

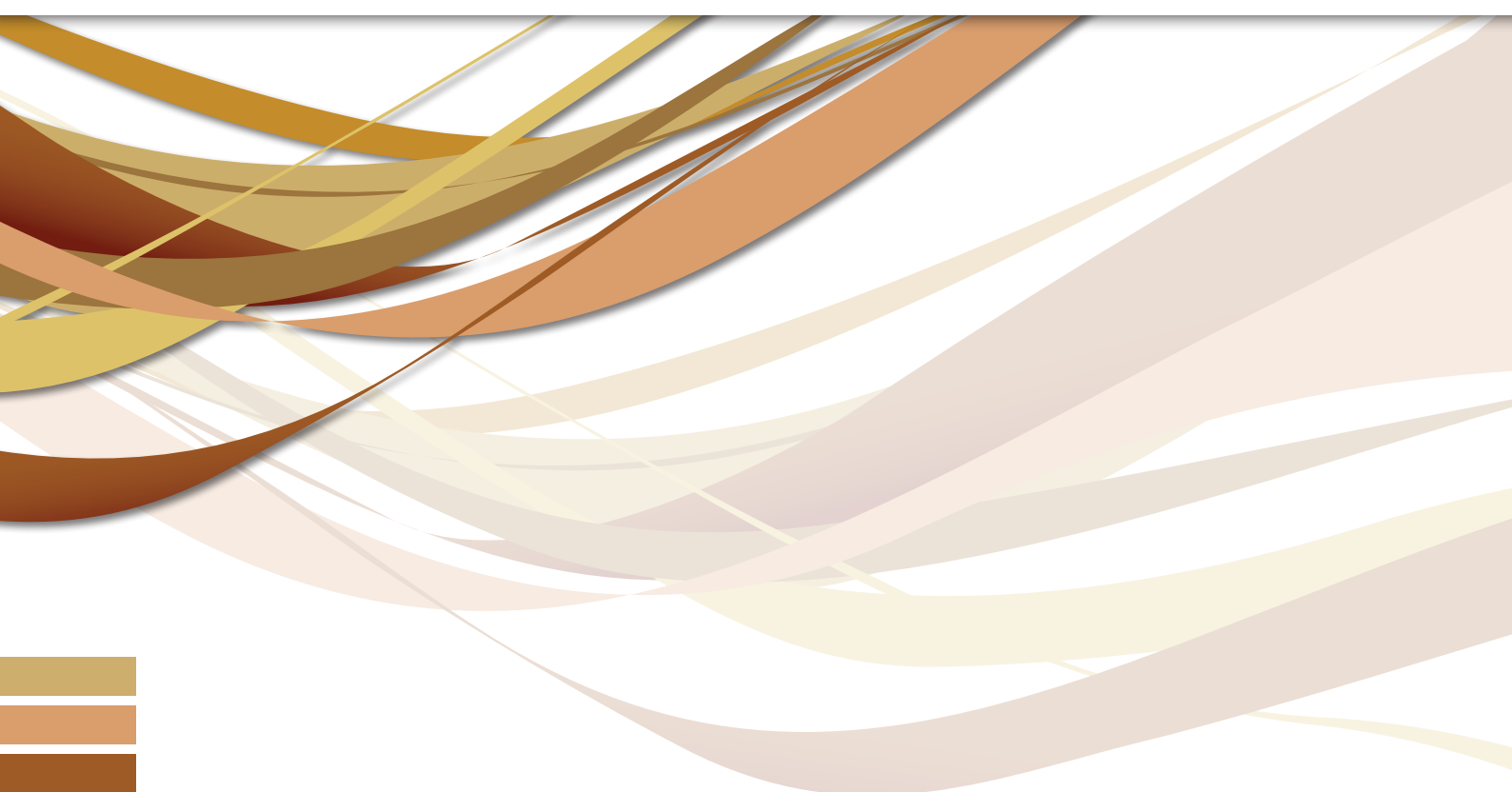
# Annual Report

2013 / 2014



**public enterprises**

Department:  
Public Enterprises  
**REPUBLIC OF SOUTH AFRICA**



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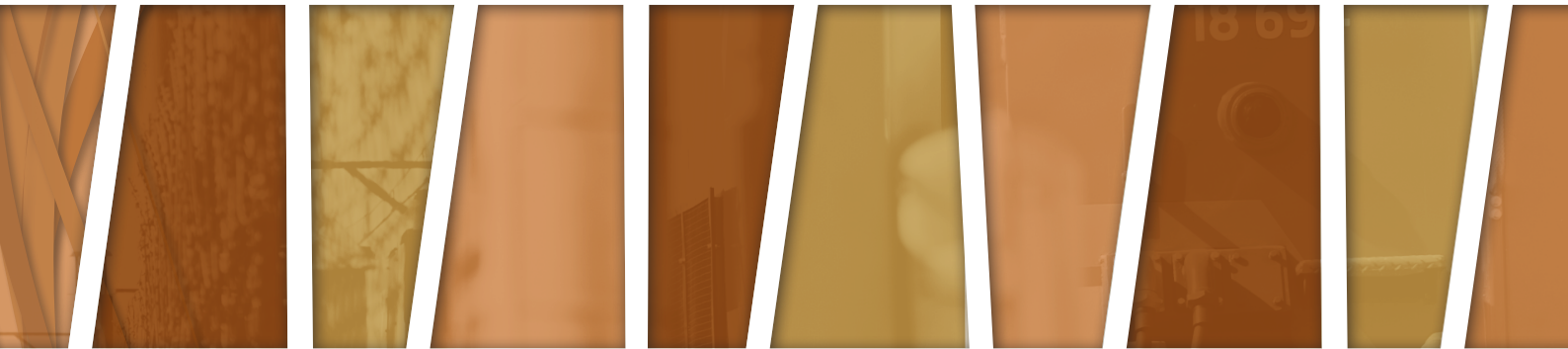
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# **PART A GENERAL INFORMATION**



# 1. DEPARTMENT GENERAL INFORMATION

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## 2. GLOSSARY OF ACRONYMS

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

<b>AFDB</b>	African Development Bank
<b>AGM</b>	Annual General Meeting
<b>BB-BEE</b>	Broad Based Black Economic Empowerment
<b>CAPEX</b>	Capital Expenditure
<b>CFO</b>	Chief Financial Officer
<b>CS</b>	Corporate Services
<b>CSI</b>	Corporate Social Investment
<b>CSDP</b>	Competitive Supplier Development Programme
<b>DAFF</b>	Department of Agriculture, Forestry and Fisheries
<b>DCT</b>	Durban Container Terminal
<b>DEA</b>	Department of Environmental Affairs
<b>DDG</b>	Deputy Director-General
<b>DG</b>	Director-General
<b>DHET</b>	Department of Higher Education and Training
<b>DM</b>	Deputy Minister
<b>DMR</b>	Department of Mineral Resources
<b>DOC</b>	Department of Communications
<b>DOD</b>	Department of Defence
<b>DOE</b>	Department of Energy
<b>DOT</b>	Department of Transport
<b>DPE</b>	Department of Public Enterprises
<b>DRDLR</b>	Department of Rural Development & Land Reform
<b>DTI</b>	Department of Trade and Industry
<b>EDI</b>	Electricity Distribution Industry
<b>EE</b>	Economic Equity
<b>EIA</b>	Environmental Impact Assessments
<b>EMP</b>	Environmental Management Plan
<b>EXCO</b>	Executive Committee
<b>FET</b>	Further Education and Training
<b>FOSAD</b>	Foundations of Security Analysis and Design
<b>FSN</b>	Full Services Network
<b>HR</b>	Human Resources
<b>ICASA</b>	Independent Communications Authority of South Africa
<b>ICT</b>	Information and Communication Technology
<b>IGR</b>	Inter-Governmental Relations
<b>IP</b>	Intellectual Property

<b>IPO</b>	Initial Public Offering
<b>IPP</b>	Independent Power Producers
<b>IRP</b>	Integrated Resource Plan
<b>ISMO</b>	Independent System and Market Operator
<b>EIPA</b>	Economic Impact Policy Alignment
<b>JV</b>	Joint Venture
<b>KLF</b>	Komatiland Forests
<b>KPI</b>	Key Performance Indicator
<b>MISS</b>	Minimum Information Security Standards
<b>MOU</b>	Memorandum of Understanding
<b>MTEF</b>	Medium-Term Expenditure Framework
<b>MYPD</b>	Multi-Year Price Determination
<b>NCPM</b>	National Corridor Performance Measurement
<b>NDP</b>	National Development Plan
<b>NEDLAC</b>	National Economic Development and Labour Council
<b>NERSA</b>	National Energy Regulator
<b>NGP</b>	New Growth Path
<b>NT</b>	National Treasury
<b>PAIA</b>	Promotion of Access to Information Act
<b>PBMR</b>	Pebble Bed Modular Reactor
<b>PFMA</b>	Public Finance Management Act
<b>PICC</b>	Presidential Infrastructure Coordinating Commission
<b>PPP</b>	Public-Private Partnerships
<b>PSJV</b>	Pooling and Sharing Joint Venture
<b>PSP</b>	Private Sector Participation
<b>R&amp;D</b>	Research and development
<b>RMC</b>	Richtersveld Mining Company
<b>SAA</b>	South African Airways
<b>SAAT</b>	South African Airways Technical
<b>SAFCOL</b>	South African Forestry Company Ltd
<b>SAQA</b>	South African Qualification Authority
<b>SAX</b>	South African Express Airways
<b>SCM</b>	Supply Chain Management
<b>SIP</b>	Strategic Integrated Programme
<b>SLA</b>	Service Level Agreement
<b>SOC</b>	State Owned Company
<b>SSA</b>	State Security Agency
<b>TNPA</b>	Transnet National Ports Authority
<b>TOR</b>	Terms of Reference
<b>TFR</b>	Transnet Freight Rail
<b>WACS</b>	West Coast Submarine Cable

### 3. FOREWORD BY THE MINISTER

It is a pleasure to report on the work of the Shareholder Representative and the Department of Public Enterprises in relation to the work of State-Owned Companies (SOC).

In general, while there is much to do, the report features some extraordinary achievements.

The Department of Public Enterprises exists to support the Shareholder Representative in playing her role, performing her duties, exercising her responsibilities and discharging her obligations. In doing so, I require the Department to operate at four levels.

- To distil government policy and strategy into a Shareholder's Compact, or performance agreement, with each of the Companies and to provide careful, incisive and detailed scrutiny of the way in which each Company performs against the agreed targets.
- To assist and support the Companies to achieve the targets and help remove blockages in their operating environment.
- To undertake interventions to harness the combined capacities and capabilities of all the Companies and other key players to unlock inclusive growth, drive industrialisation, create jobs, develop skills and "deracialise" the economy.
- To join me in engaging other relevant players in the policy and regulatory terrain to obtain certainty and secure the most conducive circumstances for the Companies within which to operate and succeed.

This report reflects the extent to which the Department is already well on its way to deliver against these expectations.

Above all I have expectations for the 2014/15 financial year. For me, it is critical that SOC get the basics right to ensure optimal use of available and limited resources. Those with direct interface with citizens and business must deliver quality, affordable and accessible services consistently.

They must also continue to serve as effective strategic instruments of industrial policy and economic inclusion; contribute substantially towards accelerating and sustaining inclusive economic growth beyond five percent; ensuring much higher levels of employment creation and decent work



**Ms. Lynne Brown, MP  
Minister**



and rapidly reducing inequality, including the deracialisation of the economy as outlined in the National Development Plan.

It is against this background that I challenge SOC to do things differently and become critical role-players in pushing back the triple challenges of poverty, inequality and unemployment.

For me the critical challenges for this year will be to ensure that the build-programme and Transnet's capital expenditure programme form the core of Government's infrastructure investment strategy.

Therefore significant achievements are expected with regard to the synchronisation of Medupi's unit 6; the commissioning of the Sere Wind Farm and Market Demand Strategy that is underwritten by a rolling capital programme of over R312-billion. Another critical challenge is to bring stability to the Boards and thereby ensuring that they are paragons of strong, visionary and strategic leadership and exemplary governance.

Furthermore, the State's airlines must be restructured to ensure better usage of the taxpayers' assets. I intend to commission a study of the three airlines, SAA, SAX and Mango, and ensure that by the end of the financial year proper guidelines are in place. It is anticipated that some recommendations of the Presidential Review Commission Report on SOC would be implemented and it is expected that Broadband Infracore will be handed to the Department of Postal Services and Telecommunications and this process should be completed before the end of the financial year.

We have incorporated localization targets into the shareholder compacts of the SOC to ensure that their procurement expenditures advance the industrialization programme of Government.

Eskom's capital expansion programme continues to support Broad-Based BEE and transformation. The SOC awarded 547 contracts, worth R5.6-billion, during the financial year as part of the capital expansion programme, of which the "local content committed" amounted to R3.1-billion or just under 55% of the contract values.

Another SOC, Transnet achieved 92% local content

procurement as a percentage of total spend. This is an exceptionally good performance against the annual target of 70%. Transnet also exceeded the supplier development target.

Skills development is also a critical area in addressing the shortage of artisans. The SOC collectively committed to enrol 2 764 new artisan trainees.

Finally, let me address the issue of funding for Eskom. This SOC needs to adapt to the changing environment and be agile. The long-term resolution of the electricity situation will require, inter alia:

- Agreement on what future energy mix is optimal for the country;
- Agreement on the optimal industry structure;
- A major boost to capacity to undertake successful future build programmes; and
- Decisions on the extent to which future build projects will be undertaken by the private sector, if at all.

In conclusion I would like to thank my predecessor, Minister Malusi Gigaba, Deputy Minister, Bulelani Magwanishe, the Director-General, Tshediso Matona, and the dynamic team of Deputy Directors-General and their staff for their unwavering support and dedication to the Department and Government. Their commitment over the past year has contributed to the Department achieving a clean audit.



**Ms. Lynne Brown, MP**  
Minister of Public Enterprises

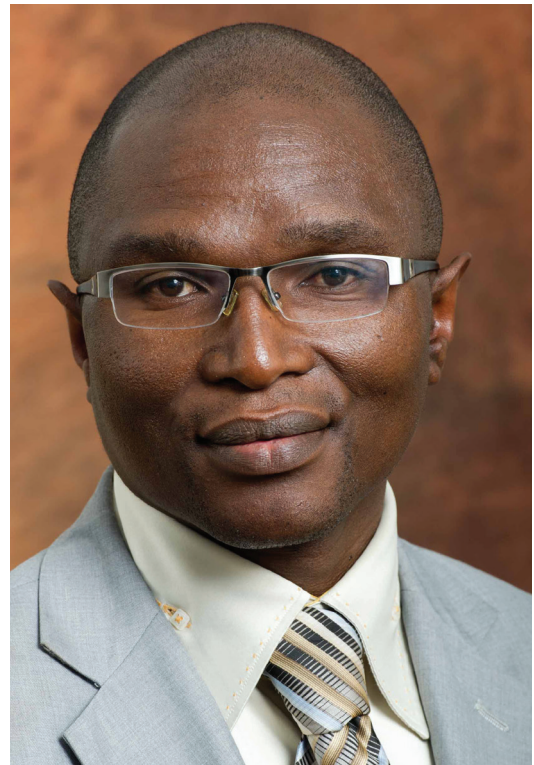
## 4. DEPUTY MINISTER'S STATEMENT

Major strides were made over the past year towards ensuring that SOCs have a meaningful impact on communities through a consolidated Corporate Social Investment (CSI) programme. This follows the Department's realization that the SOC silo mentality in driving CSI programmes led to duplication of projects, thus resulting in minimal impact.

Through the CSI Forum, we have seen SOCs coming together and agreeing on an integrated CSI programme. The Bhekimfundo Primary School in Mpumalanga is an example of how the broader community benefited from this new approach. SAFCOL built six classrooms using timber-frame structures. Eskom ensured that the school was properly electrified as it is located in a rural area. Transnet used a container structure to provide an office for the school principal and which was adequately furnished by Denel. We are looking forward to SOCs collaborating on more projects beyond the year 2014.

It has been acknowledged that we need more learners to study subjects such as Mathematics and Physical Science. Our contribution has been the installation of the telematics facility in schools identified by SOCs themselves. Two schools in the Eastern Cape and one in Limpopo benefitted from this project and their computer centres were formally opened. We are hopeful that this intervention will go a long way in ensuring that there is improvement in results, particularly, where the two subjects are concerned. More schools have been identified in the other provinces by SOCs through their CSI Foundations. The schools that were visited in the past year also received Maths dictionaries for their libraries. The 2014/15 financial year will allow us to assess the impact of this intervention.

Recently, we held the first CSI Summit at the University of Fort Hare in the Eastern Cape. This summit emanated from the CSI Forum that we launched in 2013. The purpose of the summit was to provide a platform for our SOCs and their suppliers to deliberate on the nuances of CSI. Through this summit, we engaged suppliers and were able to determine how best we can direct both private companies and public companies to collaborate in advancing their respective CSI projects. SOC have



**Mr. Bulelani Gratitude  
Magwanishe, MP  
Deputy Minister**


been mandated to hold regular meetings with their suppliers to give life to our intention and provide impetus to this CSI programme.

Collaboration was not only confined to SOCs, but included the DPE collaborating with other departments in areas of common interest. Similarly, this is intended to maximise impact in areas where Government intervenes. The former Minister Hon. Malusi Gigaba instructed SOCs to increase the training of more recruits than they can absorb. As a result, we are in discussion with the Department of Cooperative Governance and Traditional Affairs (through their Municipal Infrastructure Support Agency) to develop a concept that will see the mobilization of trained artisans to discharge their services for the benefit of municipalities through the Train of Hope programme. Great progress has been made towards the realization of this vision. We believe this will go a long way in creating employment and ensuring that trainees are absorbed in the mainstream economy.

We have engaged with provinces and municipalities as we endeavor to align our programmes. Out of these, we had Expos for both the youth and the business community. We are confident that the information shared with these sectors will serve to equip them for betterment of themselves and their communities. The engagement included: an information-sharing session with the business community of Nelson Mandela Bay in Port Elizabeth; collaboration with the Ekurhuleni Municipality on youth opportunities; which attracted more than five thousand young people; a session with both business and youth at the Oasis Church and a session with the business community of the King Sabata Dalindyebo Municipality in Umtata. However, we are concerned that we have not been able to ascertain the extent of impact our intervention. Moving forward, we will require a mechanism that will allow us to measure how many youth benefitted from the engagement.

The youth camp with Denel went very well. The 100 learners were exposed to discussions on respect for the flag, national pride and leadership. They were also given insight into the importance of artisan training. The need to have this camp on a continuous basis has been considered and will accommodate all provinces.

I wish to thank the former Minister Hon. Malusi Gigaba for his leadership. I wish to thank the Director General, Mr Tshediso Matona, for management of the Department and the DDGs for always ensuring that we all work towards achieving the goals contained in the vision of the Department.



**Mr. Gratitude Magwanishe**

Deputy Minister of the Department of Public Enterprises

## 5. REPORT OF THE ACCOUNTING OFFICER

### 5.1 Overview of Performance and Challenges

In 2009, the administration took over during one of the biggest global economic crisis post the 1929 Great Depression. The MTSF prioritised the need to stabilize the economy and push it to a growth path that would deliver better employment outcomes. In this regard, economic infrastructure investment driven by SOCs was identified as a major intervention to turning the economy around.

Since 2010, the economy has turned around and job recovery has begun. This has been a direct result of a number of policy interventions introduced to stabilize the economy, such as the New Growth Path (NGP) and the Industrial Policy Action Plan (IPAP). The NGP recognised the significance of economic infrastructure investment and state ownership in driving the developmental agenda. This was further affirmed in the adoption of the National Development Plan by government in 2013.

Since 2009, there has been increased focus on the role of SOCs to support the objectives and outcomes outlined in the Medium Term Strategic Framework (MTSF). This has required the Department to strengthen its oversight related activities to ensure that SOCs are not only aligned to the government's objectives, but also play a leading role. The state entities within the Department's portfolio have been in the forefront in the implementation of the government's economic strategy that identified infrastructure investment as one of the key job drivers.

During the year under review, the Department continued to support SOCs within its portfolio to ensure that they are financially stable and strongly advocated for a supportive policy framework. A supportive policy framework is crucial to allow SOCs to expand investment in the economy and support other outcomes such as skills development, industrialisation and transformation. The initial assessment of SOCs' performance during the 2013/14 financial year shows that the upward trend in term of infrastructure investment,



**Mr. Tshediso Matona**  
Accounting Officer

skills development and industrialisation through localisation has been sustained.

However, there are some challenges that have affected how the Department executes its mandate. Most of these challenges are structural in nature and will require reform in the current policy landscape to legislate the mandate of the Department.

Furthermore, the Department was established initially as a privatisation and corporatisation office. This reflected the government's policy to restructure its ownership and participation in the economy. The disposal or privatisation of state assets was also leveraged to encourage participation of the historically disadvantaged in the economy. As an Office, limited resources (both financial and human) were provided to oversee the disposal of the state's assets. The process of privatisation was largely informed by the need to reduce government debt, as most of the state companies were incurring losses. As the government introduced and implemented transformative policies, the role of SOCs in driving the developmental agenda strongly emerged. As a result, the mandate of the Department has evolved to reflect the change in the policy approach.

The evolution of the mandate has exerted extreme pressure on the capacity of the Department and has exposed some weaknesses in the current operational model. As a government Department, the DPE operates within the Public Service Act and Regulations. This constrains the Department's ability to effectively compete in the labour market. This has resulted in relatively high staff turnover at senior management level and inability to attract high calibre individuals.

Despite the highlighted challenges, the Department has remained functional with strong institutional structures that oversee implementation and compliance. This has been reflected in the clean audit record achieved by the Department over the past 8 years, with the exception of the 2012/13 external audit, on which the Department achieved an unqualified audit opinion. This was as a result of a

technical error on the Department's annual financial statements, rather than a collapse of controls.

## 5.2 2013/14 Litigation Report

### **Nabera vs Alexkor & Government (represented by DPE)**

Nabera instituted legal action against Alexkor and the National Government (represented by the Department of Public Enterprises) in 2004 for amounts (R119m for value addition and R4m for management fees) allegedly owed to Nabera arising from a contract in terms of which Nabera managed Alexkor's mining assets and operations for a period of two years (1999-2001). Alexkor and the Department opposed the claims and to date Nabera has not set the matter down for hearing. Therefore, the matter is still pending.

### **Equity Alliance (Pty) Ltd vs Government of RSA**

Equity Alliance instituted a claim against Government in April 2009 relating to the purchase of shares from Transnet in 2002. The claim is for R572m. The claim is based on an alleged oral assurance and guarantee said to be given by former officials of the Department, who stated that the ramp handling agreement between Equity Alliance and Airports Company of South Africa (ACSA) would be extended on termination. ACSA did not extend the agreement and consequently, Equity Alliance and the Serco Group instituted legal action claiming to have suffered damages as a result of the termination of the ramp handling agreement. The matter is at the stage of being set down for hearing.

### **Ronny Mohapi vs Public Enterprises, Trade and Industry and National Treasury**

Mr Mohapi approached the Equality Court to complain that Government (represented by Public Enterprises, Trade and Industry and National Treasury) discriminated against him in his endeavour

to join Government's internship programme. He sought to be placed on an internship programme at either National Treasury (NT) or Trade and Industry or, alternatively, receive compensation from Public Enterprises in an amount of R800 000.00. The Department filed an opposing affidavit with the Equality Court in January 2012 and there have been no further developments.

### **By Choice Caterers vs Department of Public Enterprises**

The Plaintiff claimed damages against the Department in an amount of R119 574.60 for alleged breach of contract, or, alternatively, R75 245.70 for alleged loss of profit on 18 November 2009. The Department is defending the matter. The matter was set down for hearing in May 2013, but did not proceed due to unavailability of a presiding officer.

### **Sable Hills vs Aventura and the Minister of Public Enterprises**

Sable Hills (Pty) Ltd instituted action against Aventura, Mikanto Trading and the Minister. Summons was received on 28 June 2011. The claim is for rectification of the sale agreement and transfer of properties allegedly sold by Government and Aventura to Sable Hills in 2002, but later transferred to Mikanto. At the time of the sale, the value of the property was estimated at R18 million.

The relief that Sable Hills seeks is that the Minister and Aventura should be ordered to transfer the properties claimed to Sable Hills. The matter is still pending. However, given that Aventura is currently in liquidation, the matter will be resolved by the liquidator.

### **Aventura and Government vs Mikanto Properties**

Mikanto launched application proceedings in the High Court of South Africa in October 2002, seeking to interdict Aventura from effecting transfer of eight properties to Forever Resorts. The Department and Aventura lodged opposing affidavits. Mikanto did not take the matter any further and Mikanto's attorneys on record withdrew. Aventura is currently under liquidation; therefore this matter will be resolved by the liquidator.

### **Phaharपुर/Londoloza Consortium vs SAFCOL and the Department**

This was a claim that arose in March 2009 for damages against Government and SAFCOL by the Consortium for out-of-pocket expenses in the preparation of a tender, which was subsequently

withdrawn by Government. The parties have reached an out-of-court settlement, resulting in the Phaharपुर/Londoloza Consortium withdrawing its claim.

### **Comair vs Public Enterprises, National Treasury, Transport and SAA**

Comair brought an application against SAA, and the Ministers of Public Enterprises, NT, and Transport, challenging the granting of a R5 billion Guarantee issued by Government on behalf of SAA. Comair is contending that the granting of such a Guarantee was both unconstitutional and unlawful and that it should therefore be reviewed and set aside. Government and SAA are opposing the matter and the matter is set down for hearing in August 2014.

### **Vuyisile Kona vs Public Enterprises, SAA and Trade and Industry**

Mr Kona is a former Non-Executive Director and Chairperson of SAA, whose services were terminated in February 2013. Mr Kona is challenging the validity of the termination of his services and he seeks that the decision should be reviewed and set aside. The Department is opposing the matter and has filed an answering/opposing affidavit.

Messrs Pretorius and Kruger vs Transnet, Transnet Pension Funds, Ministers of Public Enterprise and Finance and Government of RSA

Messrs Pretorius and Kruger, pensioners of the Transnet Pension Funds, have served the Department with court papers, regarding their intention to bring a class action against Transnet Pension Funds. The applicants are contesting the adequacy of benefits received by pensioners from Transnet Pension Funds. They attribute the alleged inadequacy to mismanagement of such Pension Funds by Transnet, Transnet Pension Funds and Government. The Department is currently seeking the court's indulgence to oppose the matter. The Minister is the 5th respondent in this matter.

Thompson vs Transnet, Transnet Pension Funds, National Treasury, Public Enterprises and others. Mr Thompson, a former employee of Transnet, has brought an application on the inadequacy of pension benefits received from Transnet Pension Funds. Transnet, the Transnet Pension Fund and Government are opposing the matter. The Minister is the 4th respondent in this matter.

An assessment was carried out to identify contingent liabilities that could arise from the above litigation. Refer to **Annexure 3B** of the Annual Financial Statements.

### 5.3 Overview of the Financial Results of the Department

#### Departmental receipts

Departmental receipts	2013/14			2012/13		
	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
Sale of goods and services other than capital assets	52	60	(8)	56	58	(2)
Interest, dividends and rent on land	65	31	34	18	12	6
Sales of scrap, waste, arms and other used current good	3	-	3	-	-	-
Financial transactions in assets and liabilities	220	282	(62)	502	467	35
<b>Total</b>	<b>340</b>	<b>373</b>	<b>(33)</b>	<b>576</b>	<b>537</b>	<b>39</b>

#### Collection of Departmental Revenue

Revenue collection is not a core function of the Department and therefore there is no specific plan in place in this regard. However, any revenue collected by the Department and reported under Note 2 of the Financial Statements is of an incidental nature, such

as parking fees, interest received on debts, sale of redundant capital assets and interest on bank accounts. Capital assets, such as computers, are initially offered to schools, and thereafter to other Government departments.

### 5.4 Department Expenditure

Programme	2013/14			2012/13		
	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	134 702	133 294	1 408	117 096	115 367	1 729
Legal and Governance	23 438	23 159	279	24 237	23 477	760
Portfolio Management and Strategic Partnerships	135 999	116 015	19 984	1 235 425	1 228 205	7 220
<b>Total</b>	<b>294 139</b>	<b>272 468</b>	<b>21 671</b>	<b>1 376 758</b>	<b>1 367 049</b>	<b>9 709</b>

The decrease of R1.073 billion in the annual appropriation (from R1.377 billion to R294.1 million) is as a result of a decrease in payments for financial assets and transfer payments to SOCs.

Under-spending amounting to R21.671 million was recorded in the 2013/14 financial year. This amount is mainly made up of current expenditure in the operational budget. An amount of R3.862 (2.9%) was not spent under Compensation of Employees budget item as a result of some posts not having been filled within a space of 3 months due to scarcity of specialist skills in the market. Under-spending on Goods and Services amounting to R17.657 million (17.4% of budget) arose, partly, due to some projects being delayed or postponed as a result of changes in the internal and external policy environment. Examples of these are major projects such as the NCPM, the telecoms benchmarking study, harmonising procurement policies and planning frameworks in Eskom and Transnet linked to optimisation of supplier development and the transformation initiative. A number of projects commenced late in the year, e.g. the review of the Rooivalk Programme and Denel's Strategic Equity Partnership Study. The Department has requested rollovers from the 2013/14 Goods and Services budget from National Treasury for nine projects/contracts amounting to R5.012 million, in order for them to be completed in the new financial year. The Department spent 92.6% of its budget, which was not within its 2% spending target.

**PROGRAMME 1: Administration:** Provides over-arching management and key supporting functions and processes in order for the Department to achieve its strategic objectives. The programme consists of the Ministry, Management (Office of the Director-General and the Deputy Director-General Corporate Management), Corporate Services (Information Management and Technology and Security and Facilities Management), Human Resources, Communications, Office of the Chief Financial Officer, Inter-governmental and International Relations, Strategic Planning, Monitoring and Evaluation, Internal Audit and Office Accommodation.

Expenditure in this programme amounted to R133.294 million in 2013/14, compared to R115.367 million in 2012/13. This increase was mainly due to, inter alia, the fully functional Inter-Governmental Relations sub-programme that was established in 2012/13, the appointment of the DDG: Corporate Management in the Management sub-programme, a number of large projects undertaken by Human Resources, audit fees, office accommodation, further alterations to office premises, furniture

and equipment to accommodate the increased staff complement and travel costs for provincial engagement.

**PROGRAMME 2: Legal and Governance:**

provides systems that align state owned companies with corporate governance best practice and Government's strategic intent.

Expenditure in the programme amounted to R23.159 million in 2013/14, compared to R23.477 million in 2012/13. There was no substantive change to expenditure on this programme during the period under review.

**PROGRAMME 3: Portfolio Management and Strategic Partnerships:**

This programme consists of 5 sub-programmes and overall expenditure for the programme was as follows:

Expenditure in this programme amounted to R116.015 in 2013/14, compared to R1.228 billion in 2012/13. The decrease was mainly due to payment for financial assets disbursed to Alexkor and Denel, amounting to R1.050 billion, as well as an amount of R118.313 million paid in respect of an indemnity claim to Denel/SAAB Aerostructures in 2012/13 financial year. An amount of R57.250 million was disbursed to Denel Aerostructures in 2013/14 for payment of the eighth indemnity claim. Under-spending on this programme is attributed to delays in the implementation of some major projects, as reflected in overall expenditure of the Department above.

A breakdown of expenditure per sub-programme is provided below.

**SUB-PROGRAMME: Energy and Broadband**

**Enterprises:** aligns the corporate strategies and performance of Eskom, Pebble Bed Modular Reactor (PBMR) and Broadband Infracore with Government's strategic intent and performance targets.

Expenditure in this programme amounted to R15.990 million in 2013/14, compared to R13.944 million in 2012/13. The increase in expenditure in this sub-programme was mainly due to the unit being fully resourced. However, two planned projects were not finalised, due to the Terms of Reference being revised subsequent to a review of the business requirements of the SOC, which resulted in the under-spending in this unit. The projects will be rolled out in the 2014/15 financial year.



**SUB-PROGRAMME: Manufacturing**

**Enterprises:** aligns the corporate strategies and performance of Denel, SAFCOL and Alexkor with Government's strategic intent and performance targets. It develops proposals for SOCs' role in advanced manufacturing.

Expenditure in the sub-programme amounted to R68.097 million in 2013/14, compared to R1.178 billion in 2012/13. The decrease in expenditure in this sub-programme was mainly due to payment for financial assets disbursed to Alexkor and Denel amounting to R1.050 billion, as well as an amount of R118.313 million paid to Denel in 2012/13 in respect of an indemnity claim due to Denel/SAAB Aerostructures. An amount of R57.250 million was disbursed to Denel in December 2013 in respect of the eighth indemnity claim. Under-spending in this sub-programme was as a result of delays in the commissioning of a number of projects, such as the Review of the Rooivalk Programme and Denel's Strategic Equity Partnership Study, which only commenced late in the year and which will be finalised in 2014/15.

**SUB-PROGRAMME: Transport Enterprises:**

aligns the corporate strategies and performance of South African Airways (SAA), South African Express (SAX) and Transnet with Government's strategic intent and performance targets.

Expenditure in the sub-programme amounted to R14.985 million in 2013/14, compared to R20.030 million in 2012/13. The decrease in expenditure in this sub-programme was due to a delay in a number of planned projects, such as the NCPM and a review of logistics costs in the economy, which were postponed until the next financial year. The

NCPM project required alignment to Transnet's Corridor Framework.

**SUB-PROGRAMME: Economic Impact and Policy Alignment:**

aligns shareholder oversight of SOC in relation to overarching government economic, social and environmental policies; and implements strategic interventions in order to contribute towards achievement of national objectives in support of economic growth and transformation.

Expenditure in the sub-programme amounted to R9.686 million in 2013/14, compared to R9.990 million in 2012/13. There was no substantial difference in expenditure in this unit: the under-spending was mainly due to delays in the commission of some projects that had a total allocated budget of R5 million.

**SUB-PROGRAMME: Strategic Partnerships:**

establishes and builds focused strategic partnerships between SOCs, strategic customers, suppliers and financial institutions.

Expenditure in the sub-programme amounted to R7.256 million in 2013/14, compared to R5.973 million in 2012/13. The increase in expenditure in this sub-programme is attributed to expansion in the human resources as well as additional projects being undertaken by the project. Under-spending in the sub-programme is attributed to projects that were planned to be outsourced, but were implemented internally. The project on harmonising procurement policies and the planning framework at Eskom and Transnet (to enable collaboration and to optimise the supplier development and transformation initiative) was postponed.

