2022/23

ANNUAL REPORT

public enterprises

Department:
Public Enterprises
REPUBLIC OF SOUTH AFRICA

public enterprises
Department:
Public Enterprises
REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF PUBLIC ENTERPRISES

ANNUAL REPORT

VOTE 10

2022/23 FINANCIAL YEAR

Table of Contents

PART D: HUMAN RESOURCE MANAGEMENT

PART E: PFMA COMPLIANCE REPORT

PART F: FINANCIAL INFORMATION

PART A

GENERAL INFORMATION

1. DEPARTMENTAL INFORMATION

Department	Public Enterprises
Physical Address	80 Hamilton Street, Arcadia, 0002
Postal Address	Private Bag X 15, Hatfield, 0028
Telephone Number	+27 12 431 1000
Fax Number	+27 86 501 2624
E-mail Address	info@dpe.gov.za
Website	www.dpe.gov.za

2. LIST OF ABBREVIATIONS/ACRONYMS

ABBREVIATION	DESCRIPTION
AA	Accounting Authority
ADG	Acting Director-General
AFS	Annual Financial Statements
AG	Auditor-General
AGM	Annual General Meeting
AGSA	Auditor- General of South Africa
AO	Accounting Officer
AOP	Annual Operating Plan
APP	Annual Performance Plan
AR	Annual Report
ARC	Audit and Risk Committee
BAC	Bid Adjudication Committee
B-BBEE	Broad-Based Black Economic Empowerment
BEC	Bid Evaluation Committee
BO	Black-Owned
BR	Business Rescue
BRRR	Budget Review & Recommendation Reports
BSC	Bid Specification Committee
CAPEX	Capital Expenditure
CC	Competition Commission
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIPC	Companies and Intellectual Property Commission
CJC	Central Johannesburg College
CoI	Conflict of Interest
CP	Corporate Plans
CSD	Central Supplier Database
CSI	Corporate Social Investment
CT	Competition Tribunal
DALRRD	Department of Agriculture, Land Reform and Rural Development
DCT	Durban Container Terminal
DDG	Deputy Director-General
DFFE	Department of Forestry, Fisheries and the Environment
DG	Director-General
DIRCO	Department of International Relations and Cooperation

ABBREVIATION	DESCRIPTION
DM	Deputy Minister
DMBT	Denel Medical Benefit Trust
DMRE	Department of Mineral Resources and Energy
DoS	Deed of Settlement
DoT	Department of Transport
DPE	Department of Public Enterprises
DTA	Denel Technical Academy
The dtic	Department of Trade Industry Competition
DPSA	Department of Public Service and Administration
DWYPD	Department of Women, Youth and Persons with Disabilities
EA	Executive Authority
EAF	Energy Availability Factor
EECC	Ethics and Expenditure Control Committee
ECD	Early Childhood Development
EE	Energy Efficiency
EHW	Employee Health and Wellness
EIA	Environmental Impact Assessments
ERM	Enterprise Risk Management
ERRP	Economic Recovery and Reconstruction Plan
ERT	Emergency Response Team
ESD	Enterprise and Supplier Development
Exco	Executive Committee
FCPIP	Fraud and Corruption Prevention Implementation Plan
FSC	Forestry Steward Council
GCEO	Group Chief Executive Officer
GCIS	Government Communication and Information System
GEYODI	Gender, Youth and Persons with Disabilities
GFA	Guarantee Framework Agreement
GITO	Government Information Technology Officer
GFB	General Freight Business

ABBREVIATION	DESCRIPTION
GRBPMEA	Gender Responsive Budgeting, Planning Monitoring, Evaluation and Auditing
GRP	Gender Responsive Plan
GSMB	Government Shareholder Management Bill
HDIs	Historically Disadvantaged Individuals
Holdco	Holding Company
HR	Human Resources
HSC	Health and Safety Committee
IAA	Internal Audit Activity
ICT	Information and Communication Technology
IPAP	Industrial Policy Action Plan
IR	Integrated Report
IT	Information Technology
ISA	International Standards on Auditing
ISS	Integrated Systems Solutions
JET	Just Energy Transition
JV	Joint Venture
KNPP	Koeberg Nuclear Power Plant
KPA	Key Performance Area
KPI	Key Performance Indicator
MCS	Modified Cash Standard
MoF	Minister of Finance
MoI	Memorandum of Incorporation
MoU	Memorandum of Understanding
MTSF	Medium-Term Strategic Framework
MTEF	Medium-Term Expenditure Framework
NA	National Assembly
NDC	Nationally Determined Contributions
NDP	National Development Plan
NEB	National Enterprise Bill
NEDCSA	National Electricity Distribution Company of South Africa
NERSA	National Energy Regulator of South Africa
NLCC	National Logistics Crisis Committee
NPA	National Ports Authority
NPA	National Prosecuting Authority

