308	-	1 402	1 199	203	85.5%	1 296	1 289
Transfers and subsidies	129 090	-	-	129 090	129 090	-	100.0%	130 000	130 000
Payment for capital assets	-	-	-	-	-	-	-	-	-
Total	147 379	-	-	147 379	145 793	1 586	98.9%	148 868	147 889



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programme 3: legal, governance, risk and transactions

Legal, Governance, Risk and Transactions: Aligns corporate governance, risk management practices and significant and material transactions of State owned enterprises with Government's objectives and requirements and applicable legislation, litigation and transactions management.

Expenditure for the programme for the year amounted to R 145.8 million compared to R 147.8 million in 2008/09. The decrease is mainly due to a number of vacancies in the unit.



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programme 4: manufacturing enterprises

Detail per sub-programme	2009/10							2008/09	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R000	R000	R000	R000	R000	R000	%	R000	R000
4.1 Management									
Current payment	1 797	-	(37)	1 760	1 551	209	88.1%	1 526	1 317
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
4.2 Forestry Sector									
Current payment	1 395	(1)	(25)	1 369	909	460	66.4%	1 476	1 393
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
4.3 Defence Sector									
Current payment	4 277	1	(270)	4 008	3 742	266	93.4%	6 763	6 677
Transfers and subsidies	191 866	-	-	191 866	191 866	-	100.0%	259 516	257 640
Payment for capital assets	-	-	-	-	-	-	-	-	-
Total	199 335	-	(332)	199 003	198 068	935	99.5%	269 281	267 027



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programme 4: manufacturing enterprises

Manufacturing Enterprises: Aligns and timeously monitors the corporate strategies and performance of Denel and the South African Forestry Company Limited against government's strategic intent and performance targets.

Expenditure for the programme for the year, amounted to R 198 million, compared to R 267 million in 2008/09. The decrease is due to the reduction of the transfer payment to Denel from R 257.6 million in 2008/09 to R191.8 million in 2009/10, the funds being in respect of payment of an indemnity granted to Denel/Saab Aerostructures.



public enterprises

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Public Enterprises
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programme 5: transport enterprises

Detail per sub-programme	2009/10							2008/09	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R000	R000	R000	R000	R000	R000	%	R000	R000
5.1 Management									
Current payment	2 470	490	70	3 030	3 030	-	100.0%	6 366	6 353
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
5.2 Transport Sector									
Current payment	11 231	1 744	170	13 145	13 143	2	100.0%	9 869	9 799
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
5.3 Aviation Sector									
Current payment	5 949	(2 234)	(311)	3 404	3 403	1	100.0%	3 780	3 778
Transfers and subsidies	1 549 080	-	-	1 549 080	1 549 080	-	100.0%	585 000	585 000
Payment for capital assets	-	-	-	-	-	-	-	-	-
Total	1 568 730	-	(71)	1 568 659	1 568 656	3	100.0%	605 015	604 930



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programme 5: transport enterprises

Transport Enterprises: Aligns and timeously monitors the corporate strategies and performance of South African Airways (SAA), South African Express (SAX) and Transnet against government's strategic intent and performance targets.

Expenditure for the programme for the year amounted to R 1.6 billion compared to R 605 million in 2008/09. The substantial increase of expenditure in this programme is due to a transfer payment to South African Airways for the conversion of a guaranteed loan into equity. No under spending occurred in this programme.



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programme 6: joint project facility

Detail per sub-programme	2009/10							2008/09	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R000	R000	R000	R000	R000	R000	%	R000	R000
6.1 Management									
Current payment	853	(320)	(170)	363	362	1	99.7%	349	348
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
6.2 Joint Project Facility									
Current payment	25 169	320	(200)	25 289	24 624	665	97.4%	30 254	30 205
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
Total	26 022	-	(370)	25 652	24 986	666	97.4%	30 603	30 553



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programme 6: joint project facility

Joint Project Facility: Leverage the assets, activities and/or capabilities of the State owned enterprises to the benefit of the State owned enterprises and the economy as a whole.

Expenditure for the programme for the year amounted to R 25 million compared to R 30.5 million in 2008/09. The substantial decrease in the expenditure in this programme is mainly due to the completion of some of the projects and programmes. The programme spent 97.4% of its budget. An amount of R 666 000 remains unspent in Goods and Services which was budgeted for the comprehensive Supplier Development Procurement Strategy. A request for rollover of these funds will be submitted to National Treasury for completion of the project during the first quarter of the 2010/11 financial year.