**5.5 Virements and Roll Overs Virements per Programme**

Programme	Adjusted Appropriation R'000	Virements R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000
1: Administration	131 032	3 670	134 702	133 294	1 408
2: Legal and Governance	22 338	1 100	23 438	23 159	279
3: Portfolio Management and Strategic Partnerships	140 769	(4 770)	135 999	116 015	19 984
<b>Total</b>	<b>294 139</b>	<b>-</b>	<b>294 139</b>	<b>272 468</b>	<b>21 671</b>

Virements were effected as follows:

### **Compensation of Employees**

An amount of R600 000 was viremented from Programme 3 to Programme 1:

- R200 000 to Communications
- R5000 to Ministry
- R395 000 to Human Resources

### **Goods and Services and Capital Expenditure**

R3.070 million was viremented from Programme 3 to Programme 1:

- R1.7 million to Chief Financial Officer for audit fees and travel administration costs
- R510 000 to Strategic Planning, Monitoring and Evaluation for project funding
- R860 000 to IT for software and computer equipment (CAPEX)

### **Goods and Services**

- R1.1 million was viremented from Programme 3 to Programme 2 for projects.

## **5.6 Fruitless Expenditure**

In the 2013/14 financial year the Department incurred fruitless expenditure amounting to R530 000.00.

The transactions are as follows:

In March 2013, a Senior Officials Dialogue Forum was arranged to precede the 5th BRICS summit hosted by South Africa. The Director-General was to host the event. Accordingly, the Department secured a venue for the event which was to take place on 25th March 2013. A suitable venue had to be secured and with the guidance of the Department of International Relations and Cooperation (DIRCO) for an event of this magnitude, the Department booked the venue. On 18 March 2013, the Department was informed that the event had been cancelled after consultation with DIRCO. The Department informed the venue of this cancellation. The Department was informed that a full cancellation fee would be payable. The Department requested that the service provider re-consider the amount claimed and reached a final settlement of R55 863.81, this amount also included the travel agent's service fees and tourism levies. The transaction was concluded in April 2013.

A report was submitted to the Director-General and it was found that no official had acted negligently or recklessly and therefore no action was taken against them.

South Africa hosted the 5th BRICS summit in March 2013. Following this Summit, it was agreed that the State Owned Companies (SOC) should explore ways

of cooperation, exchange of information and best practices as reflected in the eThekweni Declaration. In order to implement the outcome of the eThekweni Plan of Action, a BRICS Ministerial Dialogue Forum was arranged to take place in December 2013, hosted by the Minister of Public Enterprises. This Forum was to be attended by his counterparts from the BRICS countries. Confirmation was received from all relevant parties and accordingly arrangements were made with for interpreters, accommodation, a suitable venue as well as other contingent logistical arrangements. The event was due to take place on 03 December, 2013. Two days before and also on the eve of the summit, the Department was informed that representatives from three of the BRICS countries would not be able to attend the Summit. The event had to be cancelled. The service providers that had been engaged to render various services had to be paid. The total disbursement to service providers amounted to R470 969.19.

A report was submitted to the Director-General and it was found that no official had acted negligently or recklessly and therefore no action was taken against them.

The cancellation of these events could not be foreseen by the Department at the time, The Department will in future avoid hosting events of this nature as there are key variables beyond the control of the Department.

The remaining amount of R3 000 is made up of traffic fines and a "no show" for accommodation both of which are still to be resolved.

## **5.7 Irregular Expenditure**

In the period under review, the Department incurred irregular expenditure amounting to R 711,000. The Department has dismissed an official that was found guilty of misconduct. Further investigations have been instituted to address the root causes and ensure that there is 100 percent compliance to the PFMA.

## **5.8 Future Plans of the Department**

The Department has concluded the process of developing its Strategic Plan, which will inform its programmes over the new administration period, beginning in 2014. The Strategic Plan seeks to build on the progress that has been made in aligning SOCs' objectives to the priorities of Government. This will ensure that the outcomes contained in the new administration's MTSF are internalised and inform the development and implementation of programmes going forward.

The Department will also be working on the development of legislation that will provide a comprehensive and coherent framework for exercising shareholder oversight. The Department will continue to advocate for a stable policy framework that will allow SOCs to drive investment in the economy and contribute to the outcomes. This will be accompanied by development of a comprehensive framework for funding SOCs projects.

The Department will continue to support the implementation of Strategic Integrated Projects (SIPs) and ensure that the capacity that exists within its SOCs is better leveraged to support SIPs that are coordinated by its SOCs.

### **5.9 Public-Private Partnerships**

The Department did not enter into any Public-Private Partnership (PPP) agreements during the 2013/14 financial year.

### **5.10 Discontinued Activities / Activities to be Discontinued**

There were no activities that were discontinued during the period under review.

### **5.11 New or Proposed Activities**

There are no proposed new activities.

### **5.12 Supply Chain Management**

The Department did not conclude any unsolicited bids during the year under review.

The Department adheres to all prescribed supply chain management (SCM) processes. The Department's Procurement Policy and procedure manual is structured in accordance with these prescripts and it is regularly updated in order to accommodate any changes in legislation that may take place from time to time or any new instruction notes that are issued.

Transactions are not captured on the system if supporting documentation is not in order at each level of procurement.

### **5.13 Gifts and Donations Received in Kind from Non-related Parties**

Deloitte - Sponsorship of the Department's Budget Vote Business Breakfast (R296 361.45).

McKinsey – Pro Bono Study on the Long Term Turn-around Strategy for South African Airways (R350 000).

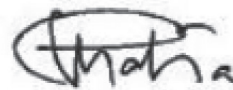
### **5.14 Exemptions and Deviations Received from National Treasury**

No exemptions or deviations were requested or received from National Treasury

### **5.15 Events after the reporting date**

On 26th May 2014 Ms Lynne Brown was appointed as Minister of the Department of Public Enterprises to replace former Minister Melusi Gigaba who is now Minister of Home Affairs.

The Department was notified on 29 May 2014 that Broadband Infracore will be transferred to the Department of Telecommunications and Postal Services at a date still to be established through a proclamation by the President.



#### **Mr. Tshediso Matona**

Accounting Officer  
Department of Public Enterprises

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

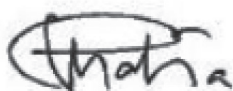
To the best of my knowledge and belief, I confirm the following:

- All information and amounts disclosed throughout the annual report are consistent.
- The annual report is complete, accurate and free from any omissions.
- The annual report has been prepared in accordance with the guidelines for annual reports 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 National Treasury.
- The Accounting Officer is responsible for the preparation of the annual financial statements and for the judgements made in 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 2014.

Yours faithfully



**Mr. Tshediso Matona**  
Accounting Officer  
Date: 31 July 2014

# 7. STRATEGIC OVERVIEW

## 7.1 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.

## 7.2 MISSION

To provide decisive strategic direction to the SOC, so that the businesses are aligned with the national growth strategies arising out of the NGP.

## 7.3 VALUES

**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 high passion. Batho Pele principles guide our engagement with our clients and other stakeholders.

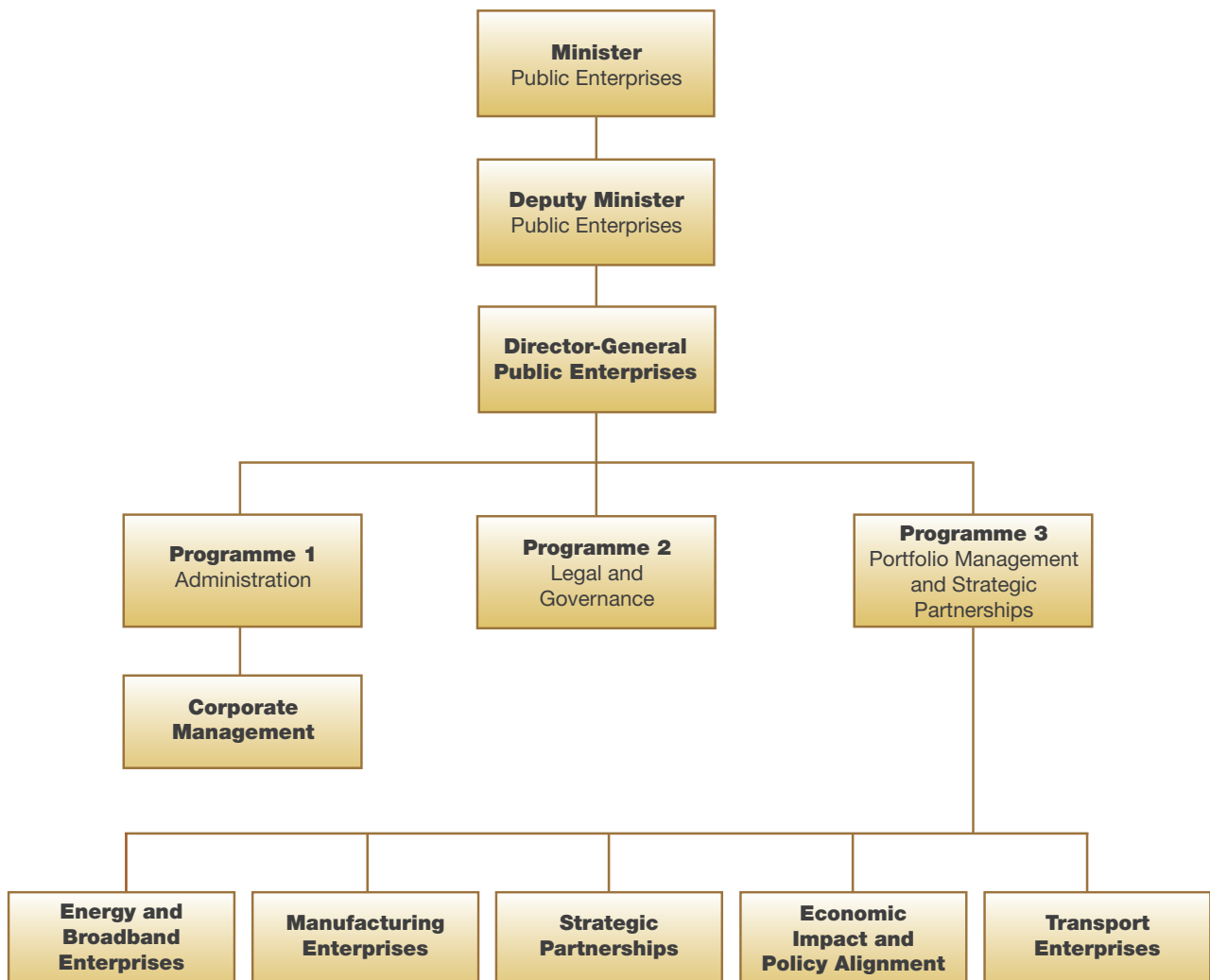
## 8. LEGISLATIVE AND OTHER MANDATES

The Department exercises shareholder oversight of eight 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. DPE is both the founder and the administrator/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 (PFMA), the Minister of Public Enterprises has, inter alia, the responsibility of ensuring that SOCs comply with PFMA legislation and policies of the Department.

As the shareholder Ministry that acts on behalf of Government, the Department's mandate continues to evolve to ensure that SOCs within its portfolio are clearly directed towards prioritised outcomes in order to serve the Government's strategic objectives. This evolution is underpinned by an over-arching shareholder management process aimed at providing enduring strategic rationale for SOCs. Expansion of the role of SOCs within the current economic management framework has required the Department to introduce measures to ensure that SOCs contribute to the developmental outcomes, as outlined in the NDP.

# 9. ORGANISATIONAL STRUCTURE

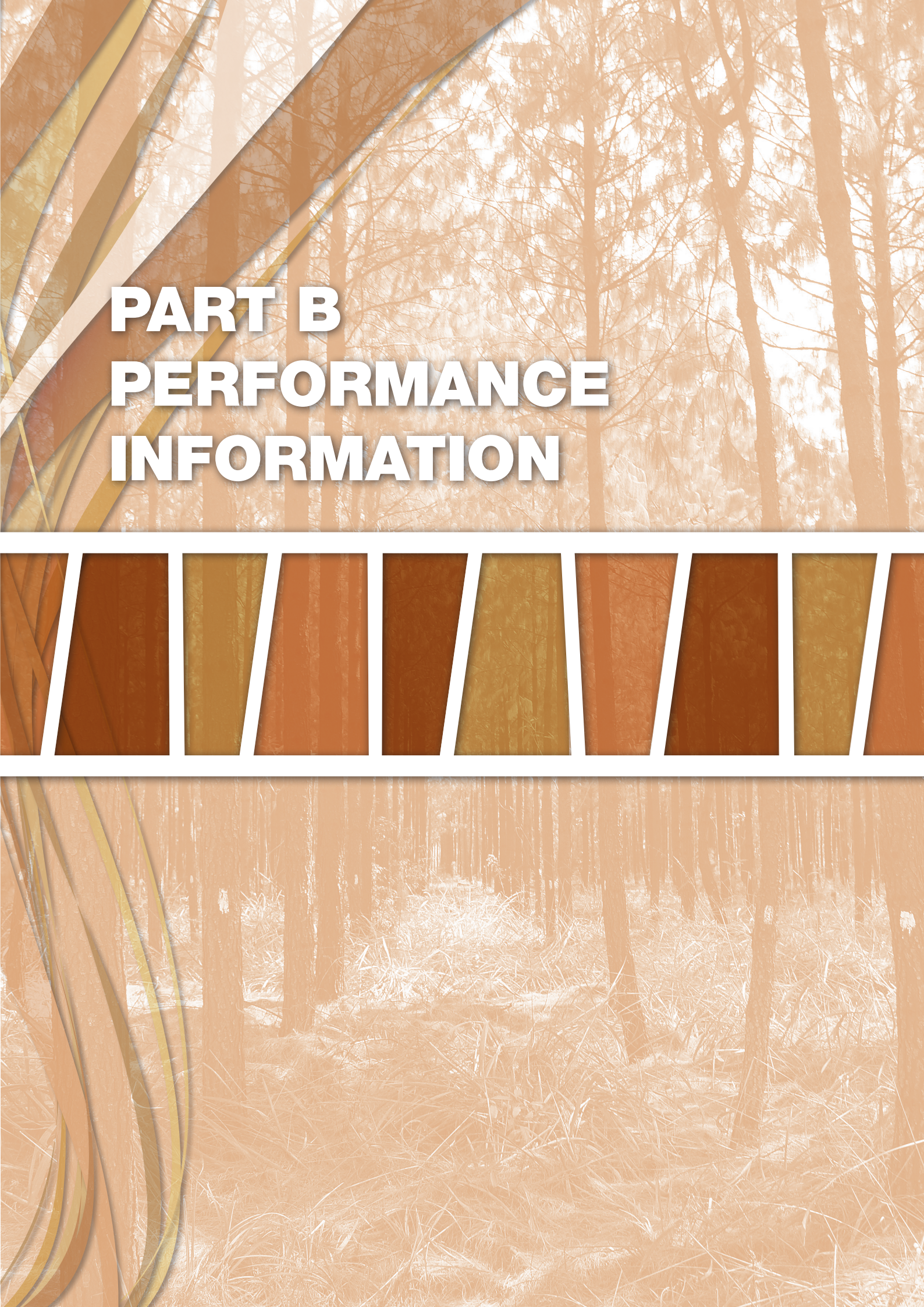


## 10. ENTITIES REPORTING TO THE MINISTER

The table below lists the SOCs that report to the Minister:

Name of Entity	Legislative Mandate	Financial Relationship	Nature of Operations
Alexkor	Alexkor Limited Act 116 of 1992	Shareholder	A diamond mining company that operates primarily in Alexander Bay and the greater Namaqualand area.
Broadband Infraco	Broadband Infraco Act 33 of 2007	Shareholder	Broadband Infraco provides affordable access to long-distance telecommunication network infrastructure and broadband telecommunications connectivity services in South Africa.
Denel	None	Shareholder	A defence company and although it was established as a private company, in terms of the Companies Act, Government exercises control over the company.
Eskom	Eskom Conversion Act 13 of 2001	Shareholder	Eskom generates, transmits and distributes electricity to industrial, mining, commercial, agriculture and residential customers and re-distributors.
South African Forestry Company	Management of State Forests Act 128 of 1992	Shareholder	The South African Forestry Company Limited is the Government's forestry company. It conducts timber harvesting, timber processing and related activities, both domestically and internationally.
South African Airways	South African Airways Act 5 of 2007	Shareholder	South African Airways is the South African national airline with a mandate to conduct passenger and cargo air business.
South African Express	South African Express Act 34 of 2007	Shareholder	South African Express is the domestic and regional air carrier with a mandate to be an African airline.
Transnet	Legal Succession to the South African Transport Services Act 9 of 1989	Shareholder	Transnet is a freight and logistics company responsible for ports and rail transport infrastructure and operations in South Africa.



The background of the entire page is a photograph of a forest with tall, thin trees and a ground covered in dry grass and brush. Overlaid on this are several abstract, semi-transparent geometric shapes in shades of brown, tan, and olive green. These shapes include diagonal bands and trapezoidal forms that create a layered, architectural effect. The text 'PART B PERFORMANCE INFORMATION' is centered in the upper half of the page, rendered in a bold, white, sans-serif font with a slight drop shadow.

# **PART B PERFORMANCE INFORMATION**

# 1. AUDITOR GENERAL'S REPORT: PRE-DETERMINED OBJECTIVES

The AGSA currently performs certain audit procedures on the performance information, in order to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the Report on Other Legal and Regulatory Requirements section of the Auditor's Report.

Refer to page 140 of the Report of the Auditor General, published as Part E: Financial Information.

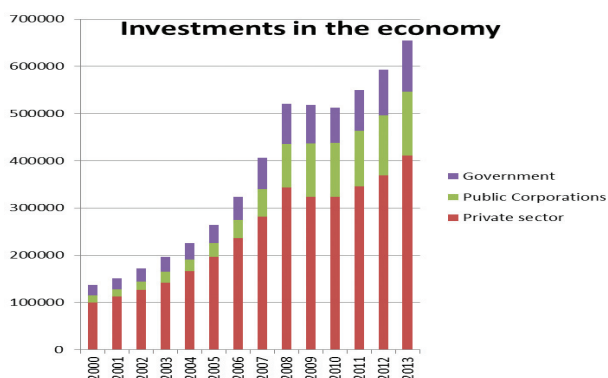
## 2. OVERVIEW OF DEPARTMENTAL PERFORMANCE

### 2.1 Performance Delivery Environment

In 2009, the exiting administration adopted the MTSF that outlined Government's priorities over the 5 year administration period. This was done at a time when the economy was declining and shedding jobs. At the core of the MTSF was stabilisation of the economy to eliminate further job losses and to begin introducing fundamental reforms that would support shifting the economy to a different growth path. With regards to the implementation of key programmes that fall within the ambit of the Department, the roll-out of the capital expenditure programme has continued to gain momentum. Both Transnet and Eskom are accelerating the roll-out of their build programmes to create the necessary network capacity to support growth.

The counter-cyclical fiscal framework has played a crucial role in stabilising the economy and limiting further job losses. The investment in infrastructure made by the Government and public corporations has showed resilience and was fundamental in the recovery of the economy. The South African Reserve Bank's (SARB) data on investment in the economy clearly shows that SOCs have been the major driver of investment in the economy post the 2008/09 crisis. Since 2004, investment by public corporations has been on an upward trend and has more than tripled. High levels of growth were experienced between 2009 and 2011 reflecting government's commitment to investment driven growth.

**Graph 1: Gross Fixed Capital Formation by Public Corporations**



Source: SARB Quarterly Bulletin, 2014

The elevation of infrastructure, as a key policy tool to provide stimulus to the domestic economy, as well as improving the overall efficiency and competitiveness of the economy, required the Department to strengthen oversight mechanisms and to ensure that they are consistently implemented across the different SOCs.

These developments and the introduction of the Presidential Infrastructure Coordination Committee (PICC) require the Department to carefully assess its capacity and prioritise programmes that will have significant impact on the implementation of SIPs.

The NDP has been approved and will inform the Government's programmes designed to achieve the 2030 vision. The NDP recognises the challenges that currently exist in the infrastructure sector and proposes a wide range of action that will need to be implemented to achieve the desired outcomes.

In this regard, the Department has prioritised the following action:

- Strengthening the oversight function of key SOCs (in particular, Transnet and Eskom) in order to align their business and investment activities to contributing towards achieving the objectives outlined in the NDP.
- Creating a closer working relationship with the policy department to ensure that policy certainty is created to allow for effective planning and delivery of key investments.

## **2.2 Service Delivery Improvement Plan**

Over the past years, the Department did not have a clear Service Delivery Improvement Plan (SDIP). This was largely as a result of the Department's initial mandate of being tasked to manage the disposal of certain state assets. This culminated in limited focus on the services rendered by the Department to its SOCs and on engagement with the public at large. Over the past two years, the Department has reversed this trend and introduced new programmes designed to enhance its interaction with other Departments as well as the public at large. This has enhanced interaction between the Department and other spheres of government and, more importantly, the public at large.

In the current financial year, the Department concluded its first SDIP that began to scope the services provided by the Department and how these will be improved over time. In the year ahead, the Department will increase its focus on the introduction of quantifiable targets to ensure that it remains responsive to service delivery expectations. This will largely include:

- Sustaining progress that has been made in the payment of invoices within 30 days, as required by legislation.
- Decrease turnaround time on the decisions required by SOCs from the shareholder focusing on PFMA applications.
- Shortening the period for moderation and awarding of tenders and improving communication to unsuccessful bidders.
- Improving recruitment processes to allow easy access as well as reducing costs related to applying for vacancies (E-recruitment).
- Improving turnaround times for responding to Presidential Hotline queries.

## **2.3 Organisational Environment**

In the 2011/12 financial year, the Department underwent a process to review its establishment, in order to ensure that it was properly structured and capacitated to carry out its mandate. From this process, it was clear that additional human resources were required to ensure that the Department is appropriately and sufficiently capacitated. Extensive engagement with National Treasury was undertaken to explore options to capacitate the Department in light of the constrained fiscus and the need to increase capacity within Government to oversee the build programme. In 2012/13, National Treasury approved an additional 12 critical posts and a further 17 posts over the MTEF to augment the capacity of the Department.

In the 2013/14 financial year, the Department continued to experience high attrition rates, resulting in a loss of key staff at top management level. This was as a result of better conditions of employment that the private sector (including SOCs) was able to offer these highly skilled individuals. The limitations in the remuneration framework within the public service require the Department to explore alternative options and the Department will focus on the following as part of its strategy to develop the required capacity:

- Expansion of the graduate programme to ensure a talent pool that the Department can tap into in order to fill critical positions.
- Enhancement of training programmes that will ensure improvement of skills for levels below SMS.
- Continued marketing of the Department as an employer of choice for young talent.

## 2.4 Key Policy Developments and Legislative Changes

In the 2013/14 financial year, a number of policies were introduced that had an impact on the operational environment of some SOCs. The most prominent was the National Broadband Policy, also known as South Africa Connect. The policy seeks to alter the current broadband industry structure in order to drive investment to enhance connectivity. The policy has a direct impact on Infraco's operational environment as one of the State entities that operate within the ICT sector.

## 3. STRATEGIC OUTCOME ORIENTED GOALS

In relation to Government's 12 Outcomes, the Department is primarily contributing to creating an efficient, competitive and responsive economic infrastructure network (Outcome 6), which forms the basis of the delivery agreement signed in October 2010. This delivery agreement forms the core of the performance agreement between the President and the Minister. Furthermore, the Department, through the activities of its SOCs, contribute to other outcomes such as decent employment through inclusive growth, skills development and rural development.

The following is the Department's contribution towards achieving the outcomes that have been prioritised by government:

### 3.1 Creating an efficient, competitive and responsive economic infrastructure network (Outcome 6)

The MTSF was adopted during the recession. One of the key objectives was to stabilise the economy and place it on a different growth trajectory. At the centre of this objective was: implementation of the capital expenditure programme that would address the capacity constraints experienced by the economy during high growth periods between 2005 and 2007; to act as a stimulus to jump-start the economy. In this regard, Eskom's build programme, as well as the Transnet capital expenditure programme, formed the core of the government's infrastructure investment strategy.

The progress that has been made to accelerate infrastructure investment in the economy is highlighted below.

### **ESKOM**

#### ***Funding of the build programme up to 2018***

Funding of the build programme emerged as one of the major challenges with roll-out of the build programme in the electricity sector. This is as a result of tariffs not being sufficient to cover operational costs as well as provide a reasonable return on investment to allow the utility to fund investment in additional generating capacity. Over the past five years, the Department has supported Eskom to secure tariff adjustments that will support its financial sustainability as well as provision of guarantees to keep the financing cost lower. As at 31 March 2014, R271.6 billion (90.5%) of the R300 billion borrowing programme had been secured. The R300 billion borrowing programme is based on the original funding requirements as at April 2010 and covers the period 1 April 2010 to 31 March 2017.

It should be noted that additional funding requirements, including those resulting from the lower than expected MYPD 3 tariff determination, are not included in this borrowing programme. The drawdowns for the year ending 31 March 2014 against the R300 billion funding plan is R44.7 billion, bringing the cumulative amount that has been drawn to execute the build programme to R188.7 billion.

Additional funding for the period until 31 March 2018, as a result of the MYPD3 decision amounts to R301 billion which still needs to be secured.

## **Progress on delivery of build programme (Medupi, Kusile, Ingula, Transmission Lines and Renewable Projects)**

Eskom spent R58.2 billion on capital expenditure in 2013/14, reflecting a sustained increase in the capital expenditure in support of Government outcomes.

The following are the key achievements of the build programme:

- Eskom completed the return-to-service project during the reporting period. All three power stations (Camden, Grootvlei and Komati) are fully operational. The last unit of this project – Komati Power Station's Unit 3 – was commissioned in September 2013. This brought the total amount of generating capacity for return-to-service added to the grid since 2005 to 3 731MW. This has been one of the factors that have played a crucial role in averting the collapse of the national electricity grid.
- The refurbishment projects have made good progress, despite the ongoing challenge of outage constraints. All the Kriel units have now been refurbished, with the final unit (Unit 5) being synchronised on load on 15 March 2014. Furthermore, three of the six Matla units have been refurbished, with the third unit (Unit 5) synchronised on load on 25 March 2014. Delays were experienced at Duvha due to outage movements.
- As at 31 March 2014, Medupi had a day variance of 24.48 days (within the target of 30 days late variance). Eskom remains on track for synchronisation during the second half of 2014. Commissioning of the first unit has started and Eskom is working with contractors to ensure that agreed schedules and processes are adhered to. Key challenges include finding solutions for the control systems.
- Kusile achieved a day variance of 12.9 days (within the target of 30 days late variance). The station is scheduled for synchronisation by the end of 2015. The key challenge is finding a solution for control systems to avoid a repetition of the delays experienced at Medupi. Four medium term contracts have been signed for coal supply to Kusile Power Station during the commissioning phase. The conclusion of long term coal and limestone supply agreements for Kusile Power Station remains a focus area.
- Work continues at Ingula, but the tragic incident that cost the lives of six contractors has affected the schedule. The delay has been estimated at 18 months. At the end of the reporting period, Ingula had a day variance of 11.6 days (within the target of 30 days late variance). Work to install turbines and generators will begin soon.
- Construction of the 100MW Sere Wind Farm is progressing well, with 69% of the tower foundations and 17% of the turbines completed.
- Approximately 811km of power lines and 3 790MVA of sub-station capacity were also commissioned during the course of the year.
- Mega Generation Projects reported construction progress as follows as at 31 March 2014" Medupi - 60%; Kusile - 30%; Ingula - 72%; and Sere Wind Farm - 47%.

### **IPP contracts that have been signed**

The electricity industry is undergoing reforms targeted at: enhancing participation of the private sector; attracting additional investment to address current capacity challenges; enhance the use of renewable energy. The first project under the Department of Energy (DOE) renewable independent power producers (RE-IPP) programme was connected to the grid on 27 September 2013 and the first IPP was commissioned on 15 November 2013. A total of 467.3MW is currently available to the system from these independent power producers (IPPs). The DOE approved an additional 1 457MW, pursuant to the third window submissions. No contracts have yet been signed for this capacity.

Further PPAs, totalling 1 005MW, for DOE Peaker Plants were entered into on 3 June 2013 and became effective on 29 August 2013 (DOE Peaker Programme). Commissioning of these plants is expected during the 2015/6 financial year.

## **TRANSNET**

TRANSNET CAPITAL INVESTMENT FIVE YEARS REVIEW

Division(s)	2009/10	2010/11	2011/12	2012/13	2013/14	TOTAL
TFR	9.7	12.5	14.8	18.3	25.1	80.4
TE	0.4	0.5	0.7	1.3	1.0	3.9
TNPA	3.2	2.0	1.7	1.7	1.2	9.8
TPT	2.4	0.7	1.5	2.2	1.6	8.4
TPL	3.1	6.1	4.5	2.8	3.4	19.9
Other	(0.4)	(0.3)	(0.9)	1.1	0.2	(0.3)
<b>Total capex</b>	<b>18.4</b>	<b>21.5</b>	<b>22.3</b>	<b>27.4</b>	<b>32.5</b>	<b>122.1</b>

The 2014/15 financial year is the third year of Transnet's roll-out of the Market Demand Strategy (MDS) that is underwritten by a rolling capital programme worth over R300bn. In the past five years, Transnet has invested over R120bn in infrastructure and capital projects, most of which has been committed to the rail business. This is crucial to enhance the efficiency of the logistics system and to reduce the cost to move goods, which will contribute to the overall competitiveness of the economy.

Key projects executed by the company over the past five years included the following:

#### ***GFB locomotives***

During the 2013/14 financial year, Transnet awarded a R50 billion contract for acquisition of 1 064 locomotives (599 new dual-voltage electric locomotives and 465 diesel locomotives) – this makes it the largest locomotive acquisition contract in the history of South Africa. Not only will this acquisition of locomotives enable Transnet to increase its rail volume capacity, but the procurement process has been structured in such a way as to allow for maximisation of localisation benefits. The transaction is expected to boost the country's manufacturing capacity while also transforming the rail industry.

Nine of the 95 electric locomotives were delivered in the 2013/14 financial year. Local assembly of the locomotives commenced on 4 February 2014 at Transnet Engineering in Koedoespoort. The remaining 23 of the 43 Class 43 diesel locomotives were received in the 2013/14 financial year.

#### ***Iron ore line expansion up to 60,0mt***

The last 26 of the 32 locomotives needed to facilitate the increase in iron ore capacity to 60,0mt were tested and accepted into operations during the 2013/14 financial year. The pre-feasibility study to expand capacity from 61mt to 82,5mt has been completed. Phase 1D (being the addition of a 3rd tippler and associated rail works) has been approved by the Transnet Board of Directors, at a cost of approximately R1,6 billion. The 3rd tippler will ensure that 60mt can be exported on a sustainable basis, as the existing two tipplers currently do not allow for any down time.

#### ***Coal line expansion up to 81,0mt***

Infrastructure work required to expand the coal line from 68mt to 81mt commenced during the 2013/14 financial year. The work is expected to gain momentum during the 2014/15 financial year, with construction of the consolidation yards at Saaiwater and Blackhill yards.

#### ***Durban Container Terminal (DCT)***

Transnet has commenced with the reconstruction and deepening of seven steel sheet piled berths at Maydon Wharf, in the Port of Durban. Construction of the first berth was successfully completed and is now fully operational. The contract for the remaining six berths was awarded recently and on-site construction is expected to commence in the near future.

#### ***Durban Dig-Out Port***

The Durban International Airport (DIA) site acquisition from ACSA was concluded during the 2012/13 financial year at a total cost of R1,85 billion. The DIA site is proposed to be developed into a dig-out port to address demand requirements in the container, liquid bulk and automotive sectors up to 2040.

#### ***Cape Town Container Terminal***

Expansion of the Cape Town Container Terminal aims to increase capacity from 0.9 million TEUs to 1,4 million TEUs to address growth in demand for containers in the Western Cape region. The capital project to deepen berths and increase container handling capacity to 900 000 TEUs has been completed. Consideration is now being given to increasing the container handling capacity to 1, 4 million TEUs.

#### ***Ngqura Container Terminal***

The Ngqura Container Terminal was launched in 2012. The port is positioned as a trans-shipment hub and a gateway for container traffic into Southern Africa. The second phase A of the project, to expand capacity from 800 000 TEUs to 1.5 million TEUs, has commenced and is expected to be completed during the 7 year MDS period.

#### ***New Multi-Product Pipeline (NMPP)***

Significant progress has been made on the NMPP with favourable weather conditions having enabled accelerated construction work to take place. The project has, however, faced some challenges with regard

to industrial action and tank construction work. In spite of these challenges, the project is expected to be completed during 2015.

### **Ports productivity**

#### **Durban**

During the period under review, ship turnaround time was slightly below the target of 59, largely due to inclement weather. The gross crane moves per hour (GCH) on Pier 1 and Pier 2 are below target, with Pier 1 at 24 moves (target is 28) and Pier 2 at 25 moves (target is 30). Anchorage waiting time was also below target, at 57 hrs (target is 46). Infrastructure upgrades are being implemented to improve functioning of the port.

#### **Cape Town**

The ship turn-around time was 29,6hrs better than the set target of 30hrs. The gross crane moves per hour were better than target, at 34 moves against a target of 32. Anchorage waiting time was below target at 57 hrs (target was 46 hrs).

Average ship turn-around time in Cape Town and Durban improved from the previous year. The Port of Durban improved anchorage waiting time from the previous year, which is important for customer satisfaction. Cape Town's performance was marginally lower than in the previous year.

### **Volumes Transported by Rail**

Transnet has continued to move volumes above 200 mt per annum, despite the lacklustre performance of the economy. During the period under review, 210.43 mt were showing a 1.3% increase in volumes compared to the previous financial year.

The volume growth was attributable to the following:

- General freight (GFB) volumes of 88mt reflected a positive growth of 6% compared to the previous year.
- Export coal volumes of 68.2mt were 11% below budget and 1% below the previous year.
- Export iron ore volumes of 54.3mt were 12% below budget and 3% below the previous year.

The 8.4% shortfall on the budgeted volume of 229.72mt was mainly due to export coal and export iron ore.

Key reasons for the deviation of a 19mt (88.4%) shortfall on total rail volumes were as follows:

- A 7.3mt shortfall on export iron ore due to customer production problems and a decline in export iron prices due to slow global economic growth.
- The 8.8mt export coal volume shortfall was partly due to a decline in export coal prices, customer related equipment failure, as well as internal and external operational constraints (such as locomotive failure and power failure, including RBCT cable failure and cable theft).
- The GFB sector accounted for the remaining shortfall of 3.2mt. A range of factors affected volume performance, including slow domestic growth, industrial strikes, customer loading and offloading challenges and wet weather conditions.

### **Migration of transportation of coal from road to rail**

The coal business under-achieved on its annual target of 95.151mt. The actual achievement for coal was 83,13mt in 2014, which represents a 12.6% under-achievement.

Road to rail migration efforts are as follows:

- Freight Rail's market development initiatives target retention and growth of traditional rail customers in the mining and heavy manufacturing sectors (e.g. export coal and iron ore), including companies that benefit from mining commodities. Other major customers are in the fuel, chemicals, agricultural and timber sectors.
- The business is targeting new customers in the FMCG, textile and light manufacturing industries, where there are opportunities for 'rail friendly' commodity types to be shifted from road to rail.
- The rail migration programme that focuses on Eskom coal is progressing well in support of the road to rail programme.