ABBREVIATION	DESCRIPTION
NRF	National Revenue Fund
NSG	National School of Government
NT	National Treasury
NTC	National Transmission Company
NTCSA	National Transmission Company of South Africa
NUM	National Union of Mineworkers
NYDA	National Youth Development Agency
OCFO	Office of the Chief Financial Officer
ODG	Office of the Director-General
OHS	Occupational Health & Safety
PAA	Public Audit Act 25, of 2004
PC	Portfolio Committee
PMDS	Performance Management and Development System
PFMA	Public Finance Management Act
PPP	Public-Private Partnerships
PPR	Preferential Procurement Regulations
PRSA	Ports Regulator of South Africa
PSC	Private Sector Companies
PSEC	Presidential State-Owned Enterprise Council
PSETA	Public Service Sector Education and Training Authority
PSP	Private Sector Participation
PSJV	Pooling and Sharing Joint Venture
PWDs	People with Disabilities
RE	Renewable Energy
RIMF	Risk and Integrity Management Framework
SAFCOL	South African Forestry Company Ltd
SAA	South African Airways
SABS	South African Bureau of Standards
SA EXPRESS	South African Express Airways
SASOC BILL	South African State-Owned Companies Bill
SCM	Supply Chain Management

ABBREVIATION	DESCRIPTION
SCOPA	Standing Committee on Public Accounts
SEIA	Socio-Economic Impact Assessment
SEP	Strategic Equity Partner
SG	Steam Generator
SHC	Shareholder Compact
SIS	Strategic Intent Statement
SIU	Special Investigative Unit
SLA	Service Level Agreement
SME	Small -Medium Enterprises
SMS	Senior Management Service
SOC	State-Owned Company
SOCB	State-Owned Companies Bill
SOE	State-Owned Enterprises

ABBREVIATION	DESCRIPTION
SONA	State of the Nation Address
SSEG	Small Scale Embedded Generator
TMPS	Total Measure Procurement Spent
ToR	Terms of Reference
TFR	Transnet Freight Rail
TNPA	Transnet National Ports Authority
TVET	Technical and Vocational Education and Training
VCT	Voluntary Counselling and Testing
WSP	Workplace Skills Plan

3. LIST OF TABLES

4. FOREWORD BY THE MINISTER

Pravin Gordhan, MP

Minister of Public Enterprises

Once again progress is being made in repositioning State-Owned Companies (SOCs), signalling a clear intent by Government to leverage their capability to advance socio-economic transformation and development.

The progress we have made in overhauling our SOCs will soon result in a centralised Shareholder Model that will create a more responsive framework for the running of the SOCs.

The draft of the South African State-Owned Companies Bill (SASOC Bill) is now undergoing further consultation in Government, paving the way for the creation of a State-Owned Holding Company (HoldCo).

This new structure will help improve Governance, financial control, and risk mitigation across the State's SOC portfolio. In his first State of the Nation Address (SONA) in 2018, President Cyril Ramaphosa committed us to resolve the financial, operational and Governance challenges facing SOCs.

DENEL, SAA AND ESKOM

In March 2023, the Government helped recapitalise Detonics, Numerous, Electronics (Denel SOC Limited) to the tune of R3.4 billion, setting it on course to undertake a widescale restructuring to reverse the impact of state capture.

South African Airways (SAA) continues its recovery and has now been back in the skies for nearly 24 months following Business Rescue (BR). The process to onboard the Takatso Consortium as SAA's preferred Strategic Equity Partner (SEP) continues to make significant progress, with more regulatory approvals anticipated.

The Electricity Supply Commission (Eskom's) restructuring into three SOCs – Generation, Transmission and Distribution has also made significant headway in the year under review, with further steps taken to operationalise the National Transmission Company of South Africa (NTCSA).