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Virements Per programme

Programme	Adjusted Appropriation R'000	Virements R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000
1. Administration	90 502	-	90 502	86 999	3 503
2. Energy and Broadband Enterprises	1 959 192	773	1 959 965	1 958 790	1 175
3. Legal, Governance, Risk and Transactions	147 379		147 379	145 793	1 586
4. Manufacturing Enterprises	199 335	(332)	199 003	198 068	935
5. Transport Enterprises	1 568 730	(71)	1 568 659	1 568 656	3
6. Joint Project Facility	26 022	(370)	25 652	24 986	666
TOTAL	3 991 160	-	3 991 160	3 983 292	7 868



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Programme 1 - Administration: No virements were effected to or from this programme.

Programme 2 - Energy and Broadband Enterprises: There was an increase in expenditure in Goods and Services in this programme. Funds were viremented from savings in Goods and Services in Programme 4 - Manufacturing, Programme 5 - Transport and Programme 6 - Joint Projects Facility.

Programme 3 - Legal, Governance, Risk and Transactions: No virements were effected to or from this programme.

Programme 4 - Manufacturing Enterprises: Savings in this programme under Goods and Services amounting to R 62 000 were viremented to Programme 2 - Energy and Broadband Enterprises. Savings under Compensation of Employees amounting to R 270 000 as a result of vacant posts were viremented to Programme 5 - Transport.



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Programme 5 - Transport Enterprises: Savings in this programme under Goods and Services amounting to R 511 000 was viremented to Goods and Services in Programme 2 - Energy and Broadband Enterprises. R 440 000 was viremented to this programme from Programme 4 - Manufacturing (R 270 000) and Programme 6 - Joint Projects Facility (R 170 000) the shortfall in the COE was as a result of increases being more than anticipated.

Programme 6 - Joint Project Facility: Savings in Goods and Services in this programme amounting to R 200 000 arising from early completion of projects which was viremented to Programme 2 - Goods and Services as well as savings in Compensation of Employees amounting to R 170 000 due to posts not being filled which was viremented to Programme 5.

All virements were effected in consultation with Programme Managers and approved by the Accounting Officer. The virements between programmes do not exceed the 8% and is in accordance with PFMA section 43 (2).

The department did not incur any unauthorised, irregular, fruitless and wasteful expenditure.



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departmental revenue

		2009/10 R'000	2008/09 R'000
Sales of goods and services other than capital assets	2.1	36	38
Interest, dividends and rent on land	2.2	7	595
Sales of capital assets	2.3	19	-
Financial transactions in assets and liabilities	2.4	<u>1 106</u>	<u>185</u>
Departmental revenue collected		<u>1 168</u>	<u>818</u>

2.1 Administrative Fees: Parking and commission on insurance

2.2 Interest received on debts

2.3 Machinery and equipment

2.4 Other receipts including recoverable revenue : lost access cards, bursary payments in previous year transferred to debt account in current year



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goods and services: major expenditure items

R'000

Communication

2 770

Made up of mainly

- Telephone / fax / cellular phones / 3G services
- Rentals on private bag
- Postage / stamps / franking machine

Computer services

2 957

Made up of mainly

- Computer software licences
- System development
- Data lines / internet service charges / mainframe time

Inventory

1 599

Made up of mainly

- Departmental printing
- Publications / reference manuals / newspapers
- Stationary / computer consumables
- Audio visual material

Operating leases

2 458

Made up of mainly

- Equipment leases



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goods and services: major expenditure items

Owned and leasehold property expenditure

5 919

Made up of

- Municipal Services
- Property management

Travel and subsistence

14 227

Made up of mainly of

- Flights and accommodation
- Car hire and shuttle services
- Daily allowance, subsistence claims and any other incidental travel costs

Consultants, contractors and special services

51 115

Made up of

R'000

Business and advisory services which include but are not limited to :

40 806

- Internal Auditors
- Specialist consultants - Researchers, Technical Specialists and Project co-ordinators
- Accountants
- Human Resource consultants eg Employee Wellness Programme

Legal Costs

5 116

Contractors

1 510

Agency and support/outsourced service

3 683



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Financial transactions in assets and liabilities

R'000

Material losses written off

29

- Usage on stolen Cell phone and 3G cards



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compensation of employees

	2009/10	2008/09
	R'000	R'000
Basic salary	48 528	40 320
Performance award	4 015	4 365
Service Based	292	967
Compensative/circumstantial	1 978	1 030
Periodic payments	887	1 126
Other non-pensionable allowances	15 535	14 791
Employer contributions	3 985	7 846
Total	75 220	70 445

Performance awards: Awards were granted based on individual performance appraisals as well as the overall performance of the department which was carried out by an independent assessor for the year 2008/09 but paid in 2009/10

Service based compensation: Leave discounting and overtime

Compensative/circumstantial: Sessional Allowance/ Parliamentary Non- Pensionable Allowances/ clothing allowance/ Private secretary allowances

Periodic payments: Interns salaries

Other non-pensionable allowances: Balance of structured packages

Employer contributions: Pension, Medical Aid and Bargaining Council fees



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Thank You