### **GFB Productivity**

On-time train departures improved by 24% compared to the previous year and by 5% compared to budget;

this was due to diligent monitoring and follow-up on the root causes of deviations. On-time arrivals also improved by 4.5% compared to the previous year, but declined by 31% compared to budget, partly due to en-route system-failures. Diligent monitoring and follow-up on the root causes of departure and arrival problems will continue.

The gradual delivery of 43 Class diesel locomotives for General Freight and focused attention on operational efficiency and volume growth resulted in an 8% improvement in asset utilization, compared to both the prior year and budget.

### **3.2 Outcome 4: Decent employment through inclusive growth**

The Department was identified as one of the contributors required to support implementation of the outcome 4 delivery agreement. Infrastructure investment was identified as one of the job drivers in the NGP. The industrial capabilities that exist within SOC such as Denel are being leveraged to support the development of advanced manufacturing in the South African economy, in line with IPAP.

#### **DENEL**

The turnaround of Denel has been crucial to preserve advanced industrial capabilities within the State's portfolio. The company has continued to support the needs of the South African Defence Force, which has played a crucial role in developing capability to secure other markets. In June 2013, the company reported a R21 billion order book, which increased to R30 billion by December 2013. This will enable the business to meet its plan of doubling revenues to R8 billion by 2018/19. One significant order secured by the SOC in the 2013/14 financial year was a R10 billion contract by the South African Department of Defence to produce 238 Hoefyster infantry fighting vehicles (IFV) for the South African Army. The programme is critical in maintaining the country's advanced defence manufacturing capabilities. Importantly, 70% of the components for the vehicles will be developed and manufactured in South Africa, with 2 000 jobs to be created at Denel and in the related South African defence industry.

In 2013/14 Denel revived its space and satellite capabilities, after entering into a collaborative relationship with the South African National Space Agency (SANSA). This will not only ensure that the country's space and satellite capabilities are enhanced, but will provide local industry with the opportunity to tap into the growing and strategic global space and satellite industry.

The SOC has delivered and supported the deployment of the Rooivalk combat support helicopter in combat operations in the Democratic Republic of Congo (DRC). The deployments were done under the United Nations Organisation Stabilisation Mission (MONUSCO) and have proven to be a game changer in peace enforcement operations.

#### **Localisation and transformation**

The Department has continued to monitor implementation of the Supplier Development Plans of both Eskom and Transnet. Furthermore, the Department has incorporated localization targets into the shareholder compacts of these entities; to ensure that their procurement expenditures advance the industrialization programme of Government. The proportion of both components and services sourced locally by these SOCs has gradually increased since the introduction of the Competitive Supplier Development Programme (CSDP).

In the 2013/14 financial year, Transnet achieved 92% local content procurement as a percentage of total spend. This is an exceptionally good performance for the year, especially if you take into consideration that the local content target was only 70% of total spend.

Transnet also exceeded the supplier development target by achieving 37% commitment of contract value to be invested in the country: the target was only 35%. Transnet's performance in regard to supplier development would have been significantly higher if the SOC was not bound by the Preferential Procurement Policy Framework Act (PPPFA). Engagement with National Treasury on the PPPFA is ongoing in order to find a solution that will allow SOCs to maximize their procurement spend.



BBBEE spend amounted to 94% of Total Measurable Procurement Spend (TMPS); this was against a target of 70%. Spend on Black Women Owned and Black Youth Owned remains low. The Department is, however, continuing to engage Transnet to find ways to improve spend on these two groups.

### 3.3 Outcome 5: A skilled and capable workforce to support an inclusive growth path

SOCs within the DPE portfolio committed to support the National Skills Agenda through implementation of various skills initiatives, with a specific focus on scarce and critical skills. These initiatives include alignment of skills development programmes to the National Skills Development Strategy (NSDS) and National Skills Accord in support of the New Growth Path (NGP) and the National Development Plan (NDP). To ensure alignment to these interventions, the Department has established partnerships with the Department of Higher Education and Training (DHET), the Economic Development Department (EDD) and the Department of Trade and Industries (DTI). This is crucial to ensure that the skills development capacity of SOC is leveraged to develop core and critical skills to meet the economy's requirements.

The commitments made by SOC and partnerships with relevant government departments has resulted in the enhancement of provisioning of scarce and critical skills by SOC to address skills gaps within SOC, as well as closing the national scarce and critical skills gaps. Thus SOC's alignment to the National Skills Accord focuses on the following commitments:

- **Commitment 1:** Expand the level of training using existing facilities more fully.
- **Commitment 2:** Make internships and placement opportunities available within workplaces.
- **Commitment 5:** Improve funding of training and the use of funds available for training and incentives.
- **Commitment 8:** Improve the role and performance of FET Colleges.

These commitments have been translated to form part of the targets that are included in the shareholder compacts concluded with the Executive Authority. In the 2013/14 financial year, and in line with the National Skills Accord, SOC collectively committed to enrol 2 764 new artisan trainees of which: 1 040 trainees were to be enrolled at Eskom; 1 550 were to be enrolled at Transnet; and the remainder were to be enrolled at South African Airways, South African Airways Express (SAX), Alexkor and SAFCOL.

Transnet's enrolment includes 1000 additional artisan trainees funded through the R175 million from the National Skills Fund (NSF) to be trained over a period of three years, which will optimise their training facilities in addressing the national skills gaps and with a special focus on supporting SIPs. To this end, a Memorandum of Understanding (MoU) was concluded between the Department and the DHET in October 2013.

Other commitments made by SOC include: training of technicians and engineers supported through bursary schemes and internship programmes; enrolment for training of cadet pilots; and training of learners in scarce and critical skills in areas such as train drivers at Transnet, energy field workers at Eskom, forestry workers at SAFCOL and airport crew members at both SAA and SAX.

In addition, Eskom has also committed to ensuring that at least 2 500 matriculants and 2 500 graduates in the pipeline are trained in artisan trade skills and supported in work experiential learning programmes through Eskom and its supplier network.

As at 31 March 2014, a total of 2 109 new artisan trainees were enrolled at SOC in the Department's portfolio, of which: 1 569 artisans were enrolled at Transnet; 94 new artisan were enrolled at Eskom; 306 new artisan trainees enrolled at Denel (237 of the trainees enrolled for training through Denel Technical Academy partnerships with private companies); 147 artisan trainees enrolled at SAA; 36 artisan trainees enrolled at SAX; 4 and 6 artisan trainees enrolled at Alexkor and SAFCOL, respectively.

A total of 459 technician trainees (Transnet – 339; Eskom – 100; Denel – 12; Broadband Infracore – 6; SAFCOL - 2) and 367 engineering trainees (Transnet – 138; Eskom – 179; Denel – 41; Broadband Infracore – 4; and SAFCOL - 4) were enrolled in various programmes supported through bursary schemes and internship programmes. Other SOC scarce and critical skills enrolments include 55 new cadet pilots enrolled for training at SAA (34) and SAX (21), with 2 176 new learners enrolled in sector specific scarce and critical skills learning programmes to address sector skills shortages.

In addition, Eskom has enrolled 172 matriculants in artisan trade skills and 195 graduates in various work experiential learning programmes within Eskom and its supplier network. Thus, as at March 2014, Eskom and its suppliers had 2 718 matriculants and 1 607 graduates in the pipeline, who are being trained and placed in various learning programmes.

### **3.4 Outcome 7: Vibrant, equitable and sustainable rural communities with foodsecurity for all**

#### **ALEKKOR**

The SOC has delivered on government obligations to the Richtersveld community, with a R120 million upgrade of the Alexander Bay Township infrastructure (roads, electrical and water reticulation and waste water treatment) being completed on 31 March 2013 and the town's registration confirmed on 22 November 2013. This means that the town, which was previously a mining compound, is one of the new towns in South Africa and part of the Richtersveld Local Municipality. The value of property in the town that will be transferred to the community is estimated at R200 million.

The jointly-owned mine, which had previously seen its diamond production decrease substantially due to the land restitution process, has seen an improvement in carat production from 35 000 carats to over 50 000 carats. This has been on the back of a newly commissioned R50 million processing plant at Muisvlak near Port Nolloth, which has created 200 jobs for the community.

During the period under review, the Minister approved the strategy for the SOC to become a diversified mining company; this will include coal supply in support of the national energy security imperative. The Department is working closely with the SOC to ensure success of the strategy and significant projects will be announced in 2014/15.

#### **SAFCOL**

In 2012/13, the Department revised the SOC mandate to enable product diversification and further vertical integration. The SOC will announce the new corporate strategy within the ambits of the revised role in 2014/15. As at the end of the financial year, SAFCOL spent R6,591 million on socio-economic development initiatives. This represents 3.3% of the Net Profit After Tax (NPAT) - a significant achievement compared to the Shareholder Compact (SHC) target of 1%. SAFCOL continues to create jobs in communities surrounding its plantations through the Extended Public Works Programme (EPWP).

SAFCOL completed 11 socio-economic development initiative projects during the 2013/14 financial year.

Details of the completed projects are as follows:

- Emhlabaneni Primary School (classroom and ablution block)
- Esihlengeni Combined School (supplied 20 new computers and installed table tops, ICT burglar proofing and electrical work)
- Mayflower Disability Centre (retaining walls and burglar proofing)
- Dinethemba and Daviddale ECD centres (wash basins and ablution blocks)
- Tshitavhadulu Community Hall (new building)
- Mantjolo Market Stalls (market stalls and ablution facility)
- Ntabamhlophe Primary School (3 ablution blocks)
- Thathe-Vondo Guest House (renovations)
- Leroro Shelter (burglar proofing)
- Diepdale Youth Centre (site establishment has been completed and excavation of trenches is 90% complete)
- Desk Manufacturing Project (industrial machines and tools have been procured)

## 4. PERFORMANCE INFORMATION BY PROGRAMME

### 4.1 Programme 1 - Administration

#### **PURPOSE:**

The programme provides strategic management, direction and administrative support to the Department, which enables the Department to meet its strategic objectives.

#### **PROGRAMME OVERVIEW:**

The programme includes the Ministry, the Office of the Director-General and Support Services.

#### **THE FOLLOWING UNITS FALL UNDER PROGRAMME 1:**

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; Internal Audit and Office Accommodation.

**Office of the Director-General** is responsible for Corporate Management.

#### **CORPORATE SERVICES IS RESPONSIBLE FOR:**

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

**Information Management and Technology** – IT infrastructure and support, Records Management and Library Services.

**Office of the Chief Financial Officer** is responsible for Financial Management Services to ensure: compliance with the PFMA and Treasury Regulations; and efficient and effective supply chain management services

**Human Resources** is responsible to partner with line management to achieve operational excellence and its human capital for the achievement of the departmental strategic objectives.

**Communications** is responsible for: repositioning the DPE as an activist shareholder; making the DPE brand relevant and meaningful to ordinary South Africans; impacting media relations and media communication; and improving employee engagement.

**Strategic Planning, Monitoring and Evaluation** is responsible for: co-ordination, management and oversight of 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 reporting to various stakeholders.

**Inter-Governmental and Stakeholder Relations** is responsible for coordination, support and provision of advice to the Minister, the Deputy Minister, the Director-General and the Department on matters related to Inter-governmental, International and Stakeholder Relations.

**Internal Audit** is responsible for the preparation of a three-year strategic audit plan and a one-year internal audit plan based on its assessment of key risks for the Department, in consultation with and for approval by the Audit Committee.

**Office Accommodation** is required for the devolution of funds from the Department of Public Works for the DPE's premises.

#### 4.1.1 Strategic Objective Annual Targets for 2013/14 for Administration

##### **Office of the Director-General**

- Provide strategic direction and leadership to the Department.

##### **Corporate Services**

- Information Management and Technology.
- Security and facilities management.

##### **Office of the Chief Financial Officer**

- Sound financial management policies and practices.
- An efficient and effective Supply Chain Management function.

##### **Human Resources**

- Develop and implement talent management intervention
- Drive high performance culture.
- Effective, efficient and timeous recruitment and selection to ensure an adequately capacitated Department.
- Build internal talent pool through staff development intervention and career management to ensure continuous supply of human capital.

##### **Communications**

- Provide strategic communication support that aligns with DPE goals and objectives to the executive leadership and the Department.
- Provide internal communication services, based on the Departmental mandate to ensure awareness, understanding and acceptance of strategic and operational priorities of the Department.
- Provide strategic stakeholder support on matters that are important to the Department.
- Adhere to Government's communication protocol and policy guidelines, and align with the strategic priorities contained in the Government Communication Strategy.

##### **Inter-Governmental Relations**

- Foster closer relations and co-operation between DPE and other departments to advance DPE's mandate and objectives.
- Manage DPE International Relations' responsibilities, ensuring alignment to South Africa's Foreign Policy.
- Establish and maintain mutually beneficial relations with strategic stakeholders.

##### **Strategic Planning, Monitoring and Evaluation**

- Co-ordination, management and oversight of outcomes-based performance reporting; performance monitoring and evaluation and reporting to stakeholders.
- Oversee strategic planning within the Department and ensure its alignment to Medium Term Strategic Framework priorities.
- Development and implementation of tools to support outcomes-based planning, monitoring and reporting.

##### **Internal Audit**

- Provide independent and objective assurance and consulting Internal Audit services that are designed to add value and improve the Department's operations.
- Assist the Department to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

#### 4.1.2 Strategic objectives:

- Continued strengthening of financial management tools to maintain the clean audit record.
- Strengthen the monitoring and evaluation function through review of the policy on management of performance information.
- Payment of invoices within 30 days.

- Finalisation of the performance management policy and begin implementation to promote a high performance culture within the organisation.
- Strengthening of the human resource function within the Department, to ensure that the vacancy rate is kept below 10%.
- Implementation of the Department's communication strategy, including improving engagement with provinces and other stakeholders.

### Programme Performance Indicators

Programme 1 is a support function and its primary focus is to create the organisational environment necessary to achieve the objectives outlined in Department's Strategic Plan and APP. In the 2012/13 financial year, the key focus of the programme was to secure the funding required to augment the capacity of the Department, as the mandate of the Department continued to evolve and expand. In the 2013/14 financial year, the focus was on achieving the following:

- Continued strengthening of financial management tools to maintain the clean audit record.
- Strengthen the monitoring and evaluation function through review of the policy on management of performance information.
- Payment of invoices within 30 days.
- Finalisation of the performance management policy and begin implementation to promote a high performance culture within the organisation.
- Strengthening of the human resource function within the Department, to ensure that the vacancy rate is kept below 10%.
- Implementation of the Department's communication strategy, including improving engagement with provinces and other stakeholders.

### Performance Indicators

Programme Name: Administration					
Strategic objectives	Actual Achievement 2012/2013	Planned Target 2013/2014	Actual Achievement 2013/2014	Deviation from planned target to Actual Achievement for 2013/2014	Comment on deviations
Information technology and knowledge management					
Unqualified performance and compliance	None	Approved IT Governance structures	Draft IT governance structure document has been developed and needs to be reviewed before approval, this target has been deferred to 2014/15	Approval of the Governance Structures	Further engagement with key stakeholders such SITA is still required.
Stable and secure IT network	None	98% uptime of network	98% uptime of network achieved in 2013/14 financial year.	None	None
Security and Facilities Management					
100% of all new appointment staff complete and submit security clearance forms	None	100% of all new appointment staff submit clearance forms within 30 days	100% of all new employees submitted security clearance forms within 30 days.	None	None
Office of the Chief Financial Officer					
Compliance with Treasury Regulation 8.2.3	None	All approved invoices paid within 30 days	All approved invoices paid within 30 days	None	None

<b>Programme Name: Administration</b>					
<b>Strategic objectives</b>	<b>Actual Achievement 2012/2013</b>	<b>Planned Target 2013/2014</b>	<b>Actual Achievement 2013/2014</b>	<b>Deviation from planned target to Actual Achievement for 2013/2014</b>	<b>Comment on deviations</b>
Compliance with S40(4)(c)(i)(ii)(iii)	None	Submission of monthly management reports to the DG, Minister and National Treasury within 15 days of the end of each month	Monthly management reports submitted to the DG, Minister and National Treasury within 15 days of the end of each month	None	None
Transversal systems	None	Successful processing of transactions MTEF August Adjusted estimates September ENE - November/ December/ January Financial Statements 31 May 2013	Successful processing of transactions MTEF, ENE and Financial Statements submitted as per required deadlines.	None	None
Asset Management	None	Accurate Asset Register	Asset register assessed accurately	None	None
Contract Management	None	Updated contract register	contract register updated	None	None
Procurement processes	None	No irregular expenditure	R 711 000 irregular expenditure was incurred in the period under review.	Irregular expenditure	Non-compliance.
<b>Human Resources</b>					
Human Resource Plan	None	Reviewed HR Plan submitted to the Minister	Reviewed HR Plan submitted to DPSA and Minister	None	None
Implementation of the Performance Management policy	None	Roll out of the new performance management policy at SMS level	Session with all employees on the organisation performance, climate survey, talent management retention and rewards and recognition held, hosted by the DG.	None	None
Current vacancy rate reduced	None	10% vacancy rate	vacancy rate is currently at 1.8%	None	None
Implement talent management strategies	None	Presentation of the Talent management framework and strategy to Exco	Talent management framework presented at Exco on 20 November 2013	None	None
<b>Performance Monitoring and Evaluation</b>					

<b>Programme Name: Administration</b>					
<b>Strategic objectives</b>	<b>Actual Achievement 2012/2013</b>	<b>Planned Target 2013/2014</b>	<b>Actual Achievement 2013/2014</b>	<b>Deviation from planned target to Actual Achievement for 2013/2014</b>	<b>Comment on deviations</b>
Performance Monitoring and Evaluation Policy	None	New performance monitoring policy completed	New performance monitoring policy completed and presented at MANCO	None	None
Departmental Strategic Plan	None	Strategic Planning Session scheduled	Strategic Planning held on 21 – 23 of October 2013.	None	None
Departmental Annual Performance Plan	None	Annual Performance Plan completed	Annual Performance Plan completed	None	None
Departmental Annual Report	None	Draft Annual Report developed	Draft Annual Report developed and submitted to parliament for approval	None	None
<b>INTERNAL AUDIT</b>					
Audit Assurance and consulting services					
3-year strategic and operational internal audit plan	None	Approved plan	3- Year plan approved by Audit Committee.	None	None
Internal Audit Reports	None	12 Final Internal Audit Reports	12 final internal audit reports issued	None	None
Updated issue tracking schedules	None	3 issue tracking report	3 issue tracking report completed, tracking reports issued in quarter 2,3 and 4	None	None
Audit Committee Secretariat					
Audit Committee coordination	None	Coordination of Audit Committee meetings	Quarterly Audit committee meetings coordinated and held	None	None

### **Strategic Objectives 2013/14 key achievements**

In the 2013/14 financial year, the Programme focused on improving processes and systems to facilitate effective planning and performance monitoring within the organisation. During the year under review, the Organisational Monitoring and Evaluation Policy was developed to enhance organisational performance and align it to individual performance. Furthermore, the Department successfully completed its planning cycle, which defined its new strategic objectives as per the NDP.

The programme's capacity was enhanced by the appointment of a Deputy-Director-General, Corporate Management to provide strategic direction within the programme and improve systems in order to enhance organisational performance. The capacitation of this office strengthened the Office of the Director-General considerably and contributed to faster turn-around times in terms of the Department's internal processes.

The filling of new posts emanating from the new structures approved in the 2012/13 financial year gained momentum in the period under review. The Department significantly reduced its vacancy rate from above 10% in 2012/13 to its current level of below 2%. Strengthening of the executive management team was achieved by filling all vacant Deputy Director-General positions. This reduction can be attributed to an aggressive recruitment drive that was implemented during the 2012/13 and 2013/14 financial years and which was supported by the introduction of the "use it or lose it" policy i.t.o. filling vacancies. This policy requires that

a vacant position is filled within three months by a unit or the post is transferred to a unit where a need for additional capacity exists.

The Department initiated a project to identify its strategic capabilities and skills gaps relating to its ability to deliver on the set objectives. This project will be anchored by a Talent Management Programme aimed at identifying core and critical skills needed by the Department to deliver on its strategic objectives. These processes will ensure that high performers in critical positions are retained, in line with the developed Attraction and Retention Policy. SMS members' contract positions in the Department were converted to permanent positions to support the attraction and retention of talent

The Programme continued to manage the Department's image and mitigate against reputational risks that arose during the financial year under review. The Programme heightened its efforts to position the DPE as an activist shareholder with a positive brand profile through targeted media events. The Programme maintained consistent visibility in the different media and this broadened the distribution of messages from the Department to all corners of the country.

The use of different media platforms, especially new media and social media, became a regular feature. The Department's global interface website, [www.dpe.gov.za](http://www.dpe.gov.za), was re-launched with updated information and accessible navigation features. Stakeholder management was boosted with the successful revival of the SOC Communicator's Forum and through this structure regular events were held throughout the country.

Internal communication programmes also became a regular feature of the Department's activities, with its schedule of events involving staff including the launch of the Learning Forum, to which external experts are invited to discuss topics, including the NDP.

The Department hosted a BRICS senior officials meeting in Pretoria, which was chaired by the Director-General. This meeting emanated from the BRICS summit held earlier in Durban, at which member countries agreed to enjoin BRICS Ministers responsible for shareholder oversight over SOCs to explore ways of cooperation and the exchange of information and best practices. A Joint Declaration was agreed on and it will be considered by the BRICS Ministers in the 2014/15 financial year. Another milestone was the MoU signed between the Department and the State-Owned Assets Supervision and Administration Commission of the State Council of China, the scope being to enhance information sharing efforts regarding shareholder management practices and other matters of mutual interest.

The Department has continued to strengthen its inter-governmental programme through its provincial engagement programme. Meetings were held with seven Provincial Governments, i.e.: Gauteng, Northern Cape, Eastern Cape, North West, Free State, KwaZulu-Natal and Limpopo. These engagement sessions were held to establish task teams, led by the Deputy Minister and relevant MECs, which are to: enhance alignment between the investment plans of SOCs and the Provincial Growth and Development Strategies; enhance the quality and scale of relationships between SOCs and provincial stakeholders.

The Internal Audit unit completed all planned audits as per the approved Annual Operational Plan. Audit reports were issued to management, with comprehensive recommendations provided to address identified internal control weaknesses. The Internal Audit unit communicated results for the completed audits to the Audit Committee and the Department's Executive. This was targeted to strengthen internal controls.

Vetting of staff has been strengthened and currently 90% of all staff (new and old) have completed and submitted their security vetting forms to the State Security Agency for vetting. All candidates shortlisted for interviews were subjected to pre-employment screening. Information security audits were conducted by all the units in the Department.

The establishment of the ICT Steering Committee has made the Department compliant with the ICT Corporate Governance environment.

ICT was also successfully transformed from an outsourced function to a fully in-sourced function.

### **Changes to Planned Targets**

The Department continuously reviews the relevance of its APP to ensure that it remains relevant and appropriate to support the government outcomes. In the period under review, the Department undertook a review of its



APP to assess relevance of certain projects and better align the annual targets to resources. As a result, few changes on the annual performance targets were effected. A revised Annual Performance Plan was signed by the Executive Authority of the Department. The revised targets were used to monitor performance within the programme.

### Sub-programme expenditure

Sub-Programme Administration	2013/14			2012/13		
	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	31 385	31 343	42	30 264	30 036	228
Management (Prog. 1)	9 296	9 269	27	4 406	4 173	233
Internal Audit	3 960	3 743	217	3 287	3 276	11
Corporate Services	27 226	27 056	170	28 915	28 334	581
Chief Financial Officer	11 417	11 281	136	10 304	10 074	230
Communication	14 371	14 226	145	12 996	12 840	156
Office Accommodation	7 758	7 240	518	8 786	8 785	1
Human Resources	17 674	17 618	56	12 900	12 698	202
Strategic Planning, Monitoring and Evaluation	4 851	4 807	44	3 416	3 379	37
Inter-Governmental Relations	6 764	6 711	53	1 822	1 772	50
<b>Total</b>	<b>134 702</b>	<b>133 294</b>	<b>1 408</b>	<b>117 096</b>	<b>115 367</b>	<b>1 729</b>

Expenditure in this programme amounted to R133.294 million in 2013/14, compared to R115.367 million in 2012/13. This increase was mainly due to: the fully functional Inter-Governmental Relations sub-programme, which was established in 2012/13; the appointment of the DDG: Corporate Management in the Management sub-programme; a number of large projects undertaken by Human Resources; audit fees; office accommodation; further alterations to premises; furniture and equipment to accommodate the increased staff complement; and travel costs for provincial engagement.

### 4.2 Programme 2 - Legal & Governance

Purpose: This programme: provides legal services and corporate governance systems; facilitates the implementation of all legal aspects of transactions that are strategically important to the Department and SOCs; and ensures alignment with Government's strategic intent.

The sub-programmes of this programme are as follows:

- Management comprises the office of the Deputy Director-General, which provides strategic leadership and management of programme personnel. The sub-programme has a staff complement of 2 and 82.07% of the budget is used for compensation of employees.
- Legal - internal legal services and support to oversight of the SOC. 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.

The sub-programme has a staff complement of 12 and 62.5% of the budget is used for compensation of employees, whilst the balance of the budget is used on goods and services including, expert legal advice and normal operational expenditure.

- Governance develops and manages effective corporate governance and shareholder management systems for the Department and its portfolio of SOCs.

This includes:

- Risk Management identifies reports and monitors both operational and shareholder risks, including but not limited to SOCs' specific and cross-cutting risks;
- Compliance ensures that the Department establishes and implements systems and processes to ensure that the Department and its SOCs comply with legislative, regulatory and supervisory requirements in line with international best practice.

#### 4.2.1 Strategic Objective

Ensure effective shareholder oversight of all SOCs by:

- Providing legal services, including transaction and contract management support to the Department.
- Ensuring that the Department and its portfolio of SOCs comply with legal and regulatory requirements.
- Monitoring implementation of the logical framework across all SOCs and reviewing the impact on governance
- Facilitating the maintenance of efficient and effective risk management practices within the DPE.
- Overseeing and providing advice on risk management practices maintained by state-owned companies reporting to the Department

#### Performance indicators

<b>Programme 2: Legal and Governance</b>					
<b>Performance Indicator</b>	<b>Actual Achievement 2012/2013</b>	<b>Planned Target 2013/2014</b>	<b>Actual Achievement 2013/2014</b>	<b>Deviation from planned target to Actual Achievement for 2013/2014</b>	<b>Comment on deviations</b>
Ensure Effective Shareholder Oversight of all the SOC by Providing Legal Services which Includes Transaction and Contract Management Support to the Department					
Winding-up of Aventura	The Aventura Board resolution secured in May 2012 to liquidate the company.  Lodge of relevant documentation with the registrar of companies	Liquidation of Aventura	Liquidation of Aventura Liquidator has been appointed and two meetings held.	None	None
Transformation Charter	Initiated the discussions with the SOC for the development of the Charter	Draft transformation charter to the SOCs for discussion and comments	Transformation charter drafted and sent to SOCs for discussion and comments	None	None

<b>Programme 2: Legal and Governance</b>					
<b>Performance Indicator</b>	<b>Actual Achievement 2012/2013</b>	<b>Planned Target 2013/2014</b>	<b>Actual Achievement 2013/2014</b>	<b>Deviation from planned target to Actual Achievement for 2013/2014</b>	<b>Comment on deviations</b>
Review of Eskom/ BHP Special Pricing Agreement	None	Process to review the Special Pricing Agreement initiated based on the NERSA decision.	None	The Department completed the process to review the contract and a communication was sent to the regulator initiate the review process. Engagement between the Department and BHP have been held.	The matter is awaiting further engagement with DoE and NERSA.
DPE position on ISMO	Development of a Joint paper between DPE and Eskom and approval of PFMA application for establishment of ISMO as a subsidiary of Eskom	DPE comments on the ISMO Bill	Comments on the Bill drafted and sent to parliament	None	None
Develop SOC procurement framework (PPPFA)	Review of the PPPFA	Develop the framework for Strategic Procurement Projects from PPPFA	Framework for Strategic Procurement Project from PPPFA has been developed and it has been considered by stakeholders (NT, DTI, Eskom, and Transnet) through an intergovernmental process.	None	None
<b>Fast Track of SOC Construction Settlement</b>					
SOC construction settlement (Transnet and Eskom)	Initiate shareholder involvement in civil damages proceedings Obtain approval from the Minister Consultation with SOCs	Formulation of common approach in respect of civil damages and initiation of civil damages process and negotiations	Steering committee was established as recommended by cabinet and DPE is one of the Dept represented in the committee. Eskom and Transnet submitted their proposal which are being considered by the steering committee	None	None

<b>Programme 2: Legal and Governance</b>					
<b>Performance Indicator</b>	<b>Actual Achievement 2012/2013</b>	<b>Planned Target 2013/2014</b>	<b>Actual Achievement 2013/2014</b>	<b>Deviation from planned target to Actual Achievement for 2013/2014</b>	<b>Comment on deviations</b>
Reduction of Eskom and Transnet copper theft					
Position paper on Eskom and Transnet copper theft challenges	Submission of final DPE position on copper theft to the Minister	Proposals to reduce copper theft	None	Proposals to reduce copper theft not finalized	Further engagements with key stakeholders is required to secure consensus on the emerging proposal
SOC Board and Executive remuneration standards	Approval of the standards and development of the new remuneration model	Implementation of the executive remuneration standards	The Minister of Public Enterprises approved SOC remuneration standards for implementation within the portfolio, letters sent to all SOCs informing them about the remuneration standards approval. In addition SOC executive remuneration standards reviewed and will serve at the first cabinet cycle after elections	None	None
Agreement between SOGEM and Eskom					
Eskom Energy Manatalia	Mutual Discharge signed, Interim Operations Agreement signed	Finalisation on negotiation process and signed contract with a duration of 10 years	Draft contract has been developed	Signed contract	Since the mandate has changed, DPE and Eskom could not continue with this project.

### **Strategic objectives 2013/14 key achievements**

As part of the shareholder's oversight responsibilities, the Programme continued to engage with SOC boards through statutory meetings, such as the Annual General Meetings (AGM), and on a needs basis when key issues arose. Due to operational and financial difficulties experienced by several SOCs during the year under review, these engagements were more frequent. The programme continued to assist the Department (and Government) to exercise its shareholder influence by ensuring the appropriate appointment of suitably skilled and competent individuals to SOC boards.

The unit held an induction for SOC boards to apprise directors of the Government's strategic intent for their SOC, their duties and responsibility as board members and the need for boards to subject themselves to a self-evaluation process.

To date, the Department has successfully reviewed and aligned SOCs' constitutional documents to clarify SOC mandates, codify shareholder expectations through the logical framework and ensure clear delineation of roles between the Minister (as the shareholder representative) and SOC' Boards. Other important tools that

have been developed include: the board appointment process; and Remuneration and Incentive Standards for Executive Directors, prescribed Officers and Non-Executive Directors of SOCs.

The new Remuneration Standards were submitted to the Minister and tabled in Cabinet on two occasions. Based on the Minister's recommendation, the final submission to Cabinet is expected during the term of the new administration. Notwithstanding, the unit is in the process of consulting with SOCs on the implementation of the Standards.

In addition to the above, some of the notable achievements of the Programme include the following:

1. Successful settlement of the R2 billion legal claim instituted by Londoloza/Paharpur against the Department and SAFCOL.
2. The appointment of a liquidator to administer and manage the liquidation of Aventura.
3. Drafting the Transformation Guidelines for the transformation of the SOC legal environment.
4. Successful negotiations to facilitate Eskom's exit from an onerous contract in Senegal.

### Changes to Planned Targets

The Department continuously review the relevance of its APP to ensure that it remains relevant and appropriate to support the government outcomes. In the period under review, the Department undertook a review of its APP to assess relevance of certain projects and better align the annual targets to resources. As a result, few changes on the annual performance targets were effected. A revised Annual Performance Plan was signed by the Executive Authority of the Department. The revised targets were used to monitor performance of the programme.

### Sub-programme expenditure

Sub-Programme Legal and Governance	2013/14			2012/13		
	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	3 052	3 022	30	2 346	2 252	94
Legal	12 789	12 704	85	13 586	13 370	216
Governance	7 597	7 433	164	8 305	7 855	450
Total	23 438	23 159	279	24 237	23 477	760

Expenditure in the programme amounted to R23.159 million in 2013/14, compared to R23.477 million in 2012/13. There is no substantive change to expenditure in this programme over the period under review. Under-expenditure is attributed to a number of projects not having been completed during the year.

### 4.3 Programme 3 - Portfolio Management and Strategic Partnerships

**Purpose:** To align the corporate strategies of SOCs with Government's strategic intent, as well as monitoring and benchmarking their financial and operational performance and capital investment plans. ii) To align shareholder oversight with Government's over-arching economic, social and environmental policies, as well as building focused strategic partnerships between SOCs, strategic customers, suppliers and financial institutions.

The sub-programmes in this programme are as follows:

- **Energy and Broadband Enterprises** – includes Eskom, PBMR and Broadband Infraco.
- **Manufacturing Enterprises** - includes Denel, Alexkor and SAFCOL.
- **Transport Enterprises** - includes South African Airways (SAA), South African Express (SAX) and Transnet.
- **Economic Impact and Policy Alignment** – aligns SOCs with Government's over-arching economic, social and environmental policies.
- **Strategic Partnerships** – this has evolved from the work of the Chief Investment and Portfolio Manager (CIPM) and aims to ensure commercial sustainability of SOCs and attainment of desired strategic outcomes and objectives by SOCs.

## Programme expenditure

Sub-Programme Portfolio Management and Strategic Partnerships	2013/14			2012/13		
	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 and Broadband Enterprises	17 631	15 991	1 640	15 948	13 944	2 004
Manufacturing Enterprises	71 596	68 097	3 499	1 180 151	1 178 268	1 883
Transport Enterprises	19 789	14 985	4 804	22 049	20 030	2 019
Economic Impact and Policy Alignment	16 069	9 686	6 383	10 722	9 990	732
Strategic Partnerships	10 914	7 256	3 658	6 555	5 973	582
<b>Total</b>	<b>135 999</b>	<b>116 015</b>	<b>19 984</b>	<b>1 235 425</b>	<b>1 228 205</b>	<b>7 220</b>

Expenditure on the programme amounted to R116.015 in 2013/14, compared to R1.228 billion in 2012/13. The decrease is mainly due to: payment for financial assets to Alexkor and Denel amounting to R1.050 billion; as well as an amount of R118.313 million to Denel/SAAB Aerostructures in 2012/13 in respect of an indemnity claim. An amount of R57.250 million was disbursed to Denel Aerostructures in 2013/14 for payment of the eighth indemnity claim.

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

#### 4.3.1 Sub-Programme: Energy and Broadband Enterprises

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

Eskom and PBMR: Shareholder management and oversight of the Eskom business, including the generation, transmission and distribution of electricity, with particular emphasis on ensuring security of supply. To also provide strategic financial and transactional analysis of Eskom businesses as well as monitoring of its capital investment programme. Additionally, provide oversight of implementation of the Pebble Bed Modular Reactor (PBMR) care and maintenance programme in order to preserve intellectual property and assets.

Broadband Infraco: Shareholder management and oversight of Broadband Infraco and monitoring of implementation of its investment programme, as well as strategic financial and transactional analysis, including interfacing with investors and strategic stakeholders across the sector.