The process to appoint a Board of the NTSCA and secure requisite licenses from the National Energy Regulator of South Africa (NERSA) is at an advanced stage. Soon, there will be a new Eskom, whose transformation should bring new impetus in the way South Africa harnesses its resources to deliver a more reliable, safer, and cleaner energy mix to its people.

Looking ahead, I am confident that much of the work of restructuring Eskom will yield a more dynamic approach to resolving our electricity crisis and make loadshedding a thing of the past.

NLCC AND TRANSNET

The creation of the National Logistics Crisis Committee (NLCC) to oversee interventions to improve the performance of our ports and rail network is a critical component of repositioning Transnet Limited, as well as the implementation of a Freight Logistics Roadmap which is being developed jointly by Operation Vulindlela, the Department of Transport (DoT) and DPE, with vital input from business, labour, and other Stakeholders.

Transnet is continuing to make structural changes that will see the creation of the infrastructure unit and a leasing company, with the view of opening access to third parties and drive critical investment. The establishment of the National Ports Authority (NPA) as a subsidiary of Transnet is also a significant step towards creating a more enabling environment for third-party port operators.

The optimisationof Transnet speaks to a recognition that our freight, rail and logistics capacity requires immediate intervention to sustain our competitiveness as a country, most particularly on key export commodities.

But even with these significant changes, challenges remain. The structural deficiencies of the South African economy have brought into sharp focus the importance of State-Owned Enterprises (SOEs) in driving critical reform to jumpstart growth, and thus help create opportunities through which we can reduce unemployment, poverty, and inequality.

We are also aware that there is yet more work to be done to uproot malfeasance and vested interests that seek to subject our SOCs to state capture 2.0. The implementation of the Zondo Commission findings to recover billions of rands stolen from SOCs and stabilise their finances is another critical endeavour that we are relentlessly pursuing.

The progress we have seen in our efforts to stabilise SOCs and reclaim them from rogue elements, speaks to the importance that we have placed on the call by the President and the Presidential State-owned Enterprise Council (PSEC) to make them fit to best deliver on their mandate.

CONCLUSION

I want to thank all the Boards, the Management, and staff of each of our SOEs. It is through their courage, dedication, integrity, and patriotism that we can turn the tide against the destruction wrought by state capture at these critical institutions. We are intent on making sure that those responsible for pillaging our institutions are held accountable.

I have always maintained that our work as a Department will be only as impactful if it creates an enabling environment through which our SOCs can thrive, and be harnessed to deliver on the promises that undergird our constitutional order. As this year marks the end of this Sixth Administration, I am certain that our collective effort as a Department will ensure continuity of purpose, vision, and deliverables right across our SOCs.

In conclusion, I want to thank the Acting Director-General (ADG) and staff of the Department, as well as Parliament's Portfolio Committee (PC) and Select Committee on Public Enterprises for their unwavering support in our pursuit of creating a capable State through our SOCs.

Pravin Gordhan, MP

Minister of Public Enterprises

5. REPORT OF THE DEPUTY MINISTER

Obed Bapela, MP

Deputy Minister of Public Enterprises

The economic growth trajectory of the country is inextricably linked with the operational and financial sustainability of our SOCs, as they represent a critical path through which we can drive industrialisation and transformation of our country.

I am encouraged by the progress that we have witnessed since joining the Department in March 2023. It speaks to a commitment to harness the capabilities of our SOCs through an innovative Shareholder Model, that leverages private capital while the State retains strategic control and oversight.

Our SOCs are the drivers of our economic engine, as their operations and services cut across critical commercial spheres, including energy, freight and logistics, aviation, defence, forestry, and mining.

All of the Boards, Executive Management, and employees in our SOCs understand the importance of reform, particularly in reversing the damage caused by State Capture, and bringing to book the culprits that have plundered these critical Entities.

We are tasked as a Department with providing SOCs with support on Governance, Policy, and Regulation in terms of how our SOCs are run. Our approach in this regard, is informed by the need to recalibrate these Entities as part of a Reform and Restructuring programme to ensure they are fit for purpose.

Moreover, our overriding objective is for the SOCs to be operationally and financially sustainable, and wean them off the fiscus so that they can begin to deliver efficient products and services for the benefit of the South African public.

We are pleased to report that during the period under review, we have turned the corner in terms of our Reform and Restructuring project for our SOCs.