##### 4.3.1.1 Strategic Objective

1. Ensure effective shareholder oversight and monitoring of Eskom and Broadband Infraco:
    - Analysis and Assessment of the Corporate Plan and Annual Report.
    - Negotiation and approval of shareholder compact Shareholder.
    - Assessment of quarterly reports and preparation of quarterly investor briefs.
- Financial and technical assessment of PFMA Applications.

2. Support Eskom in ensuring security of electricity supply:
  - Examine Eskom’s maintenance and operational practices, distribution efficiency and the reserve margin through assessment of the Generation, Distribution and Transmission systems performance indicators, as reported in the quarterly report.
  - Monitoring cost escalations, delivery schedules (time) and quality for the capital investment programme, so as to reduce potential dependence on the fiscus.
3. Implementation of the PBMR care and maintenance programme:
  - Safeguard state owned assets by monitoring progress against implementation of the care and maintenance programme by the PBMR
4. Support increased access to broadband:
  - Monitor Broadband Infraco’s compliance in order to increase the number of broadband access points in major cities and under serviced areas through rolling out the national long distance infrastructure, as per its license obligations.

#### 4.3.1.2 Programme Performance Indicators

<b>Sub-programme: Energy and Broadband Enterprises</b>					
<b>Performance Indicator</b>	<b>Actual Achievement 2012/2013</b>	<b>Planned Target 2013/2014</b>	<b>Actual Achievement 2013/2014</b>	<b>Deviation from planned target to Actual Achievement for 2013/2014</b>	<b>Comment on deviations</b>
<b>Ensure effective shareholder oversight and monitoring of Eskom and Broadband Infraco</b>					
Approved Corporate Plans aligned to department and Government Developmental Objectives	Obtain assessed Corporate Plans	Eskom and Broadband Infraco Corporate Plans assessed	Corporate plan for Eskom and Broadband infraco assessed and approved by the department	None	None
Analysis of annual report	Draft Annual Report Assessments completed	Eskom and Broadband Infraco draft Annual Report Assessed.	Draft annual report for both Eskom and Broadband Infraco assessed	None	None
Minister’s address in preparation of the Annual General Meetings (AGMs)	Minister’s addresses issued at the AGMs	Minister’s addresses issued at the AGMs for Eskom and Broadband Infraco	Minister’s addresses issued for Eskom AGM held on 10 July 2013 and Broadband Infraco AGM held on 08 August 2013	None	None
Strategic Intent Statement (SIS)	Strategic Intent Statements issued at AGMs	Eskom and Broadband Infraco Strategic Intent Statement developed	Strategic Intent Statement for Eskom and Broadband Infraco developed and issued	None	None

<b>Sub-programme: Energy and Broadband Enterprises</b>					
<b>Performance Indicator</b>	<b>Actual Achievement 2012/2013</b>	<b>Planned Target 2013/2014</b>	<b>Actual Achievement 2013/2014</b>	<b>Deviation from planned target to Actual Achievement for 2013/2014</b>	<b>Comment on deviations</b>
Negotiation and approval of shareholder compact	Shareholder Compacts approved	Approved 2015/16 Shareholder Compacts for Eskom and Broadband Infraco	The target was achieved but incorrectly captured as 2015/16 shareholder compact in the APP instead of 2014/5. 2014/15 Shareholder Compacts approved for Eskom and Broadband Infraco	None	None
Assessment of quarterly reports	Quarterly report assessed	Eskom and Broadband Infraco Quarterly report assessed.	4 quarterly assessment on operational and financial performance for Eskom and Infraco completed	None	None
Financial and Technical assessment of PFMA Applications	Rigorous assessment of PFMA applications with appropriate recommendations to Minister within required timeframes	All received PFMA application assessment submitted	All received PFMA application assessed and submitted	None	None
Industry benchmarks completed (Eskom and BBI)	Current KPIs on the shareholder compacts	Draft report on Industry Benchmark Studies	None	Project not completed	Project deferred to 2014/15 due significant changes in the operating environment of the SOC
<b>Adequate infrastructure that responds to the economic needs of the country</b>					
Assessment of the delivery of Eskom's capacity expansion programme	Monitoring of the delivery of Eskom's capacity expansion programme	Quarterly monitoring of the capacity expansion programme Assessment of Eskom practices in implementing the capacity programme	Capacity expansion programme monitored on a quarterly basis. The study conducted to Assess Eskom practices on the implementation of capacity expansion programme completed.	None	None
Implementation of the care and maintenance strategy as approved by Cabinet					



<b>Sub-programme: Energy and Broadband Enterprises</b>					
<b>Performance Indicator</b>	<b>Actual Achievement 2012/2013</b>	<b>Planned Target 2013/2014</b>	<b>Actual Achievement 2013/2014</b>	<b>Deviation from planned target to Actual Achievement for 2013/2014</b>	<b>Comment on deviations</b>
Implementation of the Care and Maintenance by PBMR	Overseeing the perseveration of the packaged IP and consideration of PBMR Asset Disposal (Phase 3)	Cabinet submission to determine the future of PBMR Company	Cabinet submission to determine the future of PBMR Company, memo sent to cabinet.	None	None

#### **4.3.1.3 Strategic objective 2013/14 key achievements**

##### **ESKOM**

Despite reduced sales, due to lower economic growth than expected, Eskom still remains financially stable, with a projected profitability of R6 billion at financial year end 2013/14. The Department continues to support Eskom in maintaining business sustainability by: supporting Eskom's application for electricity price increases; analysing and supporting measures to close gaps that have arisen due the differences in Eskom's application and what the Regulator ultimately approved.

Eskom continues to increase its investment in capital expenditure projects, with R251 billion to be spent over the next 5 years to complete the current committed build programme, amongst other things. During the period under review, Eskom added a total of 120 MW through completion of: the Return to Service programme; 694 km of new transmission lines; and 790 MVA of sub-station capacity. Eskom plans to deliver an additional 11 126MW of generating capacity into the system, which will go a long way to addressing the current constraints in the power system. The DPE and Eskom have engaged different stakeholders in an attempt to find mitigation strategies to ensure the projects are on schedule.

Following the PFMA approvals by the Department, Eskom signed a total of 2 557 MW of IPPs, including the DOE Open Cycle Gas Turbine power purchase agreement on 31 March 2014, in support of Government's Renewable Energy Programme. About 300MW were already operational by the end of March 2014.

DPE remains supportive of Eskom's mandate to deliver on the electricity supply requirements of the country and ensuring stability of the electricity supply-demand balance. The Department has continuously engaged Eskom to ensure improvement in the execution of current maintenance plans, operational practices, electricity generation, transmission and distribution efficiency and maintenance of an adequate reserve margin. The Department continues to push Eskom, through the Shareholder Compact, to improve its demand savings programmes and its contribution to economic transformation, in particular procurement and critical skills development (amongst others). More than 3.4 GigaWatts in demand savings have been achieved through the demand side management programme, since its introduction in 2008/9.

The Department launched the Emerging Miners Strategy, which seeks to promote participation and increase black ownership in the coal mining sector. The Strategy, which is premised on five pillars, seeks to assist with the challenge of capacity to raise funding to develop mines at the early exploration stage mainly; use coal trading as an option to secure coal resources and enhance transformation and increase black ownership as a means to transform the industry amongst other things.

With regard to critical skills development, Eskom continues to maintain a healthy pipeline of learners (about 10000 annually), comprising engineering, technical, artisans and other learners in the youth programmes that provide critical work experience to unemployed youth. Furthermore, as part of the Eskom Professional Welders Development Programme (EPWDP), the company has successfully opened the Eskom Welding School of Excellence, which will contribute to the development of technical skills in the long run.

## **BROADBAND INFRACO**

Broadband Infraco plays a critical role of providing backhaul connectivity for national long distance and international connectivity and providing broadband services to under-served areas. Over the years, the company has been operating in an environment dogged by policy uncertainty due to the lack of a coherent national broadband policy. This uncertainty and other factors, such as the lack of an electronic communications service (ECS) and reliance on a single customer (Neotel), have impacted negatively on the company's sustainability. This has prompted the Department to be very active in raising the policy issues faced by Infraco with the Department of Communications (DoC) and also in assisting the company to diversify its revenue stream in order to improve sustainability.

The Department contributed substantially to the development of the Broadband Policy, with a focus on ensuring an efficient way of rolling out broadband and realizing the true potential of SOCs, in particular Broadband Infraco. In December 2013, Cabinet approved the National Broadband Policy, which included the inputs from the Department, thereby giving a clear role to Broadband Infraco in the South African broadband sector.

The Department has been working closely with Infraco to assist the company to diversify its customer base, improve its revenues and reduce operational costs by improving maintenance of the national long distance network.

Broadband Infraco invested in the international undersea cable – Western Africa Cable System - which was launched in 2012 and will contribute to the increased capacity of linking South Africa and Europe and increase the state's ability to provide broadband infrastructure to national projects, such as SKA. In this regard, the Department assisted the company to conclude the sale of WACS capacity to the Department of Science and Technology to the value of R600 million. Broadband connectivity with SADC countries has also increased through the completion of the cross border Points of Presence (PoPs) connections that link South Africa to Zimbabwe, Botswana, Lesotho, Swaziland, Namibia and Mozambique.

## **PBMR**

The Department consulted other government departments on the various possible options to preserve PBMR's assets going forward. This is due to the fact that a number of PBMR assets present possible research-related opportunities and broader consultation on the possibility of donating these assets to universities is currently being facilitated. A Cabinet briefing was prepared on progress regarding the PBMR project and a recommendation was also made on what to do with the project going forward. This will require that it be presented to one of the first Cabinet meetings of the new administration.

## **Changes to Planned Targets**

The Department continuously review the relevance of its APP to ensure that it remains relevant and appropriate to support the government outcomes. In the period under review, the Department undertook a review of its APP to assess relevance of certain projects and better align the annual targets to resources. As a result, few changes on the annual performance targets were effected. A revised Annual Performance Plan was signed by the Executive Authority of the Department. The revised targets were used to monitor performance within the programme.

#### 4.3.1.4 Sub-programme expenditure

Sub-Programme Energy and Broadband Enterprises	2013/14			2012/13		
	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	2 152	2 144	8	1 660	1 533	127
Broadband Infraco	7 384	6 998	386	6 106	4 871	1 235
Eskom and PBMR	8 095	6 849	1 246	8 182	7 540	642
<b>Total</b>	<b>17 631</b>	<b>15 991</b>	<b>1 640</b>	<b>15 948</b>	<b>13 944</b>	<b>2 004</b>

Expenditure in this programme amounted to R15.990 million in 2013/14, compared to R13.944 million in 2012/13. The increase in expenditure in this sub-programme was mainly due to the unit being fully resourced. However, two planned projects were not finalised due to the TOR being revised subsequent to a review of the business requirements of the SOC, which resulted in under-spending in this unit. The projects have been planned for the 2014/15 financial year.

#### 4.3.2 Manufacturing enterprises

- **Management** comprises 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 re-directing Alexkor's commercial focus and 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.

##### 4.3.2.1 Strategic Objective

#### 1. Ensure effective shareholder oversight and monitoring of Eskom and Broadband Infraco:

- Analysis and Assessment of Corporate Plans and Annual Reports.
- Negotiation and approval of shareholder compact Shareholder.
- Assessment of quarterly reports and preparation of quarterly investor briefs.
- Financial and technical assessment of PFMA Applications.

#### 2. DENEL

- Denel business sustainability;
- Review of the Rooivalk; and
- Strategic Equity Partnerships.

#### 3. ALEXKOR

- Re-alignment of Alexkor's role as a state-owned mining company.

#### 4. SAFCOL

- Re-alignment of SAFCOL's role as a state-owned forestry company.

#### 4.3.2.2 Programme Performance Indicators

<b>Sub-programme: Manufacturing Enterprises</b>					
<b>Performance Indicator</b>	<b>Actual Achievement 2012/2013</b>	<b>Planned Target 2013/2014</b>	<b>Actual Achievement 2013/2014</b>	<b>Deviation from planned target to Actual Achievement for 2013/2014</b>	<b>Comment on deviations</b>
Ensure effective shareholder oversight of Denel, SAFCOL and Alexkor					
Approved Corporate Plans aligned to Department and Government developmental objectives	Obtain assessed corporate plans	Denel, Alexkor, SAFCOL corporate plans assessed	Denel, Alexkor, SAFCOL corporate plans assessed	None	None
Analysis of annual reports	Draft Annual Report assessed	Denel, Alexkor, SAFCOL Draft Annual Report Assessed	Denel, Alexkor, SAFCOL Draft Annual Report Assessed	None	None
Minister's address in preparation for AGM	Minister's main address issued at AGMs	Minister's addresses issued at Denel, Alexkor and SAFCOL AGMs	Minister's addresses issued at Denel, Alexkor and SAFCOL AGMs	None	None
SIS	Strategic Intent Statements issued at AGMs	Denel, Alexkor and SAFCOL Strategic Intent Statement developed	Denel, Alexkor and SAFCOL Strategic Intent Statement developed	None	None
Negotiation and approval of shareholder compact	Shareholder Compacts approved	Denel, Alexkor SAFCOL Approved 2014/15 Shareholder Compacts	Denel and Alexkor shareholder compacts have been approved by the shareholder.	SAFCOL's shareholder compact	The negotiations with SOC took longer than anticipated. The SAFCOL shareholder compact will be finalised in the 2015 financial year.
Assessment of quarterly reports	Quarterly report	Denel, Alexkor, SAFCOL quarterly report assessed	Denel, Alexkor, SAFCOL quarterly report assessed	None	None
Financial and Technical assessment of PFMA applications	Rigorous assessment of PFMA applications with appropriate recommendations to the Minister within the required timeframes	All received PFMA application assessments submitted	All received PFMA application were assessed and submitted	None	None
Strengthen the financial position of Denel					

<b>Sub-programme: Manufacturing Enterprises</b>					
<b>Performance Indicator</b>	<b>Actual Achievement 2012/2013</b>	<b>Planned Target 2013/2014</b>	<b>Actual Achievement 2013/2014</b>	<b>Deviation from planned target to Actual Achievement for 2013/2014</b>	<b>Comment on deviations</b>
Monitoring committee minutes and quarterly assessment reports	Consensus across government entities on Denel's mandate	Monitoring of Denel's financial sustainability	Monitoring of Denel's financial sustainability. Quarterly assessment undertaken and memo submitted as briefing to the Minister.	None	None
Review of the Rooivalk Programme	Draft TOR developed	Commission a study to review the Rooivalk Programme	Study commissioned and interim received.	None	None
Strategic Equity Partnerships	None	Commission a study to review Strategic Equity Partnerships	Study commissioned and interim report received	None	None
<b>Realignment of Alexkor's role as a state-owned mining company</b>					
Definition of Alexkor's role as a state-owned mining company	None	Definition of Alexkor's role as a SOC completed	The new Alexkor strategy that defines the role of the company as a SOC has been completed and approved by the shareholder	None	None
<b>Enhance the financial stability and growth of SAFCOL</b>					
Definition of SAFCOL's role as a state-owned forestry company	Commissioned a study on the future of SAFCOL	Recommendation on the future role of SAFCOL Give SAFCOL a new mandate	Not achieved	Not achieved	The SOC corporate strategy was not submitted within agreed timeframes to the Department for review and approval by the shareholder.

#### **4.3.2.3 Strategic Objectives 2013/14 key achievements**

##### **DENEL**

The SOC was returned to profitability in 2012/13, with a R70 million net profit, and it is expected to improve on this performance in 2013/14. This was on the back of a turnaround plan approved by Government in 2011/12, which required a R700 million cash injection and R1.8 billion in government guarantees. Denel has been granted the highest possible credit rating by Fitch Credit Rating Agency. This was largely as a result of improved financial performance, as well as visible support by the shareholder.

The business reported a R21 billion order book in June 2013 and showed a 50% improvement to R30 billion by December 2013. This will enable the business to meet its plan of doubling revenues to R8 billion by 2018/19. One significant order secured by the SOC in the 2013/14 financial year was a R10 billion contract by the South African Department of Defence to produce 238 Hoefyster infantry fighting vehicles (IFV) for the South African Army. The programme is critical in maintaining the country's advanced manufacturing capabilities in the defence sector. In order to support the industrialisation programme of government, 70% of components for the vehicle will be sourced locally, which will support the creation of 2 000 jobs at Denel as well as the South African defence related industry.

In 2013/14 Denel revived its space and satellite capabilities, after entering into a collaborative relationship with the South African National Space Agency (SANSA). This will not only ensure that the country's space and satellite capabilities are enhanced, but will provide local industry with the opportunity to tap into the growing and strategic global space and satellite industry.

The SOC has delivered and supported the deployment of the Rooivalk combat support helicopter in combat operations in the DRC. Deployments were under MONUSCO and they have proven to be a game changer in peace enforcement operations.

## **ALEXKOR**

The SOC has delivered on government obligations to the Richtersveld Community, with a R120 million upgrade of the Alexander Bay Township infrastructure (roads, electrical and water reticulation, and waste water treatment) being completed in 31 March 2013 and the town's registration confirmed by 22 November 2013. This means that the town, which was previously a mining compound, is one of the new towns in South Africa and part of the Richtersveld Local Municipality. The value of property in the town that will be transferred to the community is estimated at R200 million.

The mine owned jointly with the Richtersveld Community, which had previously seen diamond production decrease substantially due to the land restitution process, has seen an improvement in carat production from 35 000 carats to over 50 000 carats. This has been on the back of a newly commissioned R50 million processing plant at Muisvlak near Port Nolloth, which has created 200 jobs for the community.

In the 2013/14 financial year, the Minister approved the strategy for the SOC to become a diversified mining company to include coal supply in support of the national energy security imperative. The Department is working closely with the SOC to ensure success of the strategy and significant projects will be announced in 2014/15.

## **SAFCOL**

The 2013/14 period has proven to be challenging for the SOC, with cost management being an area of focus. Reliance by the SOC on the mining and construction industries has proven to be a major obstacle towards profitability, due to slow recovery of these sectors. The Department revised the SOC mandate in 2012/13 to enable product diversification and further vertical integration. The SOC will announce the new corporate strategy within the ambits of the revised role in 2014/15.

### **4.3.2.3 Changes to Planned Targets**

The Department continuously review the relevance of its APP to ensure that it remains relevant and appropriate to support the government outcomes. In the period under review, the Department undertook a review of its APP to assess relevance of certain projects and better align the annual targets to resources. As a result, few changes on the annual performance targets were effected. A revised Annual Performance Plan was signed by the Executive Authority of the Department. The revised targets were used to monitor performance within the programme.

#### 4.3.2.4 Sub-programme expenditure

Sub-Programme Manufacturing Enterprises	2013/14			2012/13		
	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	3 692	2 832	860	1 507	1 419	88
Denel	61 362	60 880	482	821 585	821 293	292
Alexkor	905	193	712	351 589	350 401	1 188
SAFCOL	5 637	4 192	1 446	5 470	5 155	315
<b>Total</b>	<b>71 596</b>	<b>68 097</b>	<b>3 499</b>	<b>1 180 151</b>	<b>1 178 268</b>	<b>1 883</b>

Expenditure in the sub-programme amounted to R68.097 million in 2013/14, compared to R1.178 billion in 2012/13. The decrease in expenditure in this sub-programme was mainly due to payment for financial assets disbursed to Alexkor and Denel, amounting to R1.050 billion, as well as an amount of R118.313 million paid to Denel in respect of an indemnity claim due to Denel/SAAB Aerostructures in 2012/13. An amount of R57.250 million was disbursed to Denel in December 2013 in respect of the eighth indemnity claim. Under-spending in this sub-programme is as a result of delays in a number of projects, such as the Review of the Rooivalk Programme and Denel's Strategic Equity Partnership Study, which only commenced late in the year and which will be finalised in 2014/15.

#### 4.3.3 TRANSPORT ENTERPRISES

Purpose: To align the corporate strategies of Transnet, South African Airways (SAA) and South African Express Airways (SAX) with Government's strategic intent and to monitor and benchmark their financial and operational performance.

The programme comprises of the following sub-programmes:

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

Transnet - Shareholder management and oversight of Transnet, which includes the capital expansion programme and effective operation of Transnet and its business units.

SAA and SAX - Shareholder management and oversight of SAA and SAX, as well as: monitoring SAA's transformation into a commercially successful national carrier that will contribute to the development of trade and tourism domestically and in the rest of Africa; and overseeing the establishment of SAX as a regional carrier, with a focus on the African market.

##### 4.3.3.1 Strategic Objective

1. Effective shareholder oversight of SAA, SAX and Transnet.
2. Ensure that Transnet focuses on and contributes to the achievement of an efficient, competitive and responsive infrastructure, resulting in increased volumes and productivity (output 3 of outcome 6) – as per Minister's performance agreement through Shareholder Compacts:
  - Implement and maintain National Corridor Performance Measurement (NCPM) tools and indicators.
  - Provide support for strengthening of the financial and liquidity positions of SAA and SAX to ensure sustainability of the airlines.
  - Ensure that the airlines develop their long-term strategies and strengthen shareholder oversight of implementation of the strategies.
  - Facilitate national policy development that would ensure an enabling environment for the achievement of the SOCs' strategic objectives.
  - Monitor the development of economic regulation and competition policy applications to ensure that the achievement of SOCs' strategic objectives is not compromised.

#### 4.3.3.2 Sub: Performance Indicator

<b>Sub-programme: Transport Enterprises</b>					
<b>Performance Indicator</b>	<b>Actual Achievement 2012/2013</b>	<b>Planned Target 2013/2014</b>	<b>Actual Achievement 2013/2014</b>	<b>Deviation from planned target to Actual Achievement for 2013/2014</b>	<b>Comment on deviations</b>
Effective shareholder oversight of SAA, SAX and Transnet					
Approved Corporate Plans aligned to Department and Government Developmental Objectives	Obtain assessed Corporate Plans	SAA, SAX and Transnet Corporate Plans assessed	SAA, SAX and Transnet Corporate Plans assessed	None	None
Analysis of Annual Report	Draft Annual Report assessment completed	SAA, SAX and Transnet Draft Annual Report assessed	SAA, SAX and Transnet Draft Annual Report assessed	None	None
Minister's address in preparation of the Annual General Meeting (AGMS)	Strategic Intent Statements issued at the AGMs	SAA, SAX and Transnet Minister's address issued at the AGMs	SAA, SAX and Transnet Minister's address issued at the AGMs	None	None
Strategic Intent Statement (SIS)	Strategic Intent Statements issued at AGMs	SAA, SAX and Transnet Strategic Intent Statement developed	SAX, SAA and Transnet SIS still valid until 2015/16 financial year	None	None
Negotiation and approval of Shareholder Compacts	Approved Shareholder Compacts	SAA, SAX and Transnet 2014/15 Approved Shareholder Compacts	SAA, SAX and Transnet 2014/15 shareholder compact approved by the minister.	None	None
Assessment of quarterly reports	Quarterly report assessed	Quarterly report assessed	4 quarterly financial and operational performance report assessed	None	None
Financial and Technical assessment of PFMA Applications	Rigorous assessment of PFMA applications with appropriate recommendations to Minister within required timeframes	All received PFMA applications assessments submitted	All PFMA applications received were assessed and signed by the Minister.	None	None
Ensure the contribution of Transnet to achieving an efficient , competitive and responsive infrastructure (output 3 of outcome 6)- as per Minister's performance agreement					



<b>Sub-programme: Transport Enterprises</b>					
<b>Performance Indicator</b>	<b>Actual Achievement 2012/2013</b>	<b>Planned Target 2013/2014</b>	<b>Actual Achievement 2013/2014</b>	<b>Deviation from planned target to Actual Achievement for 2013/2014</b>	<b>Comment on deviations</b>
Increased rail market share as a percentage of total freight	Transnet compact target to move 224 mtpa on rail	Monitor Compact target for Transnet to move not less than 230* mtpa on rail	The progress made by the Transnet on the volumes moved was monitored on the quarterly basis as part of the SOC's quarterly performance review process.	None	None
Multiple branch lines operators	Intergovernmental consultations completed	Approval of Transnet's PFMA application to concessioning 3 pilot branchlines	The branch line strategy has been assessed. Transnet was requested to explore alternative funding and operational models to enable viable concession opportunities	Approval of the PFMA application	DOT and NT had issues concerning the access policy, the regulation of access and access charges as well as the funding models of the concessions. This output has been deferred to 2014/15 financial year
Incremental improvements in ports productivity	Target to achieve at least 28 gross crane moves per hour at DCT	Monitor Compact target to achieve 32 crane moves per hour at DCT	4 quarterly compact target monitored	None	None
Assessment of the logistics costs in the economy	None	Determine methodology to measure transport costs as a percentage of GDP	Proposed methodology has been submitted to DPE for engagement with Transnet.	Review of the Methodology	Due to the delay in finalizing the validity of the model with stakeholders, the project will be finalized in 2014/15 financial year

<b>Sub-programme: Transport Enterprises</b>					
<b>Performance Indicator</b>	<b>Actual Achievement 2012/2013</b>	<b>Planned Target 2013/2014</b>	<b>Actual Achievement 2013/2014</b>	<b>Deviation from planned target to Actual Achievement for 2013/2014</b>	<b>Comment on deviations</b>
Licensed operator for the Ngqura container terminal	Cabinet approval of interim license for Transnet Port Terminals to operate the Ngqura container terminal	Implement section 56 process	As per the NEDLAC outcome the section 56 licence application process of the Ports Act was suspended with regard to the Ngqura container terminal and engagements were undertaken with DOT for DOT to issue a perpetual section 79 approval for Transnet Ports terminals.	None	None
Development of National Corridor Performance Measurement (NCPM) tools and indicators					
Increased operational efficiency of strategic freight corridors	NCPM system acceptance on all corridors.	Full NCPM system implementation, upgrade and maintenance	The re-scoping of the NCPM corridor definition has been aligned to the Transnet date systems.	The full roll out of the system was not achieved as there were some work required to Contract extension with service provider to be signed off for work to continue in 2014/15	Work was required to redefine the corridor information as well as further engage the service provider on the scope of work that needed to be undertaken.
Provide support for the strengthening of SAA and SAX financial and liquidity positions of to ensure sustainability of the airlines					
Financial sustainability of SAA	Assessment of the appropriate capital structures for SAA	Apply for R4.5 billion required recapitalisation through the Medium Term Expenditure Framework process for SAA's capital structure to be within industry average	SAA MTEF application submitted in July 2013.	None	None
Further Development and implementation of SAX's Long Term Turnaround Strategy and SAX's 20:20 Strategy					
Long Term Turnaround Strategy (LTTS) for SAX	Strategy developed	Review LTTS and submit to Cabinet for noting	Target achieved, but incorrectly captured in the APP as SAX LTTS instead of SAA LTTS. Reviewed LTTS and submitted to cabinet for noting.	None	None

<b>Sub-programme: Transport Enterprises</b>					
<b>Performance Indicator</b>	<b>Actual Achievement 2012/2013</b>	<b>Planned Target 2013/2014</b>	<b>Actual Achievement 2013/2014</b>	<b>Deviation from planned target to Actual Achievement for 2013/2014</b>	<b>Comment on deviations</b>
2020 Strategy for SAX		Review SAX's 2020 Strategy and Funding for alignment with LTTS	SAX's 20:20 strategy and funding for alignment with LTTS reviewed and completed		None

#### **4.3.3.2 Strategic objectives 2013/14 key achievements**

### **TRANSNET**

The Department evaluated and approved Transnet's PFMA Section 54 application to purchase 1 064 locomotives, which is instrumental in the drive to move more volume on rail. This approval led to the tender process for the acquisition of the locomotives, which was concluded in March 2014. Transnet awarded the tender to supply the 1064 locomotives to 4 companies, i.e. CSR Zhuzhou Electric Locomotive, CNR Rolling Stock SA, GESA and Bombardier Transportation SA. CSR Zhuzhou Electric Locomotive and Bombardier Transportation SA will supply the 599 electric locomotives, whilst General Electric SA Technologies and CNR Rolling Stock SA will provide the 465 diesel locomotives.

This acquisition will also see various socio-economic benefits being derived from the Department's Competitive Supplier Development Programme, whilst also providing opportunities for Transnet Engineering to develop itself in areas of advanced manufacturing.

### **SAA**

Following the submission of the LTTS on 2 April 2013, SAA swiftly implemented various aspects of this strategy. Some key highlights include the conclusion of alliances with Air Seychelles, Jet Airways, Etihad, Jet Blue, Virgin Australia and Rwandair. This has allowed SAA to grow its network and extend its reach around the world. During the financial year under review, SAA also took delivery of 4 new A320s, which is part of the programme to modernise and re-fleet SAA. The airline is also in the process of acquiring long haul aircraft for its international routes.

The Minister of Public Enterprises has re-established the Ministerial Task Team (MTT) to monitor the implementation of the LTTS. The MTT is composed of the DDGs from the Department as well as the executive management from SAA and SAX. The MTT will report progress on the implementation of the LTTS on a quarterly basis to the Steering Committee led by the Minister, thereby enhancing the monitoring of implementation of the LTTS.

### **SAX**

SAX submitted its 20:20 Vision Strategy in July 2013, which is fully aligned with the LTTS. This was to ensure a coordinated and integrated approach to the operations of the State's aviation assets. SAX has commenced with implementation of the Strategy. The airline is also represented on the MTT, in order to ensure that there is close monitoring of the 20:20 Vision.

### 4.3.3.3 Changes to Planned Targets

The Department continuously review the relevance of its APP to ensure that it remains relevant and appropriate to support the government outcomes. In the period under review, the Department undertook a review of its APP to assess relevance of certain projects and better align the annual targets to resources. As a result, few changes on the annual performance targets were effected. A revised Annual Performance Plan was signed by the Executive Authority of the Department. The revised targets were used to monitor performance within the programme.

### 4.3.3.4 Sub-programme expenditure

Sub-Programme Transport Enterprises	2013/14			2012/13		
	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	2 997	2 845	152	2 536	2 263	273
Transnet	11 587	7 098	4 489	13 639	12 048	1 591
SAA & SA Express	5 205	5 042	162	5 874	5 719	155
Total	19 789	14 985	4 804	22 049	20 030	2 019

Expenditure in the sub-programme amounted to R14.985 million in 2013/14, compared to R20.030 million in 2012/13. The decrease in expenditure in this sub-programme was due to a delay in a number of planned projects, such as the NCPM and review of the logistics cost which were postponed to the next financial year. The NCPM project required alignment to the Transnet Corridor Framework.

### 4.3.4 ECONOMIC IMPACT AND POLICY ALIGNMENT (EIPA)

EIPA has been re-aligned from a function as a consulting facility (previously in Programme 6: Joint Project Facility) and comprises. The current purpose is: to align Shareholder oversight of SOCs in relation to Government's over-arching economic, social and environmental policies; and to implement strategic interventions to contribute towards achievement of national objectives in support of economic growth and transformation.

Management comprises the office of the DDG, which provides strategic leadership and management of the programme personnel. This sub-programme comprises:

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 modeling and research to enhance the links between industrial policy, macro-economic policy and the role of SOCs. Economic modeling 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 - this focus on the provision of scarce and critical skills by SOCs in support of the National Skills Agenda, the NGP and the NDP, as well as optimize 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 (B-BBEE); Employment Equity (EE); and disposal of non-core property.

The activities and outputs of this sub-programme will entail systematic coordination and partnerships with the relevant government departments that have a primary mandate in terms of the above, as well as with other key stakeholders.

#### 4.3.4.1 Strategic Objectives

Oversee and supervise processes to conduct macro-economic modelling, research and impact evaluation to ensure SOC contribution towards economic growth. Enhance alignment between national industrial policy, macro-economic policy and the role of SOCs and monitor implementation.

Oversee processes to ensure that SOCs comply with environmental laws and optimise the impact of SOCs on the reduction of carbon emissions and development of a green economy, while supporting SOCs' business needs.

Oversee alignment and 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 and corporate social investment targeted at designated groups (youth, women, PWD and co-operatives, etc).

#### Programme Performance Indicators

<b>Sub-programme: Economic Impact and Policy Alignment</b>					
<b>Performance Indicator</b>	<b>Actual Achievement 2012/2013</b>	<b>Planned Target 2013/2014</b>	<b>Actual Achievement 2013/2014</b>	<b>Deviation from planned target to Actual Achievement for 2013/2014</b>	<b>Comment on deviations</b>
Oversee processes to conduct macro-economic modelling, research and impact evaluation and ensure SOC contribute to New Growth Path					
SOC Macroeconomic Model	Approach for the integration of different SOC models	Draft SOC macroeconomic model framework developed	SOC macroeconomic model framework drafted, recruitment process at advanced stages to create capacity to deliver.	None	None
Enhance SOC compliance with the environmental laws and optimise the impact of the SOC on the reduction of carbon emissions and development of the green economy, while support SOC business needs					
Direction on Aviation Biofuels for SAA	Technical Partner appointed and TOR developed.	Draft scoping report developed	Draft scoping report developed, intergovernmental comments on the draft scope report collated and peer reviewed.	None	None
Shareholder Position on carbon tax	Intergovernmental task team established and TORs developed  Established International business partnership	Draft position on carbon tax developed  SOC policy (Eskom, Transnet and SAA) deep dives conducted	DPE position on carbon tax developed, intergovernmental and SOC comments collated and reviewed and draft completed. SOC policy (Eskom, Transnet and SAA) deep dives conducted	None	None

<b>Sub-programme: Economic Impact and Policy Alignment</b>					
<b>Performance Indicator</b>	<b>Actual Achievement 2012/2013</b>	<b>Planned Target 2013/2014</b>	<b>Actual Achievement 2013/2014</b>	<b>Deviation from planned target to Actual Achievement for 2013/2014</b>	<b>Comment on deviations</b>
Defining partnership with relevant government department on water and environmental issues					
Mechanism to fast track water and other environmental authorisation processes	Established partnerships with relevant government departments	Draft document to define partnerships with relevant government departments on water and environmental issues.	Document to define partnership with relevant government departments on water and environmental issues drafted.	None	None
Enhance provision of scarce and critical skills by SOC and their suppliers in support of National Skills Agenda and the New Growth Path					
SOC Skills Development Initiatives monitored	Monitor implementation of SOC skills plan to ensure support to NGP.	Monitor implementation of SOC skills plan to ensure support to NGP	Implementation of SOC skills plan to ensure support to NGP, Dashboard information monitored, evaluated reported quarterly to the executive.	None	None
Oversee alignment and implementation of SOC transformation agenda in support of national objectives					
Transformation framework	None	Transformation framework and development of reporting tool.	None	Final draft of the Transformation Framework and Guidelines completed. The reporting requirements are incorporated in the Transformation Framework and Guidelines are to be translated into the Performance Management Tool/Scorecard	Deferred to 2014/15 financial year and to be developed parallel to approval of the Transformation Framework and Guidelines that are currently under development.
Youth Empowerment Programme (YEP)	YEP Concept Paper approved and programme launched	Implementation of Youth Strategic Priorities	Youth strategic priorities implemented, several meetings with relevant stakeholders held including provincial engagements and CSI forum meetings.	None	None

#### **4.3.4.2 Strategic objective 2013/14 key achievements**

##### **Climate change, aviation biofuels and carbon tax issues**

WWF (World Wide Fund) was appointed as technical partner to DPE on climate change. It assisted in the work towards developing the DPE position on carbon tax, as well as helping with the aviation biofuels work, particularly in terms of the socio-economic impact of aviation biofuels – this in preparation for the stakeholder work. It facilitated various multi-stakeholder workshops with industry experts from South Africa and globally, which were held to explore options for feedstock pathways as well as technology pathways for aviation biofuels in South Africa. Various multi-stakeholder workshops were held to shape the DPE position on carbon tax. EIPA enhanced the Department's international business partnerships and a briefing memo and the scoping report (including a clear work plan for SAA's Aviation Biofuels Programme) was approved by the DG. The Unit: improved the Department's relationship; successfully negotiated with DOE to collaborate on aviation biofuels work going forward to ensure SAA sustainability' and recommended formalisation of this working arrangement to the DOE and DPE Ministers. Relations have been forged with international experts in the aviation biofuels technologies industry to supplement DPE capacity, such as with expertise on aviation biofuels technologies that are not available in South Africa.

Benchmarking on carbon tax was completed, SOC policy deep dives conducted, and the DPE position on carbon tax was completed.

##### **Government Department Collaboration on Water and Environmental issues**

A revised MoU with 7 other relevant government departments was successfully concluded and signed to collaborate and align environmental, water and other policy matters that affect SOC's and Strategic Infrastructure Programmes. The MoU was signed on 25 March 2014. The Department has enhanced its partnership with DEA and other environmental authorities at local and provincial government level. Furthermore, it provided leadership and support to Eskom in its engagement to resolve the SOC's environmental compliance challenges at various power stations, which could potentially lead to partial closure. Certain amendments to Eskom's new Atmospheric Emission Licenses (AELs) were successfully negotiated and recommendations made to the Minister regarding Eskom's required initiatives, therefore reducing the risk of further significant non-compliance by various coal-fired power stations in the Eskom generation portfolio.

##### **SOC skills development monitoring**

Collaboration was enhanced with DHET, EDD, DTI and SOC's to ensure alignment of SOC interventions to the national skills agenda. In addition, an MOU was concluded between DPE and DHET to formalise collaboration between the two departments in order to optimise SOC training facilities. This is coordinated through the DPE/DHET-led SOC Skills Development Steering Committee, which is co-chaired by the Department and DHET.

Collaboration between the two departments resulted in DPE assisting Transnet to secure R175 million in funding from the NSF for optimisation of Transnet Engineering training facilities to train an additional 1000 artisan learners in various trades over a period of 3 years. This project was launched by Minister at the Saltriver facility in the Western Cape on 31 of October 2013. During the launch, Transnet signed partnership agreements with three (3) FET colleges in the province, as part of its efforts in strengthening Further Education and Training (FET) college support.

The Department successfully negotiated with the NSF to earmark a pool of funding for optimisation of training facilities of Denel, SAA and Eskom. In addition, a Funding Proposal was developed and submitted to Energy and Water Sector Education and Training Authority (EWSETA) to source funding for the Eskom Law Graduate Employment Scheme project.

##### **Youth Empowerment Programme**

##### **Corporate Social Investment (CSI)**

DPE-SOC: The CSI Forum, chaired by Deputy Minister, was established to coordinate SOC CSI initiatives. The CSI Forum & Working Group held a workshop and approved SOC CSI Flagships Project and a roll-out plan in the area of Education & Health, including Enterprise Development/Socio-Economic Development.

Through collaboration with the University of Stellenbosch and provinces, the Telematics satellite-based system (a subject improvement learner/teacher based support system) was rolled out at rural schools.

The first Telematics sponsored by Broadband Infracore was installed and launched by Minister Gigaba, Premier and MEC of Education in Limpopo Province at Seshigo Secondary School. Deputy Minister of Public Enterprises Magwanishe and Deputy Minister of Communications Ndabeni launched the installation in Eastern Cape Province. A computer lab was also donated by TATA Africa (Pty) Ltd. Denel sponsored 4 boreholes at Jikindaba Secondary School in Ingquza Hill Municipality to assist villagers to access water. Telematics installed and launched by Dep. Minister in Eastern Cape Province donated by Eskom Foundation, with mobile science-kits to St John's College at Umtata.

The CSI Summit was held in partnership with the University of Fort Hare, at their main campus in Alice, as part of the programme of support for the institution's project for its centenary in 2016.

### Enterprise Development

Enterprise and Supplier Development (ESD) Workshop was held with all SOC Procurement Units in partnership with EDD and NYDA on the Youth Employment Accord to discuss the current enterprise development initiatives to support designated groups, including the proposed flagship projects i.e. Youth Cooperatives and Sector-specific Incubation Hubs.

### Partnerships with SOCs and other key stakeholders

The first DPE-SOC Youth Camp was held and 100 learners doing Maths & Science at mainly rural schools in the Free State province participated. In addition, five Youth Career and Information Expos were hosted, in collaboration with SOCs and more than 10 000 Grade 10-12 Maths and Science learners were in attendance. Further, more than 2000 maths pocket dictionaries were also donated to various school libraries to support learners doing Mathematics. Female engineers, artisans and technicians from SOC conducted motivation talks during the various visits to promote Maths, Science and Engineering studies.

#### 4.3.4.3 Changes to Planned Targets

The Department continuously review the relevance of its APP to ensure that it remains relevant and appropriate to support the government outcomes. In the period under review, the Department undertook a review of its APP to assess relevance of certain projects and better align the annual targets to resources.. As a result, few changes on the annual performance targets were effected. A revised Annual Performance Plan was signed by the Executive Authority of the Department. The revised targets were used to monitor performance within the programme.

#### 4.3.4.4 Sub-programme expenditure

Sub-Programme Economic Impact and Policy Alignment	2013/14			2012/13		
	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	1 817	1 379	438	1 798	1 508	290
Environmental Policy Alignment	3 460	2 652	808	2 542	2 457	85
Economic Policy Alignment	3 316	411	2 905	1 347	1 245	102
Transformation, Skills Development and Youth	7 476	5 244	2 232	5 035	4 780	255
<b>Total</b>	<b>16 069</b>	<b>9 686</b>	<b>6 383</b>	<b>10 722</b>	<b>9 990</b>	<b>732</b>



Expenditure on the sub-programme amounted to R9.686 million in 2013/14, compared to R9.990 million in 2012/13. There is no substantial difference in expenditure in this unit. The under-spending was mainly due to delays in commissioning the network design study, which has a total allocated budget of R5 million.

#### 4.3.4 STRATEGIC PARTNERSHIPS

**Purpose:** The Strategic Partnerships Unit is responsible for overseeing the design and implementation of strategic programmes and projects, of related extra-ordinary funding initiatives and of complex procurements and on-going supplier relationships involving various stakeholders.

##### The programme comprises the following sub-programmes

- Management comprises the office of the DDG, 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.

##### 4.3.4.1 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 relevant partners.
- Oversight of Eskom's and Transnet's implementation of the CSDP; oversight of Transnet's locomotive fleet procurement design and implementation; and development and implementation of Executive Leadership Programme.

#### Programme Performance Indicators

<b>Sub-programme: Strategic Partnerships</b>					
<b>Performance Indicator</b>	<b>Actual Achievement 2012/2013</b>	<b>Planned Target 2013/2014</b>	<b>Actual Achievement 2013/2014</b>	<b>Deviation from planned target to Actual Achievement for 2013/2014</b>	<b>Comment on deviations</b>
<b>Strengthening of project oversight capacity to improve the delivery of strategic infrastructure programme</b>					
Establishment of the Project Management Office.	Project Management Office (PMO) Model approved	Establishment of PMO Office	PMO Office established, model to roll-out structure included on the 2014/15 Business Plan	None	None
Business Plans for SIPs	Steering Committee for SIPs established	SIPs Business Plans completed	None	The target was not achieved; this has been deferred to the next financial year.	None
<b>Secure funding for major investment projects that go beyond SOC balance sheet capacity</b>					

<b>Sub-programme: Strategic Partnerships</b>					
<b>Performance Indicator</b>	<b>Actual Achievement 2012/2013</b>	<b>Planned Target 2013/2014</b>	<b>Actual Achievement 2013/2014</b>	<b>Deviation from planned target to Actual Achievement for 2013/2014</b>	<b>Comment on deviations</b>
SOC Africa Investment Strategy	None	Approved Africa Strategy	Africa Strategy has been approved, launching of the strategy and roll-out to SOCs had been undertaken.	None	None
Innovative funding solutions	None	Framework developed	Draft Framework developed, awaiting for further consultation with relevant stakeholders.	None	None
Private Sector Participation (PSP) Framework	Draft PSP developed	PSP Framework approved	Draft PSP framework developed	PSP approval	Further consultation are required before the framework is finalised
<b>Levaraging SOC procurement programmes to drive industrialisation and create jobs</b>					
Fleet procurement implemented by SOC.	Oversight of design of Transnet Locomotive fleet procurement.	Implementation of fleet procurement by SOC	Fleet procurement implemented by SOC, paper approved and sent to Transnet board. DPE together with DST, CSIR and DTI signed a MOU on the benchmark research work that needs to be undertaken	None	None
Continuous expansion of SOC supplier development programme (Eskom and Transnet).	Review and approve next generation Supplier Development Plans.	Expansion of the SOC supplier development programme (Eskom and Transnet)	SOC supplier development programme expanded (Eskom and Transnet), the Department established a DPE-SOC procurement forum to share lesson learnt, first bootcamp held on 25 March 2014.	None	None

#### **4.3.4.2 Strategic objectives 2013/14 key achievements**

The past year has seen progress in the roll-out of the CSDP. A major achievement has been the conclusion of a R50 billion Transnet locomotive fleet procurement contract, which was announced on 17 March 2014. This will add a further R68 billion of localisation benefits to the South African economy. A DPE-SOC Industrialisation

and Localisation Forum was established with the purpose of; sharing best practices in strategic sourcing; supplier development and localisation across SOCs in the Department's portfolio as well as to spearhead good governance and facilitate collaboration and provide thought leadership to advance the CSDP.

The Department also championed and supported the establishment of the Industrialisation Supplier Development Association (ISDA), which will provide the Shareholder with direct feedback regarding the effectiveness of SOC's supplier development programmes, as well as provide ideas about how the impact of these programmes can be enhanced.

A study was completed into the adequacy and competitiveness of service provision to the automotive industry by Transnet and Eskom. The results of the study were presented to the Minister, Transnet and the National Association of Automotive Manufacturers of South Africa (NAAMSA); a Task Team was established; and a high level work programme has been developed for implementation in the new financial year.

### **Funding Mechanisms**

The Africa Strategy was developed to provide an over-arching framework that will guide SOC investment into the region. The strategy was launched in March 2014 and it is seen as the market entry strategy that SOCs can align themselves to while developing their own Africa Strategies. The strategy further aims to provide assistance to SOCs regarding market assessment and the execution of their own African strategic objectives.

Facilitation of the innovative funding solution was implemented via signing MOUs with Development Bank of Southern Africa (DBSA). The purpose of the MOU between DBSA and DPE is to support the origination, feasibility, preparation and funding of major projects and specifically those managed by SOCs under the portfolio of DPE. The memorandum was approved in the first quarter of the financial year 2013/2014, although it was targeted for the third quarter. Consultation was initiated within DPE prior to the signing. Continuous meetings with DBSA formed part of the implementation process.

Some of the fruitful results of this MOU include the signing of agreement by the European Union and South African government through the Development Bank of South Africa on Infrastructure Investment Programme for South Africa (IIPSA) amounting to 100 million. The aim of this programme is to deal with the lack of infrastructure development that the Southern African Development Communities (SADC) region is experiencing. IIPSA will support the development of both national and regional infrastructure projects. The key principle underlying this funding agreement includes financial leverage and procurement.

### **Project Oversight**

During the year under review, the unit managed to achieve its target pertaining to the establishment of the Project Management Office (PMO), which will be implemented in the new financial year. The PMO aims to provide project management support services on state integrated projects. Furthermore, it aims to standardise reporting by SOCs, particularly at Eskom and Transnet. The function of the PMO is to ensure a common approach and consistency of information when the costs, timelines, project definitions and project information is updated, aligned and transferred to a common project management platform. Business plans for Strategic Integrated Projects (SIPs) were approved on 27 November 2013. The team was instrumental in: de-risking the Junior Miners Fund; optimizing the Mokolo Pipeline 2 projects; lowering the water tariff by more than 10%; and saving R9 billion on investment during the third phase of this project.

#### **4.3.4.3 Changes to Planned Targets**

The Department continuously review the relevance of its APP to ensure that it remains relevant and appropriate to support the government outcomes. In the period under review, the Department undertook a review of its APP to assess relevance of certain projects and better align the annual targets to resources. As a result, few changes on the annual performance targets were effected. A revised Annual Performance Plan was signed by the Executive Authority of the Department. The revised targets were used to monitor performance within the programme.

#### 4.3.4.4 Sub-programme expenditure

Sub-Programme Strategic Partnerships	2013/14			2012/13		
	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	4 398	3 697	700	4 496	4 364	132
Project Oversight	2 309	1 559	750	416	328	88
Funding Mechanisms	1 192	215	979	100	-	100
Supplier Relationships	3 015	1 785	1 230	1 543	1 281	262
<b>Total</b>	<b>10 914</b>	<b>7 256</b>	<b>3 658</b>	<b>6 555</b>	<b>5 973</b>	<b>582</b>

Expenditure in the sub-programme amounted to R7.256 million in 2013/14, compared to R5.973 million in 2012/13. The increase in expenditure in this sub-programme is attributed to the fact that this unit was established in the 2012/13 financial year, when limited funding was available. Under-spending is attributed to projects that were planned to be outsourced, but which were implemented internally. The project on harmonising procurement policies and the planning framework at Eskom and Transnet (to enable collaboration and optimise supplier development and transformation initiative) was postponed.

## 5. TRANSFER PAYMENTS

### 5.1 Transfer payments to public entities

ENTITY	TOTAL BUDGET R'000	EXPENDITURE R'000	REMAINING BUDGET R'000	% OF TOTAL BUDGET USED
Denel (indemnity claim)	57 250	57 250	0	100%

The transfer to Denel amounting to R57.250 million in respect of the eighth indemnity claim was disbursed in December 2013. Refer Annexure 1A of the Annual Financial Statements.

Transfer payments to all organisations other than public entities

The Department did not effect any transfer payments to any organisations, other than public entities.

### 5.2.1 Donor Funds Received

Donor funding in kind is reported on in the Accounting Officer's Report.

## 6. CAPITAL INVESTMENT

### **Capital investment, maintenance and asset management plan.**

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

The Department conducted two full asset counts, one of which was conducted by independent officials, during the period under review.

All assets are captured on LOGIS on a personnel inventory basis to ensure control assets.

All assets in the Department are purchased and accounted for on LOGIS.  
The Department has complied with the Asset Management Reform milestones.

### **Capital Assets:**

During the year under review the Department disposed of unserviceable and redundant assets as well as writing off theft and losses and donations to other State Institutions at original cost value as per the asset register amount to R1 203 984.00. Refer note 29.2 respectively to the Annual Financial Statements for disposal of capital assets.

### **Minor Assets**

During the year under review the Department disposed of unserviceable and redundant assets as well as writing off thefts and losses and donations to other State institutions at original cost value as per the asset register amounting to R220 549.00 Refer note 29.4 to the Annual Financial Statements for disposal of minor assets.

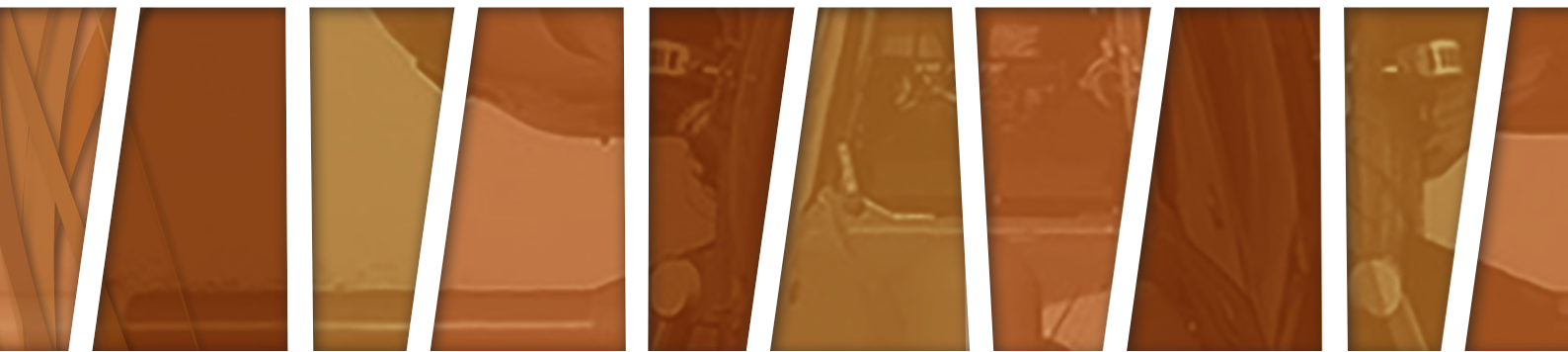
### **Inventories**

The Department has one store that consists mainly of stationery. The inventories on hand as at 31 March 2014 are value at the weighted average price amounting to R28 016.11.

During the year under review the Department continued to apply its strategy of procuring consumables and stationery on a needs basis. The amount reflected at year end, R28 016.00 has increased slightly, relative to the previous year's closing balance of R23 012.94 due to the distribution to units on receipt of stationery and consumables. Refer to Annexure 6 of the Annual Financial Statements.



# **PART C GOVERNANCE**



# 1. INTRODUCTION

The Department has established systems and governance structures to oversee its processes to improve accountability. These systems and structures are crucial in promoting good governance within the Department and ensuring that the Department complies with legislative requirements.

## 2. RISK MANAGEMENT

The Department has managed to establish and maintain a system of risk management that is consistent with various statutory provisions, including, but not limited to, the Public Finance Management Act, Treasury Regulations and the Public Sector Risk Management Framework. The Department continued to enhance its risk management practices in line with: the approved Enterprise Risk Management Framework; the Enterprise Risk Management Policy; and Level 3 of the Risk Management sub-set of the Public Sector Risk Management Capability Maturity Model published by National Treasury.

The Department also enhanced its risk management practices in line with findings and recommendations of the Management Performance Assessment Tool issued by the Department of Performance Monitoring and Evaluation.

A Strategic Risk Register was established, maintained and updated with emerging risks. Risks were also removed from the register as relevant projects and/or activities were completed. The strategic risks were also linked to programme risks, in order to ensure that all risks are addressed holistically and receive attention at all levels of management. The increased attention on risk enabled implementation of planned mitigations, which directly correlated with programme delivery. Shareholder risks also continue to be identified, monitored and mitigated on an on-going basis.

In an effort to ensure that risk exposure is confined to approved risk tolerance levels established for the Department, the Audit Committee, EXCO and relevant Risk Owners monitored the effectiveness of controls and facilitated improvement in mitigating against risks considered material to attaining the Department's objectives.

Furthermore, the Department developed a Policy Development Framework, Standard Policy Template, Policy Development Checklist and Policy Consultation Guidelines in order to enhance its compliance management practices. The aforementioned Guidelines will improve mitigation of compliance risks and the general functioning of the risk management system.

## 3. FRAUD AND CORRUPTION

The Department has initiated efforts geared to ensure that its fraud risk management practices are consistent with the Minimum Anti-Corruption Capacity (MACC) requirements applicable to government departments. To date, the Department maintains and implements an approved fraud and corruption framework that is supported by the following guidelines:

- Fraud and Corruption Prevention Policy;
- Fraud and Corruption Prevention Plan;
- Standard Operating Procedures on Internal Investigations; and
- Fraud and Corruption Prevention Implementation Schedule.

The guidelines have been established to:

- enhance controls designed to prevent, detect, investigate and resolve illegal acts (actual or potential) that the Department faces;
- bring clarity to various role players involved in the Department's spectrum of fraud prevention; and
- ensure independence regarding the treatment of fraud incidents; and
- enhance incident reporting mechanisms and ensure the protection of whistle-blowers, in line with the Protected Disclosures Act.

## 4. MINIMISING CONFLICT OF INTEREST

The Department engaged the offices of the Public Service Commission to present two compulsory workshops on Managing Conflict of Interest, which ran on 25 September 2013 and 2 October 2013. Before all bid evaluation processes, nominated panellists are required to complete a form, confirming that they do not have any conflict of interest relating to the items under consideration in the bid evaluation process. There have been no cases of conflict of interest reported to HR.

## 5. CODE OF CONDUCT

The Department does not have an independent code of conduct, but adheres fully to the Public Service Code of Conduct. In the event of a breach, depending on the seriousness of the alleged breach, an investigation is conducted to establish whether or not a prima facie case can be established. Thereafter, the alleged offender is: called in, with his/her union representative, and served with a notice of intention to institute disciplinary action; given an opportunity to file a response to the allegations, should he or she so wish.

Where the matter can be dealt with by issuing a warning, to ensure that discipline remains corrective and progressive in nature, such warnings are issued and employees advised of their right to appeal (if not SMS). Where the offences are repeated or of a serious nature, external presiding officers are sourced, to ensure complete impartiality to the process, as the Department is quite small and finding an individual within the Department to chair the enquiry, who has not heard about the allegations, has proven to be difficult, as the entire Department sits over only two floors. The presiding officer's decision is final and HR implements the findings on PERSAL. To date there has only been 1 formal disciplinary enquiry, which is still awaiting sentencing.

## 6. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

- The department is compliant with the Health & Safety Act: there is a committee in place to oversee all matters of health & safety within the department.
- There are OHS representatives trained in health & safety matters.
- Health & safety equipment is fully serviceable & fire drills are also conducted
- Environmentally, the department is currently located in a very congested space. The nature of the work environment is not conducive to effective productivity and this may impact on service delivery to some extent.
- However, processes are currently under way for the department to acquire suitable alternative office accommodation.

## 7. PORTFOLIO COMMITTEE

Portfolio Committee meeting dates were as follows:

- 13 April 2013
- 25-26 July 2013
- 1-2 August 2013
- 8 October 2013
- 4-6 February 2014



Date	Visit	Purpose	Matters raised by the Portfolio Committee	Response to Matters raised by the Portfolio Committee
25-26 July	Medupi Power Station (Lephalale)	To: assess progress that has been made in the construction of the Power Station since the last oversight visit of the Committee; establish the reasons for the delay in construction and the impact of the new labour agreements.	<p>The Minister of Public Enterprises should ensure that Eskom:</p> <ul style="list-style-type: none"> <li>• resolves the outstanding issues for the completion of the Partnership Agreement (Site Specific Agreements between organised labour and contractors), in order to improve relations and governance problems on site.</li> <li>• intensifies monitoring and inspection of the quality of work and on-time performance of all contractors.</li> <li>• ensures that there are harsher penalties for under-performance and non-delivery by contractors.</li> <li>• improves communication with the public, as well as with stakeholders. When something happens at Medupi, Eskom should be the first to inform the public - not the media, as that is how information gets distorted.</li> <li>• initiate action against those workers who caused damage to property and injury to people on 24 July 2013; and ensure that there are consequences for workers who were involved.</li> </ul> <p>The Minister of Public Enterprises should ensure that contractors:</p> <ul style="list-style-type: none"> <li>• adhere to labour legislation and treat workers with respect;</li> <li>• perform their duties at the highest level of ethical and professional standards; and</li> <li>• deliver on performance targets and are penalised severely for non-performance.</li> </ul> <p>The Minister of Public Enterprises should ensure that labour:</p> <ul style="list-style-type: none"> <li>• does not delay this project any further and action should be taken against those workers who have caused damage to property and injury to people.</li> </ul>	Recommendations implemented in total. Progress has been made in resolving issues that are in the Partnership Agreement. Eskom has introduced a system to claim against contractors that fail to deliver on their contractual obligations. Furthermore, Eskom has enhanced monitoring at the sites of construction.

Date	Visit	Purpose	Matters raised by the Portfolio Committee	Response to Matters raised by the Portfolio Committee
30 July 2013	Denel Pretoria Metal Pressings	To assess the defence capabilities and performance of Denel Overberg Test Range	<p>The Minister of Public Enterprises should ensure that Denel:</p> <ul style="list-style-type: none"> <li>• embarks on educational programmes and promotes the services and careers in rural areas of South Africa;</li> <li>• partners with the communities on joint ventures to improve community involvement and relations;</li> <li>• makes a concerted effort to recruit women and develops a capacity building programme to retain them.</li> </ul> <p>The Committee further recommended that the Minister of Public Enterprises should consider engaging with the Minister of Defence and Military Veterans regarding the possibility of the South African National Defence Force placing long term contracts to ensure the sustainability of Denel PMP</p>	Denel has implemented and improved its programmes to support schools and young people with maths and science and the training of engineers.
1-2 Aug 2013	Port of Durban	To assess progress that has been made in improving efficiencies and the capacity of the port.	<p>The Minister of Public Enterprises should ensure that Transnet:</p> <ul style="list-style-type: none"> <li>• promotes port careers to the rural areas of Kwazulu-Natal and not recruit only in urban areas;</li> <li>• includes organised labour in the Provincial Economic Council;</li> <li>• forwards the report on the socio-economic study to the Committee, when it has been completed;</li> <li>• keeps the Committee informed of the decisions on the dig-out port and the Salisbury Island expansion project;</li> <li>• forwards detailed information regarding employment equity and transformation indicators.</li> </ul> <p>The Minister of Public Enterprises should consider:</p> <ul style="list-style-type: none"> <li>• addressing the adverse impact of the Ports Act, as raised by organised labour in this report.</li> </ul>	A report has been sent to the Portfolio Committee regarding progress that has been made on the recommendations of the Committee.

Date	Visit	Purpose	Matters raised by the Portfolio Committee	Response to Matters raised by the Portfolio Committee
4-6 Feb 2014	Department of Public Enterprises, South African Airways, Denel Land Systems and Denel Aviation.	<p>To assess:</p> <ul style="list-style-type: none"> <li>• progress that has been made in implementation of the turnaround strategy of South African Airways;</li> <li>• progress that has been made with construction of the Ingula Hydro Power Station;</li> <li>• progress that the DPE has made on the following issues: developing a strategy for SAFCOL; and resolving the land claims backlog;</li> <li>• progress made in developing the broadband policy and the ECS license for Infraco;</li> <li>• the status of the Pulling and Sharing Joint Venture and the updating of the dual mandate of Alexkor.</li> </ul>	<p>The Minister of Public Enterprises should ensure that i.t.o. Broadband Infraco:</p> <ul style="list-style-type: none"> <li>• there is a conducive policy environment for Broadband Infraco to enable the company to execute its developmental mandate through an ECS license.</li> <li>• there is continued engagement with the Minister of Communications to ensure that a policy directive is issued i.t.o. the need for an ECS license for Broadband Infraco.</li> </ul> <p>The Minister of Public Enterprises should ensure that:</p> <ul style="list-style-type: none"> <li>• the Deed of Settlement is reviewed, as it poses a threat to corporate governance and contravenes legislative framework, especially the PFMA;</li> <li>• initiate investigations into community trusts and ensures that they are accountable to the community.</li> </ul> <p>The Minister of Public Enterprises should ensure that SAFCOL:</p> <ul style="list-style-type: none"> <li>• investigates using timber structures as an alternative for human settlements;</li> <li>• identifies a niche market and alternative products to diversify its product range;</li> <li>• ensures that the money invested in IFLOMA is well spent and improve oversight of the operations;</li> <li>• performs an analysis of the cost of timber frame structures versus brick and mortar buildings; so as to encourage communities to invest in timber frame crèches and other social structures.</li> <li>• partners with disaster management agencies to replace lost homes with timber frame structures;</li> </ul>	<p>The Department of Public Enterprises is currently assessing the feasibility of the proposal made by the Portfolio Committee.</p>

Date	Visit	Purpose	Matters raised by the Portfolio Committee	Response to Matters raised by the Portfolio Committee
			<p>The Minister of Public Enterprises should ensure that i.t.o. SAA:</p> <ul style="list-style-type: none"> <li>• the board of SAA develops timeframes and costed measurable objectives for the LTTS, in order to enable the Portfolio Committee to assess progress and conduct its oversight role.</li> <li>• management of SAA respond and act on the complaints of employees, as stated in this report.</li> <li>• the board of SAA investigates whether or not any compensation was due to SAA from the transfer of assets to Airports Company of South Africa.</li> <li>• management of SAA reconsider the decision to have domestic and international departures at the same counter.</li> <li>• that SAA becomes a financially sustainable state-owned company that adheres to its developmental mandate.</li> </ul>	
17 April 2013	Parliament of the Republic of South Africa	Strategic Plan, APP and Budget vote briefing	<p>The Committee recommended that the Minister of Public Enterprises should ensure that:</p> <p>Board members of state-owned companies undertake site visits in order to understand the conditions and challenges of workers, customers and other stakeholders, and, most importantly, to assess whether or not projects are yielding the required developmental results. All critical vacant and acting executive positions in state-owned companies should be filled.</p>	<p>The Department has a clear process that needs to be followed in the filling of critical executive positions within the SOCs. The SOCs continuously monitor progress made on key projects and this is reported to the Department on a quarterly basis.</p>
8 October 2013	Committee Room 1.90 Plein: Cape Town	To discuss the 2012/13 Annual Report of the Department	<p>The Department did not sign shareholder compacts with some of the companies for 2013. The vacancy rate was still at 8% and the challenges relating to recruiting critical skills were still prevalent. Eskom and DPE were unable to detect and prevent labour unrest at Medupi, due to ineffective systems.</p>	<p>The Department has introduced new mechanisms to ensure that the SOCs comply with the timelines that are provided in the Logical Framework for Planning, Monitoring and Evaluation.</p>

## 8. SCOPA RESOLUTIONS

The Department did not have any resolutions issued by SCOPA.

## 9. PRIOR MODIFICATIONS TO AUDIT REPORTS

The following finding was reported in the Auditor-General's Report for the year ended 31 March 2013.

### **Financial Management**

The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and/or supported by full and proper records, as required by section 40(1) (a) of the Public Finance Management Act. Material mis-statements on key management personnel, impairments, investments and litigations were identified by the auditors in the submitted financial statement and were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

The Department has designed and implemented a Financial Management Plan, as well as a review of the processes and controls for the compilation of the Annual Financial Statements, to prevent a recurrence of this finding.

## 10. INTERNAL CONTROL UNIT

The Department does not have a dedicated unit that is responsible for internal control. This function is performed by a number of Units such as Strategic Planning, Monitoring and Evaluation in Programme 1 and Compliance Unit in Programme 2. This has allowed the Department to develop controls which are continuously tested by the Internal Audit. In the period ahead, the Department will explore the viability of creating an independent unit that will focus on internal control. This will be dependent on the availability of resources as the capacity of the Department remains constrained.

## 11. INTERNAL AUDIT AND AUDIT COMMITTEES

### **INTERNAL AUDIT**

The Department has an Internal Audit unit, which reports administratively to the Accounting Officer and functionally to the Audit Committee. The Internal Audit unit consists of a Chief Audit Executive and a Deputy Director and there is a co-sourcing arrangement with a registered firm of accountants and auditors. Internal Audit's activities and responsibilities are governed by the Internal Audit Charter that is in line with the International Standards for the Professional Practice of Internal Auditing, Public Finance Management Act and the National Treasury Internal Audit Framework.

### **Internal Audit Objective and Key Activities:**

The objective of the Internal Audit unit is to provide independent, objective assurance and consulting services designed to add value and improve the Department's operations. It helps the Department accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, internal controls and governance processes.

### **Amongst the unit's key activities, Internal Audit is responsible for:**

- Developing an Internal Audit Rolling Three-year Strategic and Annual Operation plan, using appropriate risk-based methodology that takes into account any risks or control concerns identified on the Strategic Risk Register and by management, for approval by the Audit Committee;
- Executing planned audits, as per the Internal Audit Operational Plan, as approved, including, and where appropriate, any special tasks or projects requested by management and the Audit Committee;

- Following up and reporting on all internal and external audit findings and recommendations for all reported issues; and
- Issuing periodic reports to the Audit Committee and management that effectively summarise the results of audit activities; and updating the Audit Committee on emerging trends and successful practices in internal auditing.

### **Summary of Internal Audit Work Done**

The Internal Audit Rolling Three-year Strategic and Annual Operation Plan was in line with the risk-based approach that takes into account the Department's Strategic Risk Register. It was approved by the Audit Committee. The Internal Audit unit completed all planned audits as per the approved Annual Operational Plan. Audit reports were issued to management, with comprehensive recommendations to address identified internal control weaknesses. The Internal Audit unit reported the results for the completed audits to the Audit Committee and the Department's Executive.

Ad-hoc projects requested by management were completed and relevant recommendations were provided for improvement where appropriate. The Internal Audit unit also tracked implementation of management action plans to address identified internal control weaknesses and reported the results to the Executive Committee as well as the Audit Committee on a quarterly basis.

For combined assurance, the Internal Audit unit worked rigorously with management and in consultation with other assurance providers, in order to pro-actively monitor and assess progress on implementation of controls for the Department's strategic risks. The Internal Audit unit co-ordinated its work with those of other assurance providers and ensured the adequacy and effectiveness of quarterly reporting on combined assurance.

### **AUDIT COMMITTEES**

The Audit Committee is an independent and objective body that reports to the Executive Authority through the Accounting Officer. The Audit Committee's activities and responsibilities are governed by the Audit Committee Charter, which is in line with the International Standards for the Professional Practice of Internal Auditing, Public Finance Management Act and the National Treasury Internal Audit Framework.

#### **Audit Committee Objective and Key Activities**

The overall objective and key activities of the Audit Committee are to support the Accounting Officer and Executive Management in fulfilling oversight responsibilities for the financial reporting process, the audit process, the system 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; and
- Oversight of the effectiveness and efficiency of the internal auditors, as well as the independence of the internal and external auditors.

#### **Membership and Attendance**

The Audit Committee consists of the four members listed below. All Audit Committee members, including the Chairperson, are independent, which is in line with corporate governance practice. During the year under review, the Audit Committee held four (4) meetings, as per the approved Audit Committee Charter.