Our case in point is the implementation of the Denel SOC limited turnaround strategy, which has witnessed the preservation, and restart of the country's defence manufacturing capability at several Denel operational facilities .

The turnaround at Denel, which provides South Africa with sovereign capabilities, gives us every reason to be optimistic, given that the government was able to recapitalise the business to the tune of R3.4 billion at the start of 2023, putting it on track to recoup ground lost due to State Capture and corruption.

By the end of the 2023/24 financial year, Denel should be more than half-way through its turnaround plan, which involves capacitating its executive ranks by plugging the leadership vacuum, revitalising its commercial acuity, and leveraging its massive order book in the coming months.

The process to fill critical vacancies, including those of GCEO and Chief Financial Officer (CFO), are underway. I am confident that Denel's financial position will improve further as the Company expands into new markets and increases innovation in niche sectors such as guided weapons, Integrated Systems Solutions (ISS), landwards, and air. One of our success stories of the Department's reform project is also the South African Forestry Company SOC Limited (SAFCOL).

SAFCOL has also notched major milestones as it repositions its operations for the future. Among these, is the successful introduction of mechanised harvesting to improve productivity, boost timber volumes and cut costs.

Additionally, SAFCOL has appointed a strategic partner for its Timbadola Sawmill Heat and Power project. This co-generation plant mill will produce electricity and heat from wood residue and sawdust, while also promoting waste reduction, minimising the carbon footprint, and will help to replace ageing equipment such as boilers.

All indications are that SAFCOL will post a profit for the 2022/23 financial year, and irregular expenditure will reduce significantly from the prior year. The Company has vowed to bring irregular expenditure to zero, while also working to uplift local communities. SAFCOL recently built timber frame classrooms for eDwaleni Primary School located close to its Witklip Plantation.

The Company also entered into a mutual co-operation and Public Private Partnership agreement to assist the community of Vondo with the construction of a timber foot bridge. It has also signed a Memorandum of Understanding (MoU) with the Zambia Forestry and Forest Industries Co-operation Plc to explore the mutual selling of seeds and planting materials, as well as joint research and technology sharing.

The proximity of our SOCs to the communities in which they operate, signifies a unique opportunity to harness their capacity to foster economic development, and boost enterprise development at grassroots levels through their massive procurement spend and investment.

We see SOCs as our greatest ally in the fight against the perennial challenges of unemployment, poverty and inequality. I congratulate everyone at the DPE for contributing to more tangible outcomes for the year.

Obed Bapela, MP

Deputy Minister of Public Enterprises

6. REPORT OF THE ACCOUNTING OFFICER

Jacky Molisane

Acting Accounting Officer

Department of Public Enterprises

6.1 OVERVIEW OF THE OPERATIONS OF THE DEPARTMENT

The 2022/23 financial year was a challenging year, where SOCs had to operate in an environment accompanied by poor economic growth, along with the risks presented by global events and natural disasters. However, the SOCs remained resilient in terms of improving their operational sustainability during these challenging circumstances.

The Department, on one hand continued to focus on the implementation of key Government priorities defined in the Medium-Term Strategic Framework (MTSF) 2019-2024, and the Economic Recovery and Reconstruction Plan (ERRP).

During the year under review, the Department facilitated the strategic oversight of the implementation of key interventions required to improve the deliverables relating to the outcomes outlined in the MTSF, namely improved Governance and accountability, security of electricity supply and increased access to affordable and reliable transport systems. The implementation of these key interventions was to ensure that SOCs robustly execute on Government's key priorities as part of their developmental mandate and economic growth.

Under the DPE portfolio, the SOCs have the dual mandate of commercial viability and socio-economic impact. In terms of executing their commercial business in a sustainable manner, they are also expected to contribute to the socio-economic development of communities.

> *"The SOCs under the DPE portfolio have the dual mandate of commercial viability and socio-economic impact"*

Ensuring the stability of electricity supply and efficient freight logistics operations, continues to be vital in to the progressive State's agenda which are pre-requisites for a stable and growing economy. During the year under review, Eskom experienced financial challenges driven by increased energy and high debt service costs. Government's capital injection was critical for Eskom to service its debt obligations and improve the Entity's sustainable financial path. During the same time period, Eskom was compelled to implement load-shedding to safeguard the National grid.