**The table below discloses relevant information on Audit Committee members, including attendance at Audit Committee meetings:**

<b>Initials and Surname</b>	<b>Qualifications</b>	<b>Internal or External</b>	<b>If internal, Position in the Department</b>	<b>Date Appointed</b>	<b>Date Resigned</b>	<b>No. of Meetings Attended</b>
Ms Z Musamirapamwe (Chairperson)	MBA (Dissertation: Foreign exchange risk management by banks) Association of Chartered Certified Accountants Program for Leadership Development MEFMI (Macro Economic and Financial Management Institute for East and Southern Africa) (2000) Portfolio Management I & II Chartered secretaries and Administrators- Part B	External	N/A	11/01/2008	Contract expired on 31 March 2014	4/4
Mr R Cascarino	Master of Business Administration: Thesis on Internal Audit SCOTBEC Diploma in Computer Data Processing CIA - Certified Internal Auditor CISA - Certified Information Systems Auditor CFE - Certified Fraud Examiner CISM - Certified Information Security Manager CRMA - Certification in Risk Management Assurance	External	N/A	19/11/2012	N/A	4/4
Ms M Joubert	CIA - Certified Internal Auditor BCompt	External	N/A	11/01/2008	Contract expired on 31 March 2014	4/4
Mr K J Sithole	C.A. (SA) – Chartered Accountant Hons BCompt (SA)	External	N/A	11/01/2008	Contract expired on 31 March 2014	2/4

## 12. AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2014.

### **Audit Committee Responsibility.**

The Audit Committee reported that it 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 reported that it adopted appropriate formal terms of reference as its Audit Committee Charter. The Audit Committee has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except in instances where the committee has 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, revealed 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 (Alignment of the Strategic Plan and Annual Performance {lan)
- Fraud prevention and detection
- Annual Report Review
- Human Resource Management & Development
- PERSAL payroll
- Business continuity management including IT continuity/DRP
- Key financial reporting controls (Financial Management)
- Shareholder Oversight Audit
- Performance Information Review (Completeness, accuracy and validity of supporting evidence for achievement)
- Supply Chain and Asset Management (Procure-to pay including Fixed Assets)
- Information Technology General Controls (ITGC)

The following were areas of concern based on Internal Audit Quarterly Reports:

- In quarter 2, reviews of the Human Resources function indicated some compliance issues which required addressing.
- In quarter 3, reviews of Compliance monitoring processes over Manufacturing Enterprises and Energy and Broadband Enterprises indicated areas where ongoing assessment would be required.
- In quarter 4, some compliance issues were noted in the reviews of Supply Chain Management.

In all of these areas follow-up to ensure the implementation of effective corrective action, is required.

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

The Department reported monthly and quarterly to the Treasury as required by the PFMA. The Audit Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the Department during the year under review. Following the departure of the Chief Audit Executive in the second quarter, the position was filled in quarter 4.

### **Evaluation of Financial Statements.**

We have reviewed the annual financial statements prepared by the department.

The Audit Committee concurs and accepts the conclusions of the Auditor-General on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.



**Auditor General's Report.**

We have reviewed the department's implementation plan for audit findings raised in the previous year and we are satisfied that the issues have been adequately resolved. Management has accepted and implemented all audit recommendations in the prior year. Alternative actions were taken which resolved the prior year audit findings.

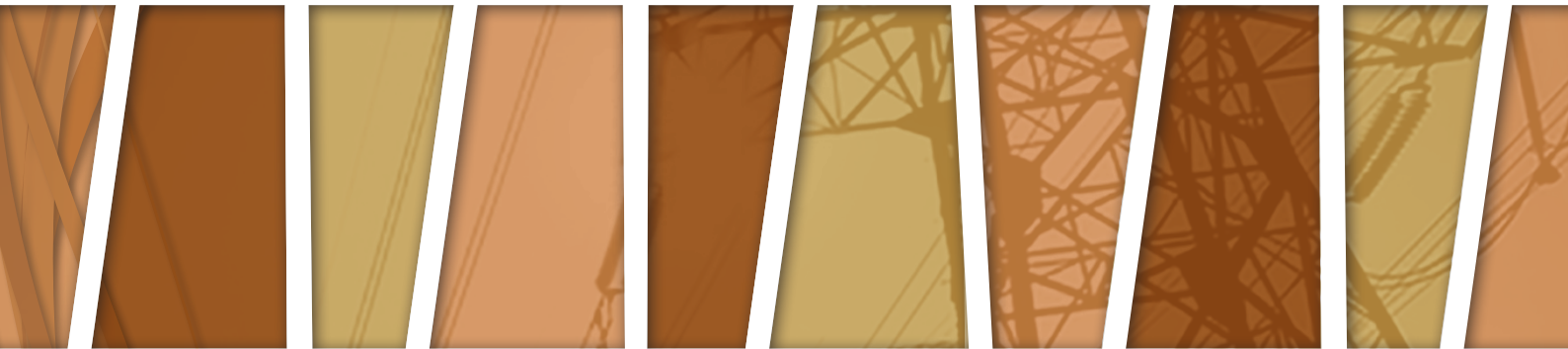
The Audit Committee concurs and accepts the conclusions of the Auditor-General in the Auditor General's Report.

A handwritten signature in black ink, appearing to read "Richard Cascarino". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

**Mr Richard Cascarino**  
Chairperson of the Audit Committee  
Department of Public Enterprises



# **PART D HUMAN RESOURCE MANAGEMENT**



# 1. OVERVIEW OF HUMAN RESOURCES

In 2011/12, the Department embarked on a review of its structure; this was accompanied by the development of a new vision and mission, which was focused on aligning the priorities of the Department to the outcomes of Government. On the strengthening of the executive management, all the DDG posts have been filled. This has further strengthened leadership in the organization. A leadership development programme was initiated, supported by a mentoring and coaching programme for SMS members and per programme, in order to enhance team cohesion. Leadership conversations were initiated as part of the programme and a DPE Leadership guide will be developed and shared with all employees with clear values and cultural expectations.

The role of HR was repositioned as a strategic business partner for line managers, in line with the DPSA competency dictionary. Annual assessment on this new role is done by all programmes, in line with the DPSA assessment tool.

The Department appointed a new Health and Wellness service provider to support all employees and their immediate family members with all their needs 24/7. An Executive Wellness Programme was also initiated for all Executives and Chief Directors. This was prioritised due to the high level of stress and strain experienced by incumbents, in order to ensure that their health and wellness needs are continuously supported and that all identified interventions are implemented. All quarterly interventions on health and wellness challenges were also rolled out in support of the annual health calendar.

Through the approved new structure, new posts were created, mostly at senior management level. Most of these posts have been filled and the Department continues to maintain a lower vacancy rate, which is now below 2% – down from above 12% in 2011/12 financial year. This has been a direct result of a recruitment drive that was implemented during the 2012/13 and 2013/14 financial years. A “use it or lose it” policy on the filling of vacancies was also introduced, which required filling of a vacant position within 3 months. The Department still needs additional posts to be able to deliver on its Strategic Plan; however, a work study and productivity study (part of Business Process Management) are currently underway to develop a business case for additional positions. The Departmental HR plan will be reviewed in line with the outcome of the Business Process Management project.

The Department continues to monitor organisational and individual performance to ensure alignment and achievement of strategic goals. Individual performance agreements were aligned to organisational targets and Government performance directives. High performing employees are recognized and awarded using non-monetary vouchers on a quarterly basis. This is to promote a high performance culture within the organization.

The Department initiated a project to identify its strategic capabilities and skills gaps to be able to deliver on the set objectives. This project will be anchored by a Talent Management Programme aimed at identifying core and critical skills needed by the Department to deliver on its strategic objectives. These processes will ensure that high performers in critical positions are retained in line with the developed Attraction and Retention policy. SMS members’ positions in the Department were converted to permanent positions in order to support the need to attract and retain talent.

The Department initiated a project to re-brand the Department’s employer value proposition, which included an e-recruitment project that will be implemented in the new financial year.

The Department is reviewing its talent pipeline, currently supplied through the graduates and internship projects to ensure alignment with the DPE’s critical and core skills. This is aimed at ensuring that the Department has an internal supply of the required talent. A career management programme was also introduced; this is aimed at assisting Non-SMS members with career path options and interests to ensure their suitability for future posts.

Implementation of the climate survey findings are monitored monthly by all programmes, which also assists in improving employee morale. The DG hosts quarterly sessions with all employees regarding progress on the climate survey and the Department’s performance report.

The Employee Relations functions will be re-positioned and capacitated to address the challenges experienced in: meeting the grievances and disciplinary action timelines; conflict mediation; and training of employees on employee relations procedures, policies and directives.

The change management capability and processes will be priorities to ensure that all elements of change are well-coordinated and appropriate platforms are created to keep all stakeholders informed and ensure they are consulted on change initiatives.

## 2. HUMAN RESOURCES OVERSIGHT STATISTICS

### 3.1 Personnel related expenditure

**Table 3.1.1 Personnel expenditure by programme for the period 1 April 2013 to 31 March 2014**

Programme	Total expenditure (R'000)	Personnel expenditure (R'000)	Training expenditure (R'000)	Professional and special services expenditure (R'000)	Personnel expenditure as a % of total expenditure	Average personnel cost per employee (R'000)
Dpe:administration	133,294	66,658	1,650	7,887	50.0	304
Dpe:legal and governance	23,159	15,178	155	1,878	65.5	69
Dpe:port man & strat partnerships	116,015	45,935	52	2,565	39.6	209
Z=Total as on Financial Systems (BAS)	272,468	127,771	1,857	12,330	46.9	582

**Table 3.1.2 Personnel costs by salary band for the period 1 April 2013 to 31 March 2014**

Salary band	Personnel expenditure (R'000)	% of total personnel cost	No. of employees	Average personnel cost per employee (R'000)
Skilled (Levels 3-5)	1,662	1.3	10	166
Highly skilled production (Levels 6-8)	15,516	12.1	52	298
Highly skilled supervision (Levels 9-12)	26,518	20.7	57	465
Senior management (Levels 13-16)	37805	29.5	59	641
Contract (Levels 6-8)	959	0.7	6	160
Contract (Levels 9-12)	7834	6.1	44	532
Contract (Levels 13-16)	35,463	27.5	25	1,418
Periodical Remuneration	0	0	0	0
Abnormal Appointment	2,014	1.57	30	67
<b>Total</b>	<b>127,771</b>	<b>99.47</b>	<b>283</b>	<b>3.747</b>

**Table 3.1.3 Salaries, Overtime, Home Owner's Allowance and Medical Aid by programme for the period 1 April 2012 to 31 March 2014**

Programme	Salaries		Overtime		Home Owners 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	41,041	61.6	522	0.8	1 006	1.5	1,466	2.2
Dep:legal and governance	9,500	62.6	13	0.1	43	0.3	218	1.4
Dep:portfolio man & strat partn	29,561	64.4	9	0.0	671	1.5	668	1.5
<b>Total</b>	<b>80,102</b>	<b>62.7</b>	<b>544</b>	<b>0.4</b>	<b>1 721</b>	<b>1.3</b>	<b>2 352</b>	<b>1.8</b>

**Table 3.1.4 Salaries, Overtime, Home Owner's Allowance and Medical Aid by salary band for the period 1 April 2013 to 31 March 2014**

Salary band	Salaries		Overtime		Home Owners 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)	3 423	62.8	2	1.2	100	6	117	7
Highly skilled production (Levels 6-8)	17 800	80.3	187	1.2	532	3.4	796	5
Highly skilled supervision (Levels 9-12)	19 170	65.1	275	1.0	310	1.2	594	2.2
Senior management (Levels 13-16)	19 854	68.8	0	0	337	0.9	538	1.4
Contract (Levels 6-8)	2 054	42.8	10	1.1	11	1.1	15	1.6
Contract (Levels 9-12)	3 765	48.9	46	0.6	33	0.7	53	1.1
Contract (Levels 13-16)	8 558	49.3	0	0	397	1.1	239	0.6
Periodical Remuneration	0	0	0	0	0	0	0	0
Abnormal Appointment	5 478	83.9	5	0.2	0	0	0	0
<b>Total</b>	<b>80 102</b>	<b>62.7</b>	<b>544</b>	<b>0.4</b>	<b>1 720</b>	<b>1.3</b>	<b>2 352</b>	<b>1.8</b>

### 3.2 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; and
- critical occupations (see definitions in notes below).

Departments have 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 3.2.1 Employment and vacancies by programme as at 31 March 2014**

Programme	Number of posts on approved establishment	Number of posts filled	Vacancy Rate	Number of employees additional to the establishment
Dep:administration, Permanent	124	122	1.6	13
Dep:legal and governance, Permanent	19	19	0	4
Dep:portfolio man & strat partn, Permanent	77	75	2.6	13
<b>Total</b>	<b>220</b>	<b>216</b>	<b>1.8</b>	<b>30</b>

**Table 3.2.2 Employment and vacancies by salary band as at 31 March 2014**

Salary band	Number of posts on approved establishment	Number of posts filled	Vacancy Rate	Number of employees additional to the establishment
Lower skilled (1-2)	0	0	0	0
Skilled (3-5)	9	9	0	23
Highly skilled production (6-8)	56	56	3.6	2
Highly skilled supervision (9-12)	69	67	2.9	5
Senior management (13-16)	86	84	2.3	0
<b>Total</b>	<b>220</b>	<b>216</b>	<b>1.8</b>	<b>30</b>

**Table 3.2.3 Employment and vacancies by critical occupation as at 31 March 2014**

Critical occupation	Number of posts on approved establishment	Number of posts filled	Vacancy Rate	Number of employees additional to the establishment
Administrative related, Permanent	65	65	0	16
Client inform clerks (switchb receipt inform clerks), Permanent	3	3	0	0
Communication and information related, Permanent	4	4	0	1

Critical occupation	Number of posts on approved establishment	Number of posts filled	Vacancy Rate	Number of employees additional to the establishment
Finance and economics related, Permanent	8	7	12.5	7
Financial clerks and credit controllers, Permanent	6	6	0	1
Food services aids and waiters, Permanent	3	3	0	0
Head of department/chief executive officer, Permanent	1	1	0	0
Human resources & organisat developm & relate prof, Permanent	12	12	0	1
Information technology related, Permanent	7	7	0	1
Library mail and related clerks, Permanent	8	7	12.5	2
Logistical support personnel, Permanent	7	7	0	1
Messengers porters and deliverers, Permanent	6	6	0	0
Security officers, Permanent	4	4	0	0
Senior managers, Permanent	86	84	2.3	0
<b>Total</b>	<b>220</b>	<b>216</b>	<b>1.8</b>	<b>30</b>

### 3.3 Filling of SMS Posts

**Table 3.3.1 SMS post information as at 31 March 2014**

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	9	100	0	0
Salary Level 14	28	26	92.9	2	7.1
Salary Level 13	48	48	100	0	0
<b>Total</b>	<b>86</b>	<b>84</b>	<b>97.8</b>	<b>2</b>	<b>2.3</b>

**Table 3.3.2 SMS post information as at 30 September 2013**

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	100
Salary Level 16	0	0	0	0	0
Salary Level 15	9	9	100	0	10
Salary Level 14	28	23	82.1	5	17.9
Salary Level 13	48	44	91.7	4	8.3
<b>Total</b>	<b>86</b>	<b>77</b>	<b>89.6</b>	<b>9</b>	<b>10.5</b>

**Table 3.3.3 Advertising and filling of SMS posts for the period 1 April 2013 to 31 March 2014**

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	0	0	0
Salary Level 14	3	3	0
Salary Level 13	4	4	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Table 3.3.4 Reasons for not having complied with the filling of funded vacant SMS - Advertised within 6 months and filled within 12 months after becoming vacant for the period 1 April 2013 to 31 March 2014**

Reasons for vacancies not advertised within six months
N/A

Reasons for vacancies not filled within six months
All our posts were filled within reasonable time of three months after becoming vacant expect in the event where suitable candidate was not found, then the post will be re-advertised.

Reasons for vacancies not filled within twelve months
N/A

**Table 3.3.5 Disciplinary steps taken for not complying with the prescribed timeframes for filling SMS posts within 12 months for the period 1 April 2013 to 31 March 2014**

Reasons for vacancies not advertised within six months
N/A

Reasons for vacancies not filled within six months
N/A



### 3.4 Job Evaluation

**Table 3.4.1 Job Evaluation by salary band for the period 1 April 2014 to 31 March 2014**

Salary band	Number of posts on approved establishment	Number of Jobs Evaluated	% of posts evaluated by salary bands	Posts Upgraded		Posts downgraded	
				Number	% of posts evaluated	Number	% of posts evaluate
Lower skilled (Levels 1-2)							
Skilled (Levels 3-5)	9	1	11.1	0	0	0	0
Highly skilled production (Levels 6-8)	56	3	5.4	1	33.3	0	0
Highly skilled supervision (Levels 9-12)	69	1	1.4	0	0	0	0
Senior Management -service band A	48	4	8.3	0	0	0	0
Senior Management -service band B	28	1	3.6	0	0	0	0
Senior management - service band C	7	1	14.3	0	0	0	0
Senior Management - service band D	3	0	0	0	0	0	0
<b>Total</b>	<b>220</b>	<b>11</b>	<b>5</b>	<b>1</b>	<b>9.1</b>	<b>0</b>	<b>0</b>

**Table 3.4.2 Profile of employees whose positions were upgraded due to their posts being upgraded for the period 1 April 2013 to 31 March 2014**

Gender	African	Asian	Coloured	White	Total
Female	0	0	0	0	0
Male	1	0	0	0	1
<b>Total</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>

<b>Employees with a disability</b>	0
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**Table 3.4.3 Employees with salary levels higher than those determined by job evaluation by occupation for the period 1 April 2013 to 31 March 2014**

Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
None	0	0	0	None
None	0	0	0	None
None	0	0	0	None
None	0	0	0	None
Total number of employees whose salaries exceeded the level determined by job evaluation				0
Percentage of total employed				0

**Table 3.4.4 Profile of employees who have salary levels higher than those determined by job evaluation for the period 1 April 2013 to 31 March 2014**

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
Total number of employees whose salaries exceeded the grades determine by job evaluation					None

### 3.5 Employment Changes

**Table 3.5.1 Annual turnover rates by salary band for the period 1 April 2013 to 31 March 2014**

Salary band	Number of employees at beginning of period-1 April 2013	Appointments and transfers into the department	Terminations and transfers out of the department	Turnover rate
Lower skilled (Levels 1-2)	0	0	0	0
Skilled (Levels3-5)	7	2	1	14.3
Highly skilled production (Levels 6-8)	61	9	6	9.8
Highly skilled supervision (Levels 9-12)	53	13	3	5.7
Senior Management Service Bands A	39	11	2	5.1
Senior Management Service Bands B	23	1	1	4.3
Senior Management Service Bands C	4	3	0	0
Senior Management Service Bands D	3	0	0	0
Contracts	0	0	0	0
<b>Total</b>	<b>190</b>	<b>39</b>	<b>13</b>	<b>6.8</b>

**Table 3.5.2 Annual turnover rates by critical occupation for the period 1 April 2012 to 31 March 2014**

Critical occupation	Number of employees at beginning of period-April 2013	Appointments and transfers into the department	Terminations and transfers out of the department	Turnover rate
Administrative related, Permanent	64	13	6	9.4
Client inform clerks(switchb receipt inform clerks), Permanent	3	0	0	0
Communication and information related, Permanent	5	1	0	0
Financial and related professionals, Permanent	5	1	1	20
Financial clerks and credit controllers, Permanent	6	2	2	33.3
Food services aids and waiters, Permanent	3	0	0	0
Head of department/chief executive officer, Permanent	1	0	0	0

Critical occupation	Number of employees at beginning of period-April 2013	Appointments and transfers into the department	Terminations and transfers out of the department	Turnover rate
Human resources & organisat developm & relate prof, Permanent	8	1	0	0
Information technology related, Permanent	5	3	0	0
Library mail and related clerks, Permanent	5	2	0	0
Logistical support personnel, Permanent	7	1	0	0
Messengers porters and deliverers, Permanent	6	0	0	0
Security officers, Permanent	3	1	1	33.3
Senior managers, Permanent	69	14	3	4.3
<b>Total</b>	<b>190</b>	<b>39</b>	<b>13</b>	<b>6.8</b>

**Table 3.5.3 Reasons why staff left the department for the period 1 April 2013 to 31 March 2014**

Termination Type	Number	% of Total Resignations
Death	0	0
Resignation	10	76.9
Expiry of contract	0	0
Dismissal – operational changes	0	0
Dismissal – misconduct	0	0
Dismissal – inefficiency	0	0
Discharged due to ill-health	0	0
Retirement	0	0
Transfers to other public service Departments	3	23.1
Other	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
Total number of employees who left as a % of total employment	13	100

**Table 3.5.4 Promotions by critical occupation for the period 1 April 2013 to 31 March 2014**

Occupation	Employees 1 April 2013	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	64	0	0	43	67.2
Client inform clerks (Switchb., Recept., Inform. Clerks)	3	0	0	2	66.7
Communication and information related	5	0	0	4	80
Financial and related professionals	5	1	20	5	100
Financial clerks and credit controllers	6	1	16.7	4	66.7

Occupation	Employees 1 April 2013	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
Food services aids and waiters	3	0	0	3	100
Head of department/ chief executive officer	1	0	0	0	0
Human resources & organisat. developm. & related prof.	8	0	0	6	75
Information technology related	5	0	0	2	40
Library mail and related clerks	5	0	0	5	100
Logistical support personnel	7	0	0	6	85.7
Messengers porters and deliverers	6	0	0	0	0
Security officers	3	0	0	3	100
Senior managers	69	4	5.8	0	0
<b>Total</b>	<b>190</b>	<b>6</b>	<b>3.2</b>	<b>83</b>	<b>43.7</b>

**Table 3.5.5 Promotions by salary band for the period 1 April 2013 to 31 March 2014**

Salary Band	Employees 1 April 2013	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
Lower skilled (Levels 1-2)	0	0	0	0	0
Skilled (Levels 3-5)	9	0	0	7	77.8
Highly skilled production (Levels 6-8)	59	11	18.6	35	59.3
Highly skilled supervision (Levels 9-12)	53	1	1.9	41	77.4
Senior Management (Level 13-16)	69	4	5.8	0	0
<b>Total</b>	<b>190</b>	<b>16</b>	<b>8.4</b>	<b>83</b>	<b>43.7</b>

### 3.6 Employment Equity

**Table 3.6.1 Total number of employees (including employees with disabilities) in each of the following occupational categories as at 31 March 2014**

Occupational category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers, Permanent	37	4	2	2	31	2	3	3	84
Professionals, Permanent	16	0	1	0	12	1	1	4	35
Technicians and associate professionals	14	1	0	1	12	1	0	2	31
Clerks, Permanent	14	0	0	0	34	1	0	1	50
Elementary occupations	9	0	0	0	7	0	0	0	16
<b>Total</b>	<b>90</b>	<b>5</b>	<b>3</b>	<b>3</b>	<b>96</b>	<b>5</b>	<b>4</b>	<b>10</b>	<b>216</b>
Employees with disabilities	2	0	0	1	0	0	0	3	6

**Table 3.6.2 Total number of employees (including employees with disabilities) in each of the following occupational bands as at 31 March 2014s**

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	4	0	0	0	6	0	0	0	10
Senior Management	33	4	2	2	25	2	3	3	74
Professionally qualified and experienced specialists and mid-management	30	1	1	1	24	2	1	6	66
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	14	0	0	0	34	1	0	1	50
Semi-skilled and discretionary decision making	9	0	0	0	7	0	0	0	16
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>89</b>	<b>5</b>	<b>3</b>	<b>3</b>	<b>96</b>	<b>5</b>	<b>4</b>	<b>10</b>	<b>216</b>

**Table 3.6.3 Recruitment for the period 1 April 2013 to 31 March 2014**

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Senior Management, Permanent	6	0	0	0	8	0	0	0	14
Professionally qualified and experienced specialists and mid-management, Permanent	8	0	0	1	5	0	0	0	14
Skilled technical and academically qualified workers, junior management, supervisors, foremen, Permanent	3	0	0	0	6	0	0	0	9
Semi-skilled and discretionary decision making, Permanent	2	0	0	0	0	0	0	0	2
<b>Total</b>	<b>19</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>19</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>39</b>
Employees with disabilities	0	0	0	0	0	0	0	0	0

**Table 3.6.4 Promotions for the period 1 April 2013 to 31 March 2014**

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	3	0	0	0	1	0	0	0	4
Professionally qualified and experienced specialists and mid-management	1	0	0	0	0	0	0	0	1
Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents	2	0	0	0	9	0	0	0	11
Semi-skilled and discretionary decision making	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>16</b>
Employees with disabilities	0	0	0	0	0	0	0	0	0

**Table 3.6.5 Terminations for the period 1 April 2013 to 31 March 2014**

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management									
Senior Management	1	0	1	0	1	0	0	0	3
Professionally qualified and experienced specialists and mid-management	1	0	0	0	2	0	0	0	3
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	2	0	0	0	4	0	0	0	6
Semi-skilled and discretionary decision making	1	0	0	0	0	0	0	0	1
<b>Total</b>	<b>5</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13</b>
Employees with Disabilities	0	0	0	0	0	0	0	0	0

**Table 3.6.6 Disciplinary action for the period 1 April 2013 to 31 March 2014**

Disciplinary action	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Gross Dishonest	0	0	0	0	2	0	0	0	2
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>

**Table 3.6.7 Skills development for the period 1 April 2013 to 31 March 2014**

Occupational category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	20	3	2	1	14	2	3	3	48
Professionals	12	0	1	0	10	1	1	3	28
Technicians and associate professionals	12	1	0	1	10	1	0	1	26
Clerks	11	0	0	0	21	1	0	1	34
Elementary occupations	6	0	0	0	5	0	0	0	11
<b>Total</b>	<b>61</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>60</b>	<b>5</b>	<b>4</b>	<b>8</b>	<b>147</b>
Employees with disabilities	2	0	0	0	0	0	0	3	5

### 3.7 Signing of performance agreements by SMS members

**Table 3.7.1 Signing of a Performance Agreement by SMS members as at 31 May 2013**

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	9	9	100
Salary Level 14	28	26	26	92.9
Salary Level 13	48	48	48	100
<b>Total</b>	<b>86</b>	<b>84</b>	<b>84</b>	<b>97.7</b>

**Table 3.7.2 Reasons for not having concluded a Performance Agreement with all SMS members as at 31 March 2014**

Reasons
All performance agreement were concluded within the circle 2013/2014

**Table 3.7.3 Disciplinary steps taken against SMS members for not having concluded a Performance Agreement as at 31 March 2014**

Reasons
None

### 3.8 Performance Rewards

**Table 3.8.1 Performance rewards by race, gender and disability for the period 1 April 2013 to 31 March 2014**

Race and Gender	Beneficiary Profile			Cost	
	Number of beneficiaries	Number of employees	% of total within group	Cost (R'000)	Average cost per employee
<b>African</b>					
Female	56	58	96.6	958	17
Male	42	45	93.3	687	16
<b>Asian</b>					
Female	1	1	100	39	39
Male	1	1	100	33	33
<b>Coloured</b>					
Female	5	5	100	71	14
Male	1	1	100	25	25
<b>White</b>					
Female	5	5	100	157	314
Male	0	0	0	0	0
<b>Total</b>	<b>111</b>	<b>116</b>	<b>95.7</b>	<b>1 970</b>	<b>17,7</b>



**Table 3.8.2 Performance rewards by salary band for personnel below Senior****Management level for the period 1 April 2012 to 31 March 2013**

Salary band	Beneficiary Profile			Cost		Total cost as a % of the total personnel expenditure
	Number of beneficiaries	Number of employees	% of total within salary bands	Total Cost (R'000)	Average cost per employee	
Lower Skilled (Levels 1-2)	0	0	0	0	0	0
Skilled (level 3-5)	9	9	100	94	10	56
Highly skilled production (level 6-8)	52	56	92.9	671	12	43
Highly skilled supervision (level 9-12)	50	51	98	1 204	24	45
<b>Total</b>	<b>111</b>	<b>116</b>	<b>95.7</b>	<b>1 970</b>	<b>17</b>	<b>45</b>

**Table 3.8.3 Performance rewards by critical occupation for the period 1 April 2012 to 31 March 2013**

Critical occupation	Beneficiary Profile			Cost	
	Number of beneficiaries	Number of employees	% of total within occupation	Total Cost	Average cost per employee
Administrative related	60	62	96.8	1153	19
Client inform clerks (switchboard reception inform clerks)	3	3	100	42	14
Communication and information related	3	3	100	47	15
Financial and related professionals	5	5	100	54	10
Financial clerks and credit controllers	6	6	100	98	16
Food services aids and waiters	3	3	100	27	9,
Head of department/chief executive officer	0	1	0	0	0
Human resources & organisational development & related professions	6	7	85.7	127	21
Information technology related	2	4	50	42	21
Library mail and related clerks	6	6	100	86	14
Logistical support personnel	7	7	100	158	22
Messengers porters and deliverers	6	6	100	70	11
Security officers	4	4	100	62	15
Senior managers	0	68	0	0	0
<b>Total</b>	<b>111</b>	<b>185</b>	<b>60</b>	<b>1 970</b>	<b>17,7</b>

**Table 3.8.4 Performance related rewards (cash bonus), by salary band for Senior Management level for the period 1 April 2013 to 31 March 2014**

Salary band	Beneficiary Profile			Cost		Total cost as a % of the total personnel expenditure
	Number of beneficiaries	Number of employees	% of total within salary bands	Total Cost (R'000)	Average cost per employee	
Band A	0	39	0	0	0	0
Band B	0	23	0	0	0	0
Band C	0	6	0	0	0	0
Band D	0	1	0	0	0	0
<b>Total</b>	<b>0</b>	<b>69</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### 3.9 Foreign workers

**Table 3.9.1 Foreign workers by salary band for the period 1 April 2013 to 31 March 2014**

Salary band	01 April 2013		31 March 2014		Change	
	Number	% of total	Number	% of total	Number	% Change
Lower skilled	0	0	0	0	0	0
Highly skilled production (Level 6-8)	0	0	0	0	0	0
Highly skilled supervision (Level 9-12)	0	0	0	0	0	0
Contract (Level 9-12)	0	0	0	0	0	0
Contract (Level 13-16)	5	100	5	100	0	0
<b>Total</b>	<b>5</b>	<b>100</b>	<b>5</b>	<b>100</b>	<b>0</b>	<b>0</b>

**Table 3.9.2 Foreign workers by major occupation for the period 1 April 2013 to 31 March 2014**

Major occupation	01 April 2013		31 March 2014		Change	
	Number	% of total	Number	% of total	Number	% Change
Senior Management	5	100	5	100	0	0
<b>Total</b>	<b>5</b>	<b>100</b>	<b>5</b>	<b>100</b>	<b>0</b>	<b>0</b>

### 3.10 Leave utilisation

**Table 3.10.1 Sick leave for the period 1 January 2013 to 31 December 2014**

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)
Lower skills (Level 1-2)	0	0	0	0	0	0
Skilled (Levels 3-5)	72	123.6	8	4.9	9	40
Highly skilled production (levels 6-8)	398	69.6	49	30.1	8	274
Highly skilled supervision (Levels 9 -12)	357	51.3	48	29.4	7	325
Top and senior management (Levels 13-16)	512	31.8	58	35.6	9	681
<b>Total</b>	<b>1339</b>	<b>53.2</b>	<b>163</b>	<b>100</b>	<b>8</b>	<b>1320</b>

**Table 3.10.2 Disability leave (temporary and permanent) for the period 1 January 2013 to 31 December 2014**

Salary band	Total days	% Days with Medical certification	Number of Employees using disability leave	% of total employees using disability leave	Average days per employee	Estimated Cost (R'000)
Lower skilled (Levels 1-2)	0	0	0	0	0	0
Skilled (Levels 3-5)	0	0	0	0	0	0
Highly skilled production (Levels 6-8)	0	0	0	0	0	0
Highly skilled supervision (Levels 9-12)	22	100	1	0.5	22	21
Senior management (Levels 13-16)	129	73.6	2	0.9	65	410
<b>Total</b>	<b>151</b>	<b>29.1</b>	<b>3</b>	<b>1.4</b>	<b>50.3</b>	<b>431</b>

**Table 3.10.3 Annual Leave for the period 1 January 2013 to 31 December 2014**

Salary band	Total days taken	Number of Employees using annual leave	Average per employee
Lower skilled (Levels 1-2)	0	0	0
Skilled (Levels 3-5)	163	9	18
Highly skilled production (Levels 6-8)	1068	52	21
Highly skilled supervision (Levels 9-12)	1220	68	18
Senior management (Levels 13-16)	1464	79	19
<b>Total</b>	<b>3915</b>	<b>208</b>	<b>19</b>

**Table 3.10.4 Capped leave for the period 1 January 2013 to 31 December 2014**

Salary band	Total days of capped leave taken	Number of Employees using capped leave	Average number of days taken per employee	Average capped leave per employee as on 31 March 20ZZ
Lower skilled (Levels 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>

**Table 3.10.5 Leave payout for the period 1 April 2013 to 31 March 2014**

Reason	Total amount (R'000)	Number of employees	Average per employee (R'000)
Leave payout for 2013/14 due to non-utilisation of leave for the previous cycle	71	1	71
Capped leave payouts on termination of service for 2013/14	0	0	0
Current leave payout on termination of service for 2013/14	101	4	25
<b>Total</b>	<b>172</b>	<b>5</b>	<b>34.4</b>

### 3.11 HIV/AIDS & Health Promotion Programmes

**Table 3.11.1 Steps taken to reduce the risk of occupational exposure**

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 3.11.2 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		Beverley Nkumanda
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		Beverley Nkumanda Anneline Stroebel Modiegi Tlhoale
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		TB and HIV
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		Gender and Disability 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		A service provider has been appointed to assist patients.
7. Does the Department encourage its employees to undergo voluntary counselling and testing (VCT)? If so, list the results that you have achieved.	X		VCT is done by independent bodies and kept confidential.
8. Has the Department developed measures/indicators to monitor & evaluate the impact of its health promotion programme? If so, list these measures/indicators.	X		GEMS provides this service.

### 3.12 Labour Relations

**Table 3.12.1 Collective agreements for the period 1 April 2013 to 31 March 2014**

Subject matter	Date
None	0
None	0
Total number of Collective agreements	None

**Table 3.12.2 Misconduct and disciplinary hearings finalised for the period 1 April 2013 to 31 March 2014**

Outcomes of disciplinary hearings	Number	% of total
Correctional counselling	0	0
Verbal warning	0	0
Written warning	0	0
Final written warning	0	0
Suspended without pay	0	0
Fine	0	0
Demotion	0	0
Dismissal	0	0
Not guilty	0	0
Case withdrawn	1	100
Total	1	100

Total number of Disciplinary hearings finalised	None
---	------

**Table 3.12.3 Types of misconduct addressed at disciplinary hearings for the period 1 April 2013 to 31 March 2014**

Type of misconduct	Number	% of total
Gross Dishonest	1	100
Gross Dishonest	1	100
<b>Total</b>	<b>2</b>	<b>100</b>

**Table 3.12.4 Grievances logged for the period 1 April 2013 to 31 March 2014**

Grievances	Number	% of Total
Number of grievances resolved	1	100
Number of grievances not resolved	0	0
Total number of grievances lodged	1	100

**Table 3.12.5 Disputes logged with Councils for the period 1 April 2013 to 31 March 2014**

Disputes	Number	% of Total
Number of disputes upheld	0	0
Number of disputes dismissed	0	0
Total number of disputes lodged	0	0

**Table 3.12.6 Strike action for the period 1 April 2013 to 31 March 2014**

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 3.12.7 Precautionary suspensions for the period 1 April 2013 to 31 March 2014**

Number of people suspended	3
Number of people whose suspension exceeded 30 days	1
Average number of days suspended	100
Cost of suspension(R'000)	3900

### 3.13 Skills development

**Table 3.13.1 Training needs identified for the period 1 April 2013 to 31 March 2014**

Occupational category	Gender	Number of employees as at 31 March 2014	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	37	0	22	0	22
	Male	45	0	26	0	26
Professionals	Female	20	0	15	0	15
	Male	17	0	13	0	13
Technicians and associate professionals	Female	15	0	12	0	12
	Male	16	0	14	0	14
Clerks	Female	36	0	23	0	23
	Male	14	0	11	0	11
Elementary occupations	Female	9	0	5	0	5
	Male	7	0	6	0	6
Sub Total	Female	117	0	77	0	77
	Male	99	0	70	0	70
<b>Total</b>		<b>216</b>	<b>0</b>	<b>147</b>	<b>0</b>	<b>147</b>

**Table 3.13.2 Training provided for the period 1 April 2013 to 31 March 2014**

Occupational category	Gender	Number of employees as at 31 March 2014	Training provided within the reporting period			
			Learnerships	Skills Programmes & other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	37	0	22	0	22
	Male	45	0	26	0	26
Professionals	Female	20	0	15	0	15
	Male	17	0	13	0	13
Technicians and associate professionals	Female	15	0	12	0	12
	Male	16	0	14	0	14
Clerks	Female	36	0	23	0	23
	Male	14	0	11	0	11
Elementary occupations	Female	9	0	5	0	5
	Male	7	0	6	0	6
Sub Total	Female	117	0	77	0	77
	Male	99	0	70	0	70
<b>Total</b>		<b>216</b>	<b>0</b>	<b>147</b>	<b>0</b>	<b>147</b>

## Injury on duty

**Table 3.14.1 Injury on duty for the period 1 April 2013 to 31 March 2014**

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>

## 3.15 Utilisation of consultants

**Table 3.15.1: Report on consultant appointments using appropriated funds**

Project Title	Total number of consultants that worked on the project	Duration: Work days	Contract value in Rand
An independent evaluation of Eskom's build programme practices	4	60	674 652
Freight rail reforms phase II	3	264	774 600
Remuneration Standards	1	8	200 977
Career management	5	8	270 000
Memorandum of incorporation	3	730	1 592 771
Business Process Mapping	4	72	179 664
The protocol corporate governance	2	120	484 632
Review of the value of strategic equity partnerships entered into between Denel and International Original Equipment Manufactures	8	90	157 860
Study on the economic/industrial/technological impact of the Rooivalk Combat Helicopter Programme and lessons learnt and how the knowledge gained from such a project may be utilized in future major defence acquisition systems/ programmes	9	180	470 000
Review of the corporate management structure	3	68	381 900
Skills Audit	2	153	114 000
To provide strategic & technical advice pertaining to the transition of a low carbon economy in relation to SOC	2	360	488 071
Mentoring and coaching	4	180	97 470
Review and update of the Board induction toolkit	2	58	352 612
investigation into the affairs of Alexkor development foundation	6	90	254 425
<b>Total</b>	<b>58</b>	<b>2441</b>	<b>6 493 634</b>

**Table 3.15.2: Analysis of consultant appointments using appropriated funds, in terms of Historically Disadvantaged Individuals (HDIs)**


Project Title	Percentage ownership by HDI groups	Percentage management by HDI groups	Number of Consultants from HDI groups that work on the project
An independent evaluation of Eskom's build programme practices	20	40.74	1
Freight rail reforms phase II	.05	.05	0
Remuneration Standards	30.16	62.50	1
Career management	100	100	5
Memorandum of incorporation	47.56	50	3
Business Process Mapping	20	20	1
The protocol corporate governance	25.1	50.1	3
Review of the value of strategic equity partnerships entered into between Denel and International Original Equipment Manufactures	66	51	2
Study on the economic/industrial/ technological impact of the Rooivalk Combat Helicopter Programme and lessons learnt and how the knowledge gained from such a project may be utilized in future major defence acquisition systems/programmes	27.5	56	5
Review of the corporate management structure	100	100	3
Skills Audit	0	0	1
To provide strategic & technical advice pertaining to the transition of a low carbon economy in relation to SOC	0	0	2
Mentoring and coaching	100	100	4
Review and update of the Board induction toolkit	76.09	80	2
investigation into the affairs of Alexkor development foundation	27.5	56	6

## 16. Severance Packages

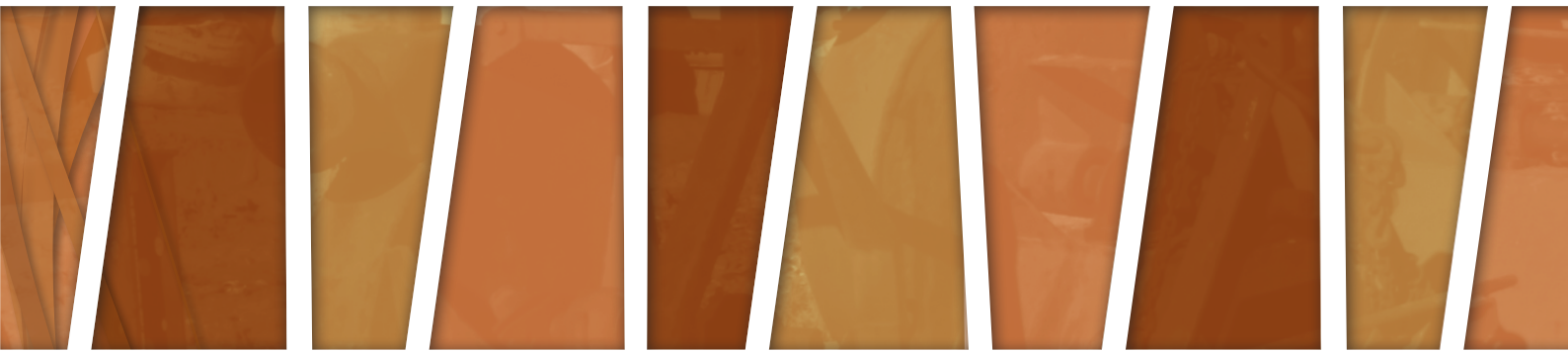
**Table 3.16.1 Granting of employee initiated severance packages for the period 1 April 2013 and 31 March 2014**

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 (Levels 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. 11: DEPARTMENT OF PUBLIC ENTERPRISES

## REPORT ON THE FINANCIAL STATEMENTS

### Introduction

1. I have audited the financial statements of the Department of Public Enterprises set out on pages 107 to 149, which comprise the appropriation statement, the statement of financial position as at 31 March 2014, the statement of financial performance, statement of changes in net assets, and cash flow statement for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

### Accounting officer's responsibility for the financial statements

2. The accounting officer responsible for the preparation and fair presentation of these financial statements in accordance with the Modified Cash Standard prescribed by National Treasury and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Opinion**

6. 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 2014 and its financial performance and cash flows for the year then ended, in accordance with the Modified Cash Standard prescribed by National Treasury and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA).

## **EMPHASIS OF MATTER PARAGRAPHS**

The following emphasis of matter paragraphs will be included in our auditor's report to draw the users' attention to matters presented or disclosed in the financial statements:

### **Restatement of corresponding figures**

7. As disclosed in note 27 to the financial statements, the corresponding figures for the 2012/13 financial year disclosure note have been restated as a result of an error discovered during 2013/2014 in the financial statements of the Department of Public Enterprises for the year ended 31 March 2013.

## **ADDITIONAL MATTER PARAGRAPHS**

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

### **Unaudited supplementary schedules**

9. The supplementary information set out on pages 150 to 161 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 thereon.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

10. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report, non-compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

### **Predetermined objectives**

11. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected sub-programmes in Programme 3 – Portfolio Management and Strategic Partnerships presented on pages 43 to 66 in the annual performance report of the Department of Public Enterprises for the year ended 31 March 2014:
  - a. Sub Programme - Energy and Broadband Enterprises
  - b. Sub Programme - Manufacturing Enterprises
  - c. Sub Programme - Transport Enterprises

12. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
13. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes and objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's **Framework for Managing Programme Performance Information (FMPPI)**.
14. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
15. I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected programmes and objectives.

#### **Compliance with legislation**

16. I performed procedures to obtain evidence that the entity had complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

#### **Internal control**

17. I considered internal control relevant to my audit of the financial statements, Report on Predetermined Objectives and compliance with legislation. I did not identify any significant deficiencies in internal control.

*Auditor General*

**Pretoria**  
**31 July 2014**



**A U D I T O R - G E N E R A L**  
**S O U T H A F R I C A**

*Auditing to build public confidence*

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# ANNUAL FINANCIAL STATEMENTS FOR THE DEPARTMENT OF PUBLIC ENTERPRISES FOR THE YEAR ENDED 31 MARCH 2014

## 1. APPROPRIATION STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

Appropriation per programme	2013/14							2012/13	
	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>									
Current payment	128 593	(316)	2 610	130 887	129 632	1 255	99.0%	114 080	112 390
Transfers and subsidies	155	19	200	374	318	56	85.0%	235	227
Payment for capital assets	2 284	200	860	3 344	3 249	95	97.2%	2 773	2 742
Payment for financial assets	-	97	-	97	95	2	97.9%	8	8
	131 032	-	3 670	134 702	133 294	1 408		117 096	115 367
<b>2. Legal and Governance</b>									
Current payment	22 338	(14)	1 100	23 424	23 146	278	98.8%	24 209	23 450
Transfers and subsidies	-	14	-	14	13	1	92.9%	28	27
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
	22 338	-	1 100	23 438	23 159	279		24 237	23 477
<b>3. Portfolio Management and Strategic Partnerships</b>									
Current payment	83 519	-	(4 770)	78 749	58 734	20 015	74.6%	67 040	59 821
Transfers and subsidies	57 250	-	-	57 250	57 281	(31)	100.1%	118 385	118 384
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	1 050 000	1 050 000
	140 769	-	(4 770)	135 999	116 015	19 984		1 235 425	1 228 205
<b>TOTAL</b>	<b>294 139</b>	<b>-</b>	<b>-</b>	<b>294 139</b>	<b>272 468</b>	<b>21 671</b>	<b>92.6%</b>	<b>1 376 758</b>	<b>1 367 049</b>

	2013/14		2012/13	
	Final Appropriation	Actual Expenditure	Final Appropriation	Actual Expenditure
<b>TOTAL (brought forward)</b>				
Reconciliation with statement of financial performance	294 139	272 468	21 671	92.6%
<b>ADD</b>				
Departmental receipts	373			537
Aid assistance	6 101			5 937
<b>Actual amounts per statement of financial performance (total revenue)</b>	<b>300 613</b>			<b>1 383 232</b>
<b>ADD</b>				
Aid assistance		2 449		11 135
Prior year unauthorised expenditure approved without funding				
<b>Actual amounts per statement of financial performance (total expenditure)</b>		<b>274 917</b>		<b>1 378 184</b>

Appropriation per economic classification									
2013/14					2012/13				
	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>									
Compensation of employees	131 887	(254)	-	131 633	127 771	3 862	97.1%	111 316	107 332
Goods and services	102 563	(306)	(860)	101 397	83 740	17 657	82.6%	94 012	88 329
<b>Transfers and subsidies</b>									
Provinces and municipalities	-	4	-	4	2	2	50.0%	-	-
Public corporations and private enterprises	57 250	-	-	57 250	57 250	-	100.0%	118 313	118 313
Non-profit institutions	-	-	-	-	-	-	-	-	-
Households	155	259	-	414	360	54	87.0%	235	232
Gifts and donations	-	-	-	-	-	-	-	100	93
<b>Payments for capital assets</b>									
Machinery and equipment	2 284	200	350	2 834	2 769	65	97.7%	2 680	2 649
Intangible assets	-	-	510	510	481	29	94.3%	94	93
<b>Payments for financial assets</b>									
	-	97	-	97	95	2	97.9%	1 050 008	1 050 008
<b>Total</b>	<b>294 139</b>	<b>-</b>	<b>-</b>	<b>294 139</b>	<b>272 468</b>	<b>21 671</b>	<b>92.6%</b>	<b>1 376 758</b>	<b>1 367 049</b>



Detail per programme 1: Administration	2013/14						2012/13		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual expenditure R'000
<b>1.1 MINISTRY</b>									
Current payment	31 367	1	5	31 373	31 333	40	99.9%	30 245	30 017
Transfers and subsidies	-	4	-	4	2	2	50.0%	5	5
Payment for capital assets	8	-	-	8	8	-	100.0%	14	14
Payment for financial assets	-	-	-	-	-	-	-	-	-
<b>1.2 MANAGEMENT (PROG 1)</b>									
Current payment	10 346	(1 050)	-	9 296	9 269	27	99.7%	4 354	4 121
Transfers and subsidies	-	-	-	-	-	-	-	44	44
Payment for capital assets	-	-	-	-	-	-	-	8	8
Payment for financial assets	-	-	-	-	-	-	-	-	-
<b>1.3 CORPORATE SERVICES</b>									
Current payment	24 814	(179)	-	24 635	24 520	115	99.5%	26 519	25 967
Transfers and subsidies	55	-	-	55	55	-	100.0%	-	-
Payment for capital assets	1 676	-	860	2 536	2 481	55	97.8%	2 396	2 367
Payment for financial assets	-	-	-	-	-	-	-	-	-
<b>1.4 CHIEF FINANCIAL OFFICER</b>									
Current payment	9 234	(264)	1 750	10 720	10 603	117	98.9%	10 277	10 047
Transfers and subsidies	-	-	-	-	-	-	-	8	8
Payment for capital assets	600	-	-	600	583	17	97.2%	11	11
Payment for financial assets	-	97	-	97	95	2	97.9%	8	8

Detail per programme 1: Administration (Cont.)	2013/14							2012/13	
	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>1.5 HUMAN RESOURCES</b>									
Current payment	18 189	(1 260)	545	17 474	17 418	56	99.7%	12 900	12 698
Transfers and subsidies	-	-	200	200	200	-	100.0%	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
<b>1.6 COMMUNICATION</b>									
Current payment	10 627	3 644	(200)	14 071	14 002	69	99.5%	12 492	12 346
Transfers and subsidies	100	-	-	100	47	53	47.0%	178	170
Payment for capital assets	-	200	-	200	177	23	88.5%	326	324
Payment for financial assets	-	-	-	-	-	-	-	-	-
<b>1.7 STRATEGIC PLANNING, MONITORING AND EVALUATION</b>									
Current payment	4 850	(509)	510	4 851	4 807	44	99.1%	3 398	3 361
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	18	18
Payment for financial assets	-	-	-	-	-	-	-	-	-
<b>1.8 INTERGOVERNMENTAL RELATIONS</b>									
Current payment	7 158	(394)	-	6 764	6 711	53	99.2%	1 822	1 772
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-

Detail per programme 1: Administration (Cont.)	2013/14						2012/13		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual expenditure R'000
<b>1.9 INTERNAL AUDIT</b>									
Current payment	4 250	(305)	-	3 945	3 729	216	94.5%	3 287	3 276
Transfers and subsidies	-	15	-	15	14	1	93.3%	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
<b>1.10 OFFICE ACCOMMODATION</b>									
Current payment	7 758	-	-	7 758	7 240	518	93.3%	8 786	8 785
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>131 032</b>	<b>-</b>	<b>3 670</b>	<b>134 702</b>	<b>133 294</b>	<b>1 408</b>	<b>99.0%</b>	<b>117 096</b>	<b>115 367</b>

Economic classification	2013/14							2012/13	
	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>									
Compensation of employees	66 372	(210)	600	66 762	66 657	105	99.8%	58 075	56 714
Goods and services	62 221	(306)	2 210	64 125	62 974	1 151	98.2%	56 004	55 676
<b>Transfers and subsidies to:</b>									
Provinces and municipalities	-	4	-	4	2	2	50.0%	-	-
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Households	155	215	-	370	316	54	85.4%	135	134
Gifts and donations	-	-	-	-	-	-	-	100	93
<b>Payment for capital assets</b>									
Machinery and equipment	2 284	200	350	2 834	2 769	65	97.7%	2 680	2 649
Software and other intangible assets	-	-	510	510	481	29	94.3%	94	93
<b>Payments for financial assets</b>									
	-	97	-	97	95	2	97.9%	8	8
<b>Total</b>	<b>131 032</b>	<b>-</b>	<b>3 670</b>	<b>134 702</b>	<b>133 294</b>	<b>1 408</b>	<b>99.0%</b>	<b>117 096</b>	<b>115 367</b>

Detail per sub-programme 2: Legal and Governance	2013/14						2012/13		
	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>2.1 MANAGEMENT (PROG 2)</b>									
Current payment	2 089	863	100	3 052	3 022	30	99.0%	2 346	2 252
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
<b>2.2 LEGAL</b>									
Current payment	11 789	(14)	1 000	12 775	12 691	84	99.3%	13 563	13 348
Transfers and subsidies	-	14	-	14	13	1	92.9%	23	22
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
<b>2.3 GOVERNANCE</b>									
Current payment	8 460	(863)	-	7 597	7 433	164	97.8%	8 300	7 850
Transfers and subsidies	-	-	-	-	-	-	-	5	5
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>22 338</b>	<b>-</b>	<b>1 100</b>	<b>23 438</b>	<b>23 159</b>	<b>279</b>	<b>98.8%</b>	<b>24 237</b>	<b>23 477</b>

Economic classification	2013/14						2012/13		
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual expenditure R'000
<b>Current payments</b>									
Compensation of employees	15 429	(13)	-	15 416	15 180	236	98.5%	14 365	14 111
Goods and services	6 909	-	1 100	8 009	7 966	43	99.5%	9 844	9 339
<b>Transfers and subsidies to:</b>									
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Households	-	13	-	13	13	-	100.0%	28	27
Gifts and donations	-	-	-	-	-	-	-	-	-
<b>Payment for capital assets</b>									
Machinery and equipment	-	-	-	-	-	-	-	-	-
Software and other intangible assets	-	-	-	-	-	-	-	-	-
<b>Payments for financial assets</b>									
<b>Total</b>	<b>22 338</b>	<b>-</b>	<b>1 100</b>	<b>23 438</b>	<b>23 159</b>	<b>279</b>	<b>98.8%</b>	<b>24 237</b>	<b>23 477</b>

Detail per sub-programme 3: Portfolio Management and Strategic Partnerships	2013/14						2012/13		
	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>3.1 Energy and Broadband Enterprises</b>									
Current payment	17 731	-	(100)	17 631	15 960	1 671	90.5%	15 876	13 873
Transfers and subsidies	-	-	-	-	31	(31)			71
Payment for capital assets	-	-	-	-	-	-		-	-
Payment for financial assets	-	-	-	-	-	-		-	-
<b>3.2 Manufacturing Enterprises</b>									
Current payment	15 646	-	(1 300)	14 346	10 847	3 499	75.6%	11 838	9 955
Transfers and subsidies	57 250	-	-	57 250	57 250	-	100.0%	118 313	118 313
Payment for capital assets	-	-	-	-	-	-		-	-
Payment for financial assets	-	-	-	-	-	-		1 050 000	1 050 000
<b>3.3 Transport Enterprises</b>									
Current payment	20 089	-	(300)	19 789	14 985	4 804	75.7%	22 049	20 030
Transfers and subsidies	-	-	-	-	-	-		-	-
Payment for capital assets	-	-	-	-	-	-		-	-
Payment for financial assets	-	-	-	-	-	-		-	-
<b>3.4 Economic Impact and Policy Alignment</b>									
Current payment	19 139	-	(3 070)	16 069	9 686	6 383	60.3%	10 722	9 990
Transfers and subsidies	-	-	-	-	-	-		-	-
Payment for capital assets	-	-	-	-	-	-		-	-
Payment for financial assets	-	-	-	-	-	-		-	-
<b>3.5 Strategic Partnerships</b>									
Current payment	10 914	-	-	10 914	7 256	3 658	66.5%	6 555	5 973
Transfers and subsidies	-	-	-	-	-	-		-	-
Payment for capital assets	-	-	-	-	-	-		-	-
Payment for financial assets	-	-	-	-	-	-		-	-
<b>Total</b>	<b>140 769</b>	<b>-</b>	<b>(4 770)</b>	<b>135 999</b>	<b>116 015</b>	<b>19 984</b>	<b>85.3%</b>	<b>1 235 425</b>	<b>1 228 205</b>

## 2. NOTES TO THE APPROPRIATION STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

### 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 1 (A-D) 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):

4.1 Per programme	Final Appropriation	Actual Expenditure	Variance	Variance as a % of Final Appropriation
	R'000	R'000	R'000	
Administration	134 702	133 294	1 408	1%
Legal and Governance	23 438	23 159	279	1.2%
Portfolio Management and Strategic Partnerships	135 999	116 015	19 984	14.7%
	<b>294 139</b>	<b>272 468</b>	<b>21 671</b>	<b>7.4%</b>

An underspending of R21.7 million was recorded for the 2013/14 financial year mainly due to compensation of employees and goods and services. This underspending resulted from posts not having been filled due to scarcity of specialist skills in the market and some projects having been delayed due to capacity constraints. The Department has requested rollovers from the 2013/14 financial year to the amount of R5 million from the National Treasury in order to be complete the projects in the current financial year.

**Programme 3: Portfolio Management and Strategic Partnerships** reflect the largest underspending as a result of projects being delayed.



4.2 Per economic classification	Final Appropriation	Actual Expenditure	Variance	Variance as a % of Final Appropriation
	R'000	R'000	R'000	
<b>Current payments</b>				
Compensation of employees	131,633	127 771	3,862	3.9%
Goods and services	101,397	83 740	17,657	17.4%
<b>Transfers and subsidies</b>				
Provinces and municipalities	4	2	2	50%
Public corporations and private enterprises	57 250	57 250	-	100%
Households	414	360	54	13.0%
<b>Payments for capital assets</b>				
Machinery and equipment	2 834	2 769	65	2.3%
Software and other intangible assets	510	481	29	5.7%
<b>Payments for financial assets</b>				
	97	95	2	2.1%
	<b>294 139</b>	<b>272 468</b>	<b>21 671</b>	<b>7.4%</b>

### 3. STATEMENT OF THE FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2014

	Note	2013/14 R'000	2012/13 R'000
<b>REVENUE</b>			
Annual appropriation	1	294 139	1 376 758
Departmental revenue	2	373	537
Aid assistance	3	6 101	5 937
<b>TOTAL REVENUE</b>		<b>300 613</b>	<b>1 383 232</b>
<b>EXPENDITURE</b>			
Current expenditure			
Compensation of employees	4	127 771	107 332
Goods and services	5	83 740	88 329
Aid assistance	3	2 449	11 135
<b>Total current expenditure</b>		<b>213 960</b>	<b>206 796</b>
<b>Transfers and subsidies</b>			
Transfers and subsidies	7	57 612	118 638
<b>Total transfers and subsidies</b>		<b>57 612</b>	<b>118 638</b>
<b>Expenditure for capital assets</b>			
Tangible assets	8	2 769	2 649
Intangible assets	8	481	93
<b>Total expenditure for capital assets</b>		<b>3 250</b>	<b>2 742</b>
Payments for financial assets	6	95	1 050 008
<b>TOTAL EXPENDITURE</b>		<b>274 917</b>	<b>1 378 184</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>25 696</b>	<b>5 048</b>
<b>Reconciliation of Net Surplus/(Deficit) for the year</b>			
<b>Voted funds</b>		<b>21 671</b>	<b>9 709</b>
Annual appropriation		21 671	9 709
Departmental revenue and NRF Receipts	15	373	537
Aid assistance	3	3 652	(5 198)
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>25 696</b>	<b>5 048</b>

## 4. STATEMENT OF THE FINANCIAL POSITION FOR THE YEAR ENDED 31 MARCH 2014

	Note	2013/14 R'000	2012/13 R'000
<b>ASSETS</b>			
<b>Current assets</b>		<b>145 199</b>	<b>126 999</b>
Cash and cash equivalents	9	143 723	126 370
Prepayments and advances	10	135	35
Receivables	11	1 341	594
<b>Non-current assets</b>		<b>25 149 585</b>	<b>24 799 585</b>
Investments	12	23 798 455	23 448 455
Loans	13	1 351 130	1 351 130
<b>TOTAL ASSETS</b>		<b>25 294 784</b>	<b>24 926 584</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>145 199</b>	<b>126 999</b>
Voted funds to be surrendered to the Revenue Fund	14	21 671	9 709
Departmental revenue and NRF Receipts to be surrendered to the Revenue Fund	15	47	10
Payables	16	1 566	1 491
Aid assistance unutilised	3	121 915	115 789
<b>TOTAL LIABILITIES</b>		<b>145 199</b>	<b>126 999</b>
<b>NET ASSETS</b>		<b>25 149 585</b>	<b>24 799 585</b>
<b>Represented by:</b>			
Capitalisation reserve		25 149 585	24 799 585
<b>TOTAL</b>		<b>25 149 585</b>	<b>24 799 585</b>

## 5. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2014

	Note	2013/14 R'000	2012/13 R'000
<b>Capitalisation Reserves</b>			
Opening balance		24 799 585	24 099 585
Transfers:			
Movement in Equity		350 000	700 000
Closing balance		<u>25 149 585</u>	<u>24 799 585</u>
<b>TOTAL</b>		<u>25 149 585</u>	<u>24 799 585</u>

The movement in equity reflects R700 million, notwithstanding the payment of financial assets being R 1.050 billion. The difference arises from the fact that Alexkor received a payment for the purchase of equity amounting to R350 million, as no shares had been issued as at 31 March 2013. The shares have been issued in the current financial year, refer to Annexure 2A for details of the investment in Alexkor SOC Ltd.

## 6. CASHFLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

	Note	2013/14 R'000	2012/13 R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts		<b>300 613</b>	<b>1 383 232</b>
Annual appropriated funds received	1.1	294 139	1 376 758
Departmental revenue received	2	342	525
Interest Received		31	12
Aid assistance received	3	6 101	5 937
Net (increase)/decrease in working capital		(772)	148
Surrendered to Revenue Fund	14,15	(10 045)	(7 702)
Surrendered to DPE		2 474	
Current payments		(213 960)	(206 796)
Payments for financial assets		(95)	(1 050 008)
Transfers and subsidies paid		(57 612)	(118 638)
<b>Net cash flow available from operating activities</b>	17	<b>20 603</b>	<b>236</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for capital assets	8	(3 250)	(2 742)
(Increase)/decrease in investments		(350 000)	(700 000)
<b>Net cash flows from investing activities</b>		<b>(353 250)</b>	<b>(702 742)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase/(decrease) in net assets		350 000	700 000
<b>Net cash flows from financing activities</b>		<b>350 000</b>	<b>700 000</b>
Net increase/(decrease) in cash and cash equivalents		17 353	(2 506)
Cash and cash equivalents at beginning of period		126 370	128 876
<b>Cash and cash equivalents at end of period</b>	9	<b>143 723</b>	<b>126 370</b>

# 7. ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2014

## 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. Under this basis, the effects of transactions and other events are recognised in the financial records when the resulting cash is received or paid. The “modification” results from the recognition of certain near-cash balances in the financial statements as well as the revaluation of foreign investments and loans and the recognition of resulting revaluation gains and losses.

In addition supplementary information is provided in the disclosure notes to the financial statements where it is deemed to be useful to the users of the financial statements.

### 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 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 comprises 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.

## **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**

Accrued expenditure payable is recorded in the notes to the financial statements when the goods are received or, in the case of services, when they are rendered to the department. Accrued expenditure payable is measured at cost.

### **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. In-kind aid assistance is recorded in the notes to the financial statements on the date of receipt and is measured at fair value.

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.

## **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**

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 Capital Assets**

### **15.1 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) are 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.

### **15.2 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) are 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 is added to the cost of the asset at the end of the capital project unless the intangible asset is recorded by another department/entity in which case the completed project costs are transferred to that department.

## **16 Contingents**

### **16.1 Provisions**

Provisions are recorded in the notes to the financial statements when there is a present legal or constructive obligation to forfeit economic benefits as a result of events in the past and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the obligation can be made. The provision is measured as the best estimate of the funds required to settle the present obligation at the reporting date

### **16.2 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.

### **16.3 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

## **17 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.

## **18 Irregular expenditure**

Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the total 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.

## **19 Prior period errors**

The impairment amounts were restated to an impairment loss limited to the cost of investment.

# 8. NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

## 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:

	Final Appropriation	2013/14 Actual Funds Received	Funds not requested/ not received	2012/13 Appropriation received
	R'000	R'000	R'000	R'000
Administration	134 702	134 702	-	117 096
Legal and Governance	23 438	23 438	-	24 237
Portfolio Management and Strategic Partnerships	135 999	135 999	-	1 235 425
<b>Total</b>	<b>294 139</b>	<b>294 139</b>	<b>-</b>	<b>1 376 758</b>

## 2. Departmental revenue

Sales of goods and services other than capital assets	2.1	60	58
Interest, dividends and rent on land	2.2	31	12
Transactions in financial assets and liabilities	2.3	282	467
<b>Departmental revenue collected</b>		<b>373</b>	<b>537</b>

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

Sales of goods and services produced by the department	2	60	58
Sales by market establishment		36	37
Other sales		24	21
Sales of scrap, waste and other used current goods		-	-
<b>Total</b>		<b>60</b>	<b>58</b>

### 2.2 Interest, dividends and rent on land

Interest		31	12
<b>Total</b>	2	<b>31</b>	<b>12</b>

	Note	2013/14 R'000	2012/13 R'000
Receivables		70	16
Other Receipts including Recoverable Revenue		212	451
Total	2	<b>282</b>	<b>467</b>

### 3. Aid assistance

#### 3.1 Aid assistance received in cash from DIABO TRUST

Local			
Opening Balance		115 789	120 987
Revenue		6 101	5 937
Expenditure		(2 449)	(11 135)
Current		(2 449)	(11 135)
Surrendered to DPE		2 474	
Closing Balance		<b>121 915</b>	<b>115 789</b>

An amount of R124.7 million was received from the Diabo Share Trust which has been carried over into the 2013/14 financial year. A portion of these funds was transferred to the Corporation for Public Deposits and the balance retained in the DPE account for disbursements to beneficiaries for claims and service providers. Interest amounting to R5.9 million was received during 2012/13 and R6.1 million in 2013/14 in the Corporation for Public Deposits account. In March 2014, an amount of R2.4 million was received as beneficiaries could not be located.

#### 3.2 Total assistance

Opening Balance		115 789	120 987
Revenue		6 101	5 937
Expenditure		(2 449)	(11 135)
Current		(2 449)	(11 135)
Surrendered to DPE		2 474	-
Closing Balance		<b>121 915</b>	<b>115 789</b>

#### 3.3 Analysis of balance

Aid assistance unutilised		121 915	115 789
Other sources		121 915	115 789
Closing balance		<b>121 915</b>	<b>115 789</b>

Note	2013/14 R'000	2012/13 R'000
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## 4. Compensation of employees

### 4.1 Salaries and Wages

Basic salary	81 558	63 747
Performance award	2 812	7 584
Service Based	95	29
Compensative/circumstantial	2 201	2 711
Periodic payments	3 171	2 159
Other non-pensionable allowances	27 231	23 035
<b>Total</b>	<b>117 068</b>	<b>99 265</b>

### 4.2 Social contributions

#### Employer contributions

Pension	8 339	6 013
Medical	2 352	2 045
Bargaining council	12	9
<b>Total</b>	<b>10 703</b>	<b>8 067</b>

<b>Total compensation of employees</b>	<b>127 771</b>	<b>107 332</b>
Average number of employees	<b>214</b>	<b>185</b>

Note	2013/14 R'000	2012/13 R'000
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## 5. Goods and services

Administrative fees		527	866
Advertising		4 705	1 962
Capital assets less than R5 000	5.1	358	444
Bursaries (employees)		464	393
Catering		1 621	1 341
Communication		3 741	3 741
Computer services	5.2	4 127	3 078
Consultants, contractors and agency/outsourced services	5.3	18 321	29 785
Entertainment		19	32
Audit cost – external	5.4	2 088	1 908
Fleet services		1 191	805
Inventory	5.5	31	209
Consumables	5.6	3 197	2 751
Operating leases		1 297	1 814
Property payments	5.7	7 504	9 137
Rental and hiring		-	-
Travel and subsistence	5.8	24 015	23 499
Venues and facilities		7 545	3 327
Training and development		1 858	1 624
Other operating expenditure	5.9	1 131	1 613
<b>Total</b>		<b>83 740</b>	<b>88 329</b>

### 5.1. Capital assets less than R5 000

<b>Tangible assets</b>		<b>358</b>	<b>438</b>
Machinery and equipment		358	438
<b>Intangible assets</b>		<b>-</b>	<b>6</b>
<b>Total</b>		<b>358</b>	<b>444</b>

### 5.2 Computer services

SITA computer services		1 061	1 497
External computer service providers		3 066	1 581
<b>Total</b>		<b>4 127</b>	<b>3 078</b>

	Note	2013/14 R'000	2012/13 R'000
<b>5.3 Consultants, contractors and agency/outsourced services</b>			
Business and advisory services		12 911	22 901
Legal costs		1 877	522
Contractors		909	2 252
Agency and support/outsourced services		2 624	4 110
<b>Total</b>		<b>18 321</b>	<b>29 785</b>
<b>5.4 Audit cost – External</b>			
Regularity audits		2 088	1 908
<b>Total</b>		<b>2 088</b>	<b>1 908</b>
<b>5.5 Inventory</b>			
Clothing material and accessories		29	-
Food and food supplies		-	112
Fuel, oil and gas		-	20
Materials and supplies		1	65
Medicine		1	12
<b>Total</b>		<b>31</b>	<b>209</b>
<b>5.6 Consumables</b>			
Consumable supplies		822	58
Household supplies		168	-
Building Materials		114	-
IT Consumables		268	-
Other consumables		272	58
Stationery, printing and office supplies		2 375	2 693
<b>Total</b>		<b>3 197</b>	<b>2 751</b>
<b>5.7 Property payments</b>			
Municipal services		1 533	3 049
Property management fees		5 707	5 735
Other		264	353
<b>Total</b>		<b>7 504</b>	<b>9 137</b>

	Note	2013/14 R'000	2012/13 R'000
<b>5.8 Travel and subsistence</b>			
Local		24 015	22 903
Foreign		-	596
<b>Total</b>		<b>24 015</b>	<b>23 499</b>

### 5.9 Other operating expenditure

Professional bodies, membership and subscription fees		210	500
Resettlement costs		31	174
Other/Learnership		890	939
<b>Total</b>		<b>1 131</b>	<b>1 613</b>

## 6. Payments for financial assets

Purchase of equity		-	1 050 000
Debts written off		95	8
<b>Total</b>		<b>95</b>	<b>1 050 008</b>

### 6.1 Debts written off

Nature of debts written off			
Staff Debt		95	8
<b>Total</b>		<b>95</b>	<b>8</b>
<b>Total debt written off</b>		<b>95</b>	<b>8</b>

## 7. Transfers and subsidies

Provinces and municipalities	<i>Annex 1B</i>	2	
Public corporations and private enterprises	<i>Annex 1E</i>	57 250	118 313
Households	<i>Annex 1G</i>	113	232
Gifts, donations and sponsorships made	<i>Annex 1H</i>	247	93
<b>Total</b>		<b>57 612</b>	<b>118 638</b>

	Note	2013/14 R'000	2012/13 R'000
Tangible assets		2 769	2 649
Machinery and equipment	30	2 769	2 649
Intangible assets		481	93
Software	31	481	93
<b>Total</b>		<b>3 250</b>	<b>2 742</b>

### 8.1 Analysis of funds utilised to acquire capital assets – 2013/14

	Voted funds R'000	Aid assistance R'000	Total R'000
Tangible assets			
Machinery and equipment	2 769	-	2 769
Intangible assets			
Software	481	-	481
<b>Total</b>	<b>3 250</b>	<b>-</b>	<b>3 250</b>

### 8.2 Analysis of funds utilised to acquire capital assets – 2012/13

	Voted funds R'000	Aid assistance R'000	Total R'000
Tangible assets	2 649		2 649
Machinery and equipment	2 649	-	2 649
Intangible assets	93		93
Software	93	-	93
<b>Total</b>	<b>2 742</b>	<b>-</b>	<b>2 742</b>



Note	2013/14 R'000	2012/13 R'000
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## 9. Cash and cash equivalents

Consolidated Paymaster General Account		27 808	10 475
Disbursements		-	79
Cash on hand		59	61
Investments (Domestic)		115 856	115 755
<b>Total</b>		<b>143 723</b>	<b>126 370</b>

## 10. Prepayments and advances

Travel and subsistence		21	29
Advances paid	10.1	114	6
<b>Total</b>		<b>135</b>	<b>35</b>

### 10.1 Advances paid

National departments	Annex 7A	114	6
<b>Total</b>	10	<b>114</b>	<b>6</b>

## 11. Receivables

	Note	2013/14			2012/13	
		R'000	R'000	R'000	R'000	R'000
		Less than one year	One to three years	Older than three years	Total	Total
Claims recoverable	11.1 Annex 4	463	69	-	532	212
Recoverable expenditure	11.2	661	15	-	676	126
Staff debt	11.3	54	66	13	133	256
<b>Total</b>		<b>1 178</b>	<b>150</b>	<b>13</b>	<b>1 341</b>	<b>594</b>

	Note	2013/14 R'000	2012/13 R'000
<b>11.1 Claims recoverable</b>			
National departments		532	212
<b>Total</b>	11	<b>532</b>	<b>212</b>

### 11.2 Recoverable expenditure (disallowance accounts)

Diners Club		661	106
Cell phone Expenditure		15	15
Other		-	5
<b>Total</b>	11	<b>676</b>	<b>126</b>

### 11.3 Staff debt

Bursaries		92	51
Other		41	205
<b>Total</b>	11	<b>133</b>	<b>256</b>

## 12. Investments

Non-Current			
Shares and other equity			
Alexkor SOC Ltd		400 000	50 000
Aventura SOC Ltd		60 000	60 000
Broadband Infraco SOC Ltd ^		-	-
Denel SOC Ltd		6 176 376	6 176 376
Eskom SOC Ltd *		-	-
Safcol SOC Ltd		318 013	318 013
South African Airways SOC Ltd		3 598 080	3 598 080
Transnet SOC Ltd		12 660 986	12 660 986
South African Express SOC Ltd		585 000	585 000
<b>Total</b>	Annex 2A	<b>23 798 455</b>	<b>23 448 455</b>

### Analysis of non-current investments

Opening balance		23 448 455	22 748 455
Additions in cash		350 000	700 000
<b>Closing balance</b>		<b>23 798 455</b>	<b>23 448 455</b>

\* Eskom shareholding is comprised of one share @R1.00

^ Broadband Infraco SOC Ltd shareholding is comprised of 74 shares @R1.00

Note	2013/14 R'000	2012/13 R'000
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### 13. Loans

Public corporations	1 351 130	1 351 130
<b>Total</b>	<b>1 351 130</b>	<b>1 351 130</b>

#### Analysis of Balance

Opening balance	1 351 130	1 351 130
<b>Closing balance</b>	<b>1 351 130</b>	<b>1 351 130</b>

Due to reclassification Broadband Infraco has been restated from Investments to Loans in the 2011/12 financial year. The loan was extended to Broadband Infraco SOC Ltd to cover for the operational activities. This loan however is not repayable by the entity.

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

Opening balance	9 709	7 227
Transfer from statement of financial performance (as restated)	21 671	9 709
Paid during the year	(9 709)	(7 227)
<b>Closing balance</b>	<b>21 671</b>	<b>9 709</b>

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

Opening balance	10	(52)
Transfer from Statement of Financial Performance (as restated)	373	537
Paid during the year	(336)	(475)
<b>Closing balance</b>	<b>47</b>	<b>10</b>

### 16. Payables – current

Advances received	16.1	1 446	1 446
Clearing accounts	16.2	22	45
Other	16.3	98	
<b>Total</b>		<b>1 566</b>	<b>1 491</b>

	Note	2013/14 R'000	2012/13 R'000
<b>16.1 Advances received</b>			
Public entities	16	1 446	1 446
<b>Total</b>		<b>1 446</b>	<b>1 446</b>

### 16.2 Clearing accounts

SARS	16	22	45
<b>Total</b>		<b>22</b>	<b>45</b>

Note: SARS amount of R22 000 is the tax paid for contract workers

### 16.3 Other

Diabo Trust	16	98	-
<b>Total</b>		<b>98</b>	<b>-</b>

## 17. Net cash flow available from operating activities

Net surplus as per Statement of Financial Performance	25 696	5 048
Add back non-cash/cash movements not deemed operating activities	(5 093)	(4 812)
(Increase)/decrease in receivables – current	(747)	(259)
(Increase)/decrease in prepayments and advances	(100)	717
Increase/(decrease) in payables – current	75	(310)
Expenditure on capital assets	3 250	2 742
Surrenders to Revenue Fund	(10 045)	(7 702)
Surrenders to DPE	2 474	
<b>Net cash flow generated by operating activities</b>	<b>20 603</b>	<b>236</b>

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

Consolidated Paymaster General account	27 808	10 475
Disbursements	-	79
Cash on hand	59	61
Cash with commercial banks (Local)	115 856	115 755
<b>Total</b>	<b>143 723</b>	<b>126 370</b>

Note	2013/14 R'000	2012/13 R'000
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## 19. Contingent liabilities and contingent assets

### 19.1 Contingent liabilities

Liable to Nature			
Housing loan guarantees Employees	<i>Annex 3A</i>	52	52
Other guarantees	<i>Annex 3A</i>	136,025,553	111 938 382
Claims against the department	<i>Annex 3B</i>	590 119	5 276 757
Inter-governmental payables (unconfirmed balances)	<i>Annex 5</i>	2	119
<b>Total</b>		<b>136,615,726</b>	<b>117 215 310</b>

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.

## 20. Commitments

Current expenditure			
Approved and contracted		15 850	17 890
Approved but not yet contracted		1 328	3 480
<b>Total Commitments</b>		<b>17 178</b>	<b>21 370</b>

## 21. Accruals

Listed by economic classification

	30 Days	30+ Days	Total	Total
Goods and services	760	1 019	1 779	634
<b>Total</b>	<b>760</b>	<b>1 019</b>	<b>1 779</b>	<b>634</b>

Listed by programme level

Administration		1 760	588
Legal and Governance		6	1
Portfolio Management and Strategic Partnerships		13	45
<b>Total</b>		<b>1 779</b>	<b>634</b>

Confirmed balances with other departments	<i>Annex 5</i>	675	412
<b>Total</b>		<b>675</b>	<b>412</b>

Note	2013/14 R'000	2012/13 R'000
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## 22. Employee benefits

Leave entitlement	1 820	2 679
Service bonus (Thirteenth cheque)	1 976	1 739
Performance awards	6 554	2 182
Capped leave commitments	1 975	1 904
<b>Total</b>	<b>12 325</b>	<b>8 504</b>

## 23. Lease commitments

### 23.1 Operating leases expenditure

2013/14	Machinery and equipment	Total
Not later than 1 year	666	666
Later than 1 year and not later than 5 years	588	588
<b>Total lease commitments</b>	<b>1 254</b>	<b>1 254</b>

2012/13	Machinery and equipment	Total
Not later than 1 year	466	466
Later than 1 year and not later than 5 years	489	489
<b>Total lease commitments</b>	<b>955</b>	<b>955</b>

## 24. Irregular expenditure

### 24.1 Reconciliation of irregular expenditure

Opening balance	-	-
Add: Irregular expenditure – relating to prior year	-	-
Add: Irregular expenditure – relating to current year	711	-
Less: Prior year amounts condoned	-	-
Less: Current year amounts condoned	-	-
Less: Amounts recoverable (not condoned)	-	-
Less: Amounts not recoverable (not condoned)	-	-
<b>Irregular expenditure awaiting condonation</b>	<b>711</b>	<b>-</b>

Analysis of awaiting condonation per age classification

Current year	711	-
Prior years	-	-
<b>Total</b>	<b>711</b>	<b>-</b>

Note	2013/14 R'000	2012/13 R'000
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## 24.2 Details of irregular expenditure – current year

Incident	Disciplinary steps taken/criminal proceedings	2013/14 R'000
The department was not on the list of transversal contract participants for the photocopier contract, however an order was issued to the service provider to deliver the photocopiers without a valid contract. The contract was finalised and signed in December 2013, however the photocopiers had been in use since June 2013.	Under investigation	130
Payment of a subcontract to a service provider when no procurement process was followed.	Under investigation	250
Approval not in line with financial delegations	The disciplinary process is in progress.	217
Service provider not duly appointed and service not delivered	The disciplinary process is in progress.	114
<b>Total</b>		<b>711</b>

## 24.3 Details of irregular expenditures under investigation

Incident	2013/14 R'000
The department was not on the list of transversal contract participants for the photocopier contract however an order was issued to the service provider to deliver the photocopiers without a valid contract. The contract was finalised and signed in December 2013 however the photocopiers had been in use since June 2013	130
Payment of a subcontract to a service provider when no procurement process was followed.	250
<b>Total</b>	<b>380</b>

Note	2013/14 R'000	2012/13 R'000
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## 25. Fruitless and wasteful expenditure

### 25.1 Reconciliation of fruitless and wasteful expenditure

Opening balance		
Fruitless and wasteful expenditure – relating to prior year		-
Fruitless and wasteful expenditure – relating to current year	530	4
Less: Amounts resolved	(527)	(4)
Less: Amounts transferred to receivables for recovery		-
<b>Fruitless and wasteful expenditure awaiting resolution</b>	<b>3</b>	<b>-</b>

### 25.2 Analysis of awaiting resolution per economic classification

	2013/14 R'000	2012/13 R'000
Current	3	-
<b>Total</b>	<b>3</b>	<b>-</b>

### 25.3 Analysis of Current year's fruitless and wasteful expenditure

Incident	Disciplinary steps taken/criminal proceedings	2013/14 R'000
Cancellation fee - for venue for senior officials dialogue forum on SOC-BRICS	None	56
Forum for SOC's on 3 December 2013	None	471
Traffic fines	Traffic fines incurred in Ministry unit	2
Cancellation fees for travel	No show for booking	1
<b>Total</b>		<b>530</b>



Note	2013/14 R'000	2012/13 R'000
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## 26. Related party transactions

Revenue Received

Transfers	<i>Annex 1E</i>	57 250	-
<b>Total</b>		<b>57 250</b>	<b>-</b>

Payments made

Transactions in financial assets and liabilities		-	1 050 000
Transfers		-	118 313
<b>Total</b>		<b>-</b>	<b>1 168 313</b>

Other

Guarantees issued/received	<i>Annex 3A</i>	35 017 082	28 593 940
<b>Total</b>		<b>35 017 082</b>	<b>28 593 940</b>

## 27. Key management personnel

No. of Individuals

Political office bearers	2	3 773	3 807
Officials: (Minister and Dep Minister)			
Level 15 to 16	8	9 714	8 547
Level 14 (incl. CFO if at a lower level)	27	22 573	21 467
<b>Total</b>	<b>37</b>	<b>36 060</b>	<b>33 820</b>

Note	2013/14 R'000	2012/13 R'000
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## 28. Impairment

Investments	169 199	375 659
<b>Total</b>	<b>169 199</b>	<b>375 659</b>

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 impairment lower than the cost.

The impairments for 2013/14 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.

At the beginning of 2008/09, the Aventura investment was fully impaired to R60 million.

The Alexkor investment was fully impaired to R50 million in 2008/09. The cost of the new shares of R350 million has not been impaired as the current net asset value exceeds the cost of the investment.

South African Airways' prior period impairment has been restated from R4 447 million to R3 698 million, which is the cost of the investment. As the losses of SAA are not guaranteed by the State, no further impairments are required to cover SAA's negative asset values as reported.

In the current financial year, Denel's cumulative impairment has been reduced by R152 million to R4 564 million from the prior period of R4 716 million, being the difference between the cost of the investment of R6 176 million (2012/13: R6 176 million) and the net asset value of R1 613 million (2012/13: R1 461 million).

The investment in South African Express (SAX) has been impaired by R321 million to R264 million which is the difference between the cost of the investment of R585 million and the latest available net asset value of R264 million.

## 29. Movable Tangible Capital Assets

### MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2014

	Opening balance	Curr Year Adjustments to prior year balances	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
MACHINERY AND EQUIPMENT	18 710	(59)	2 830	1 543	19 938
Transport assets	3 970	-	562	-	4 532
Computer equipment	8 104	(9)	1 452	1 327	8 218
Furniture and office equipment	3 110	(50)	419	141	3 338
Other machinery and equipment	3 526	-	399	75	3 850
<b>TOTAL MOVABLE TANGIBLE CAPITAL ASSETS</b>	<b>18 710</b>	<b>(59)</b>	<b>2 830</b>	<b>1 543</b>	<b>19 938</b>

## 29.1 Additions

### ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2014

	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
MACHINERY AND EQUIPMENT	2 768	62	-	-	2 830
Transport assets	562	-	-	-	562
Computer equipment	1 450	-	-	-	1 450
Furniture and office equipment	419	-	-	-	419
Other machinery and equipment	337	62	-	-	399
<b>TOTAL ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS</b>	<b>2 768</b>	<b>62</b>	<b>-</b>	<b>-</b>	<b>2 830</b>

## 29.2 Disposals

### DISPOSALS OF MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2014

	Sold for cash	Transfer out or destroyed or scrapped	Total disposals	Cash Received Actual
	R'000	R'000	R'000	R'000
MACHINERY AND EQUIPMENT	1 204	339	1 543	-
Transport assets	-	-	-	-
Computer equipment	1 042	285	1 327	-
Furniture and office equipment	87	54	141	-
Other machinery and equipment	75	-	75	-
<b>TOTAL DISPOSAL OF MOVABLE TANGIBLE CAPITAL ASSETS</b>	<b>1 204</b>	<b>339</b>	<b>1 543</b>	<b>-</b>

The actual cash received for the sale of tangible capital assets is R459.61.

### 29.3 Movement for 2012/13

	Opening balance	Curr Year Adjust- ments to prior year balances	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
MACHINERY AND EQUIPMENT	16 683	-	2 649	622	18 710
Transport assets	4 430	-	-	460	3 970
Computer equipment	6 661	-	1 569	126	8 104
Furniture and office equipment	2 590	-	530	10	3 110
Other machinery and equipment	3 002	-	550	26	3 526
<b>TOTAL MOVABLE TANGIBLE CAPITAL ASSETS</b>	<b>16 683</b>	<b>-</b>	<b>2 649</b>	<b>622</b>	<b>18 710</b>

### 29.4 Minor assets

#### MOVEMENT IN MINOR ASSETS PER THE ASSET REGISTER FOR THE YEAR ENDED AS AT 31 MARCH 2014

	Intangible assets	Machinery and equipment	Total
	R'000	R'000	R'000
Opening balance	42	4 016	4 058
Curr Year Adjustments to Prior Yr Balances	-	(31)	(31)
Additions	8	426	434
Disposals	-	221	221
<b>TOTAL MINOR ASSETS</b>	<b>50</b>	<b>4 190</b>	<b>4 240</b>
	Intangible assets	Machinery and equipment	Total
Number of R1 minor assets		193	193
Number of minor assets at cost	-		
<b>TOTAL NUMBER OF MINOR ASSETS</b>	<b>-</b>	<b>193</b>	<b>193</b>

**MOVEMENT IN MINOR ASSETS PER THE ASSET REGISTER FOR THE YEAR ENDED AS AT 31 MARCH 2014**

	Intangible assets R'000	Machinery and equipment R'000	Total R'000
Opening balance	36	3 433	3 469
Additions	6	656	662
Disposals	-	73	73
<b>TOTAL MINOR ASSETS</b>	<b>42</b>	<b>4 016</b>	<b>4 058</b>

	Intangible assets R'000	Machinery and equipment R'000	Total R'000
Number of R1 minor assets	-	183	183
Number of minor assets at cost	13	3 083	3096
	<b>13</b>	<b>3266</b>	<b>3279</b>

**29.5 Movable assets written off**

**MOVABLE ASSETS WRITTEN OFF FOR THE YEAR ENDED AS AT 31 MARCH 2014**

	Intangible assets R'000	Machinery and equipment R'000	Total R'000
Assets written off	-	339	339
<b>TOTAL MOVABLE ASSETS WRITTEN OFF</b>	<b>-</b>	<b>339</b>	<b>339</b>

**MOVABLE ASSETS WRITTEN OFF FOR THE YEAR ENDED AS AT 31 MARCH 2013**

	Intangible assets R'000	Machinery and equipment R'000	Total R'000
Assets written off	-	126	126
<b>TOTAL MOVABLE ASSETS WRITTEN OFF</b>	<b>-</b>	<b>126</b>	<b>126</b>

## 30. Intangible Capital Assets

### MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2014

	Opening balance	Current Year Adjust-ments to prior year balances	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
SOFTWARE	1 708	-	481	-	2 189
<b>TOTAL INTANGIBLE CAPITAL ASSETS</b>	<b>1 708</b>	<b>-</b>	<b>481</b>	<b>-</b>	<b>2 189</b>

#### 30.1 Additions

### ADDITIONS TO INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2014

	Cash	Non-Cash	(Develop-ment work in progress – current costs)	Received current year, not paid (Paid current year, received prior year)	Total
	R'000	R'000	R'000	R'000	R'000
SOFTWARE	481	-	-	-	481
<b>TOTAL ADDITIONS TO INTANGIBLE CAPITAL ASSETS</b>	<b>481</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>481</b>

#### 31.2 Movement for 2012/13

### MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2013

	Opening balance	Current Year Adjust-ments to prior year balances	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
SOFTWARE	1 615	-	93	-	1 708
<b>TOTAL INTANGIBLE CAPITAL ASSETS</b>	<b>1 615</b>	<b>-</b>	<b>93</b>	<b>-</b>	<b>1 708</b>

## 31. Prior period errors

### 31.1 Correction of prior period error for secondary information

	Note	2013/14 R'000	2012/13 R'000
The comparative amounts in Note 28 were restated as follows:			
Impairment		-	(849)
<b>Net effect on the note</b>		<b>-</b>	<b>(849)</b>

The impairment for the prior year was restated as the investment was impaired below cost.

# 9. ANNEXURES

## ANNEXURE 1B STATEMENT OF UNCONDITIONAL GRANTS AND TRANSFERS TO MUNICIPALITIES

NAME OF MUNICIPALITY	GRANT ALLOCATION			TRANSFER		SPENT			2012/13 Total Available R'000	
	Amount R'000	Roll Overs	Adjustments R'000	Total Available R'000	Actual Transfer R'000	% of Available funds Transferred	Amount received by municipality R'000	Amount spent by municipality R'000		% of available funds spent by municipality
City of Tshwane	-	-	-	-	2	-	-	-	-	-
	-	-	-	-	2	-	-	-	-	-

## ANNEXURE 1E STATEMENT OF TRANSFERS/SUBSIDIES TO PUBLIC CORPORATIONS AND PRIVATE ENTERPRISES

NAME OF PUBLIC CORPORATION/PRIVATE ENTERPRISE	TRANSFER ALLOCATION				EXPENDITURE				2012/13 Appro- priation Act R'000
	Adjusted Appropriation Act R'000	Roll Overs R'000	Adjustments R'000	Total Available R'000	Actual Transfer R'000	% of Available funds Transferred	Capital R'000	Current R'000	
Public Corporations									
Transfers									
Denel	57 250	-	-	57 250	57 250	100%	-	57 250	118 313
<b>Total</b>	<b>57 250</b>	<b>-</b>	<b>-</b>	<b>57 250</b>	<b>57 250</b>	<b>100%</b>	<b>-</b>	<b>57 250</b>	<b>118 313</b>



**ANNEXURE 1H  
STATEMENT OF TRANSFERS TO HOUSEHOLDS**

HOUSEHOLDS	TRANSFER ALLOCATION				EXPENDITURE		2012/13
	Adjusted Appropriation Act	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	Appropriation Act
	R'000	R'000	R'000	R'000	R'000	%	R'000
Transfers							
Leave Gratuity	113	-	-	113	113	100%	232
<b>Total</b>	<b>113</b>	<b>-</b>	<b>-</b>	<b>113</b>	<b>113</b>	<b>-</b>	<b>232</b>

**ANNEXURE 1I  
STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS RECEIVED**

NAME OF ORGANISATION	NATURE OF GIFT, DONATION OR SPONSORSHIP	2013/14	2012/13
		R'000	R'000
Received in kind			
Deloitte	Sponsorship for the Department's Budget Vote Cocktail Event and Business Breakfast	296	462
McKinsey	McKinsey pro-bono project for the turnaround strategy development for SAA	350	-
<b>TOTAL</b>		<b>646</b>	<b>462</b>

**ANNEXURE 1K  
STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS MADE AND REMISSIONS, REFUNDS AND PAYMENTS MADE  
AS AN ACT OF GRACE**

NATURE OF GIFT, DONATION OR SPONSORSHIP	2013/14	2012/13
	R'000	R'000
Paid in cash		
Food and Trees for Africa	-	31
Blind SA	-	31
Tshwane School of Music	-	31
Leagometswe Safety Home	47	-
Commission for Gender Equality	200	-
Other	-	-
<b>TOTAL</b>	<b>247</b>	<b>93</b>

**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 13/14	% Held 12/13	Number of shares held		Cost of investment R'000		Net Asset value of investment R'000		Profit/(Loss) for the year R'000		Losses guaranteed Yes /No
				2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	
National/Provincial Public Entity												
Alexkor Limited	II	100%	100%	400 000 000	50 000 000	400 000	50 000	438 800	403 800	(20 000)	30 000	No
Aventura Limited	IIIB	100%	100%	60 000 000	60 000 000	60 000	60 000	Not Available	Not Available	Not Available	Not Available	No
Broadband Infraco (Pty) Limited	II	74%	74%	74	74	-	-	890 195	992 654	(142 140)	(181 071)	No
Denel (Pty) Ltd	II	100%	100%	1 225 049 663	1 225 049 663	6 176 376	6 176 376	1 612 868	1 460 868	152 000	71 000	No
Eskom Limited	II	100%	100%	1	1	-	-	119 784 000	109 139 000	7 089 000	5 183 000	No
SAFCOL Limited	II	100%	100%	318 013 254	318 013 254	318 013	318 013	3 096 484	3 096 638	(19 559)	70 084	No
South African Airways (Pty) Ltd	II	100%	100%	13 008 758 154	13 008 758 154	3 598 080	3 598 080	(3 565 000)	(849 000)	(2 611 000)	(1 168 000)	No
South African Express Airways (Pty)Ltd	II	100%	100%	452	452	585 000	585 000	Not Available	263 801	Not Available	650	No
Transnet Limited	II	100%	100%	12 660 986 310	12 660 986 310	12 660 986	12 660 986	97 113 000	84 954 000	4 959 000	4 139 000	No
<b>TOTAL</b>				<b>27 672 807 908</b>	<b>27 322 807 908</b>	<b>23 798 455</b>	<b>23 448 455</b>	<b>219 370 347</b>	<b>199 461 761</b>	<b>9 407 301</b>	<b>8 144 663</b>	

The movement in prior years equity reflects R700 million, notwithstanding the payment of financial assets being R 1 050 million during 2012/13. The difference arises from the fact that Alexkor received a payment for the purchase of equity amounting to R350 million during 2012/13, but no shares had been issued as at 31 March 2013. The shares have subsequently been issued during 2013/14 and the cost of investment now reflects R350 million increase accordingly.

The net asset value of the investment and profit/loss for the year ended 31 March 2013 is based on provisional amounts and is still subject to the SOC's external audit process and therefore subject to change.

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

Department's Financial Statements Modified Cash Basis of Accounting	Transaction Details	SAX' Financial Statements	
		IFRS Accounting	Convertible loan
Paid	R140 million	Shares valued @ R57 million	-
Transferred	R445 million	-	R357 million
<b>Total</b>	<b>R585 million</b>	<b>R445 million</b>	<b>R357 million</b>

**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	
		2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
Controlled entities									
Alexkor Limited	Mining	400 000	50 000	438 000	403 800	-	-	-	-
Aventura Limited	Leisure	60 000	60 000	Not Available	Not Available	-	-	-	-
Broadband Infraco (Pty) Limited	ICT Sector	-	-	890 195	992 654	-	-	1 351 130	1 351 130
Denel (Pty) Ltd	Manufacturing of Arms	6 176 376	6 176 376	1 612 868	1 460 868	-	-	-	-
Eskom Limited	Energy	-	-	119 784 000	109 139 000	-	-	-	-
Safcol Limited	Forestry	318 013	318 013	3 096 484	3 096 638	-	-	-	-
South African Airways (Pty) Ltd	Transport	3 598 080	3 598 080	(3 565 000)	(849 000)	-	-	62 708	62 708
South African Express Airways (Pty)Ltd	Transport	585 000	585 000	Not Available	263 801	-	-	-	-
Transnet Limited	Transport	12 660 986	12 660 986	97 113 000	84 954 000	-	-	-	-
<b>TOTAL</b>		<b>23 798 455</b>	<b>23 448 455</b>	<b>219 369 547</b>	<b>199 461 761</b>	<b>-</b>	<b>-</b>	<b>1 413 838</b>	<b>1 413 838</b>

**ANNEXURE 3A  
STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2014 – LOCAL**

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2013	Guarantees draw downs during the year	Guarantees repayments/cancelled/reduced/released during the year	Revaluations	Closing balance 31 March 2014	Guaranteed interest for year ended 31 March 2014	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
	Housing								
First National Bank	Employees	62	15	-	-	-	15	-	-
NEDCOR	Employees	90	37	-	-	-	37	-	-
	<b>Subtotal</b>	<b>152</b>	<b>52</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>52</b>	<b>-</b>	<b>-</b>
	Other								
SAA	SAA recapitalisation	1 300 000	1 300 000	-	-	-	1 300 000	-	-
	Financial sustainability *	1 600 000	388 000	78 000	-	-	466 000	-	-
	Going Concern	5 006 000	550 000	2 694 000	-	-	3 244 000	-	-
SAX	Convenants breached	439 000	439 000	-	-	-	439 000	-	-
	Working Capital	100 000	100 000	-	-	-	100 000	-	-
Denel	Note Programme	1 850 000	1 850 000	-	-	-	1 850 000	-	-
Eskom	Eskom bonds – ES33	-	23 315 241	4 418 341	2 454 343	-	25 279 239	87 589	-
	Eskom bonds – ES26	-	16 337 016	2 167 155	839 544	-	17 664 627	679 719	-
	Eskom bonds – ES23	-	11 742 667	417 365	724 663	-	11 435 369	208 482	-
	Eskom bonds – ES18	-	9 580 067	439 250	614 306	-	9 405 011	389 574	-
	Eskom bonds – ES15	-	4 704 874	53 000	73 836	-	4 684 038	31 739	-
	Eskom bonds – EL15	-	5 000 000	-	-	-	5 000 000	48 461	-
	Eskom bonds – EL28	-	3 000 000	-	-	-	3 000 000	35 094	-

**ANNEXURE 3A  
STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2014 – LOCAL (cont.)**

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2013	Guarantees draw downs during the year	Guarantees repayments/cancelled/reduced/released during the year	Revaluations	Closing balance 31 March 2014	Guaranteed interest for year ended 31 March 2014	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
Eskom bonds – EL42		-	-	8 237 182	110 000	-	8 127 182	299 817	-
Eskom bonds – EL29		-	1 751 000	1 249 000	-	-	3 000 000	22 539	-
Eskom bonds – EL30		-	-	2 455 000	-	-	2 455 000	9 892	-
Issue Floating Rate Notes		-	3 800 000	-	3 800 000	-	-	-	-
Eskom DMTN Programme		100 000 000	-	-	-	-	-	-	-
<b>Subtotal</b>		<b>110 295 000</b>	<b>83 857 865</b>	<b>22 208 293</b>	<b>8 616 692</b>	<b>-</b>	<b>97 449 466</b>	<b>1 812 906</b>	<b>-</b>
<b>TOTAL</b>		<b>110 295 152</b>	<b>83 857 917</b>	<b>22 208 293</b>	<b>8 616 692</b>	<b>-</b>	<b>97 449 518</b>	<b>1 812 906</b>	<b>-</b>

Note 1 DMTN is R 100 billion – the total of all the Eskom bonds.

\*\* This guarantee assures the going concern and financial sustainability of SAA due to the volatility of input costs and the markets in which it operate

**ANNEXURE 3A (continued)**  
**STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2014 – FOREIGN**

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2013	Guarantees draw downs during the year	Guarantees repayments/ cancelled/ reduced/ released during the year	Revaluations	Closing balance 31 March 2014	Guaranteed interest for year ended 31 March 2014	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
	Other								
Transnet	Euro-Rand medium term note (Tranche 1) #	2 000 000	2 000 000	-	-	-	2 000 000	-	-
	Euro-Rand medium term note (Tranche 2) #	1 500 000	1 500 000	-	-	-	1 500 000	-	-
Eskom	AFDB Loan (Euro)	10 262 457	3 851 223	2 455 532	-	985 308	7 292 063	6 458	-
	AFDB Loan (ZAR)	10 630 000	9 932 102	895 012	512 903	-	10 314 211	93 502	-
	Worldbank loan USD	21 809 745	10 540 096	3 395 989	5 960 880	1 268 583	9 243 788	21 230	-
	Worldbank loan ZAR	5 960 880	-	5 960 880	-	-	5 960 880	222 956	-
	AFDB USD	2 145 202	-	42 923	-	2 441	45 364	70	-
	AFDB USD	809 510	-	52 821	-	3 206	56 027	22	-
	Worldbank Renewables	1 992 925	-	5 632	-	971	6 603	7	-
	<b>Total</b>	<b>57 110 719</b>	<b>27 823 421</b>	<b>12 808 789</b>	<b>6 473 783</b>	<b>2 260 509</b>	<b>36 418 936</b>	<b>344 245</b>	<b>-</b>

# The Euro-Rand medium term notes (Transnet) are Rand denominated foreign loans and therefore not subjected to currency revaluations.



**ANNEXURE 3B  
STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2014**

Nature of Liability	Opening Balance 1 April 2013	Liabilities incurred during the year	Liabilities paid/ cancelled/ reduced during the year	Liabilities recoverable (Provide details hereunder)	Closing Balance 31 March 2014
	R'000	R'000	R'000	R'000	R'000
Claims against the department					
Paharpur/Londoloza Consortium vs SAFCOL and the Department Equity Alliance (Pty) Ltd vs Government of RSA	4 686 638	-	4 686 638	-	-
Sable Hills vs Aventura and the Minister of Public Enterprises	572 000	-	-	-	572 000
By Choice Catering CC vs Department of Public Enterprises	18 000	-	-	-	18 000
	119	-	-	-	119
<b>TOTAL</b>	<b>5 276 757</b>	<b>-</b>	<b>4 686 638</b>	<b>-</b>	<b>590 119</b>

Note: Paharpur/Londoloza Consortium vs SAFCOL and the Department – Notice of withdrawal was filed in the North Gauteng High court, Pretoria on 10 February 2014.

**ANNEXURE 4  
CLAIMS RECOVERABLE**

Government Entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total	
	31/03/2014	31/03/2013	31/03/2014	31/03/2013	31/03/2014	31/03/2013
	R'000	R'000	R'000	R'000	R'000	R'000
Department						
South African Police Service	-	123	470	-	470	123
Department of Defence	-	-	15	-	15	-
Department of Science & Technology	12	-	-	-	12	-
Department of Transport	-	67	26	-	26	67
Department of Economic Development	-	22	9	-	9	22
<b>TOTAL</b>	<b>12</b>	<b>212</b>	<b>520</b>	<b>-</b>	<b>532</b>	<b>212</b>

## ANNEXURE 5 INTER-GOVERNMENT PAYABLES

GOVERNMENT ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		TOTAL	
	31/03/2014	31/03/2013	31/03/2014	31/03/2013	31/03/2014	31/03/2013
	R'000	R'000	R'000	R'000	R'000	R'000
DEPARTMENTS						
Current						
Department of Science and Technology	-	-	2	2	2	2
Department of Justice and Constitutional Development	675	-	-	-	675	-
Department of Water Affairs	-	-	-	6	-	6
Government Printing Works	-	-	-	111	-	111
Department of International Relations and Cooperation	-	412	-	-	-	412
<b>Total</b>	<b>675</b>	<b>412</b>	<b>2</b>	<b>119</b>	<b>677</b>	<b>531</b>

## ANNEXURE 6 INVENTORY

Inventory	Note	Quantity	2013/14	Quantity	2013/14
			R'000		R'000
Opening balance		184	23	180	34
Add/(Less): Adjustments to prior year balance					
Add: Additions/Purchases – Cash		40 129	2 402	20 863	1 003
Add: Additions - Non-cash					
(Less): Disposals					
(Less): Issues		(40 143)	(2 401)	(20 859)	(1 010)
Add/(Less): Adjustments					
			4		(4)
<b>Closing balance</b>		<b>170</b>	<b>28</b>	<b>184</b>	<b>23</b>

**ANNEXURE 8A  
INTER-ENTITY ADVANCES PAID (note 10)**

ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		TOTAL	
	31/03/2014	31/03/2013	31/03/2014	31/03/2013	31/03/2014	31/03/2013
	R'000	R'000	R'000	R'000	R'000	R'000
NATIONAL DEPARTMENTS						
Department of International Relations and Cooperation	-	6	114	-	114	6
<b>Total</b>	<b>-</b>	<b>6</b>	<b>114</b>	<b>-</b>	<b>114</b>	<b>6</b>

**ANNEXURE 8B  
INTER-ENTITY ADVANCES RECEIVED (note 16)**

ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		TOTAL	
	31/03/2014	31/03/2013	31/03/2014	31/03/2013	31/03/2014	31/03/2013
	R'000	R'000	R'000	R'000	R'000	R'000
PUBLIC ENTITIES						
Current						
16 Days activism against women and child abuse	1 446	1 446	-	-	1 446	1 446
<b>Total</b>	<b>1 446</b>	<b>1 446</b>	<b>-</b>	<b>-</b>	<b>1 446</b>	<b>1 446</b>









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