The restructuring of Eskom into three entities i.e., Generation, Transmission and Distribution is aimed to transform the structure of the electricity industry to better serve the needs of our country, as outlined in the Eskom Roadmap and announced by the President in the 2019 SONA.

In the 2021/22 financial year, the NTCSA was established, registered, and incorporated as a wholly owned subsidiary of Eskom Holdings. Eskom made considerable progress on the operationalisation of the NTCSA in the fiscal year 2022/23. NERSA has approved the transmission license, while the application for a trading licence and an import/export licence will be adjudicated very soon.

Eskom has commenced with the Just Energy Transition (JET), where the power Entity has started working on repurposing power stations that have reached their end of life. The Komati Power Station has been decommissioned, and is Eskom's flagship project for the JET programme. The Entity has endeavoured to repurpose the power station to produce Renewable Energy (RE) through solar and provide battery storage.

Transnet's rail network is critical to long-term economic growth as a primary mode of transportation. Transnet has significant potential to help the country maintain strategic differentiation by leveraging the global freight and logistics market. However, rail infrastructure also faced several challenges which include under-investment, lack of maintenance, vandalism, theft and other criminal activities which are all detrimental to the economy.

During the year under review, Transnet embarked on a process of partnering with Private Sector Companies (PSC) to enable new investment in the ports and improve their efficiency. These strategic partnerships are a crucial step to move freight from road to rail, which will be an enabler to increase competitiveness of the country's transport rail sector.

The freight rail networks are a critical catalyst for enhancing the country's ability to benefit from trade opportunities, as well drive efficiencies in the import and export of commodities. In this regard, Transnet is in the process of drafting a Roadmap targeted at reclaiming the global reputation of the country's ports. It will also assist the ports to optimise efficiencies and realise their strategic and commercial imperatives to drive growth.

In the year under review, SAA marked further progress in its turnaround since emerging from Business Rescue (BR). Efforts to strengthen SAA also received a boost after both the Competition Commission (CC), and the Competition Tribunal (CT) granted conditional approval of the planned purchase of a 51 percent stake in SAA by the Takatso Consortium through a SEP.

The SEP transaction is one of the critical interventions that the DPE is leading in its efforts to make the SOCs less reliant on the fiscus. SAA continues to expand its route network, with the start of direct flights from South Africa to São Paulo, Brazil being imminent.

The 2015 Defence Review regards Denel as a strategic National asset for National security and industrial innovation. Denel also faced liquidity and operational issues during the year under review, and Government has taken significant and decisive steps to stabilise the SOC. In the 2021/22 financial year, Government assumed Denel's guaranteed debt of R3.2 billion which relieved the Entity's interest payment burden and improved its solvency position. In the 2022/23 financial year, Denel was allocated R3.4 billion in recapitalisation to support its comprehensive Turnaround Plan recapitalisation. These measures, as well as Denel's own initiatives have strengthened the SOC's Balance Sheet, which has enabled it to address its obligations and pursue the restructuring of the Company.

"The areas of electricity supply and freight logistics continue to be vital to the progressive State and a pre-requisite for a stable economy."

The Department serves as a Secretariat to the PSEC, as directed by the President, and it continues to support PSEC's efforts to reform SOEs. The PSEC's work to assist Government in repositioning and repurposing SOEs as effective instruments for economic development and transformation, continues to make headway through the established workstreams. The Department has developed the South African National State Enterprises Bill (NSEB), a blueprint of how SOCs will be run through a centralised Shareholder Model.

> *"More still needs to be done to strengthen the Shareholder Oversight mandate. The Department continues to support the PSEC towards the SOEs reform".*

The Department's commitment to assisting, and supporting SOCs to develop and implement their strategic plans and improve their engagement with diverse Stakeholders to strengthen their business operations, remains a top priority. During the year under review, engagements with SOCs and other spheres of Government were intensified to support the execution of the key priority interventions.

Through the Annual Performance Plan (APP), the Department will ensure that the planned initiatives are responsive to the strategic outcomes.

Jacky Molisane

Acting Accounting Officer

Department of Public Enterprises

6.2 OVERVIEW OF THE FINANCIAL RESULTS OF THE DEPARTMENT

6.2.1 Department receipts

Table 1 below provides a breakdown of the sources of revenue and performance for the 2022/23 financial year.

Departmental receipts	2022/23			2021/22		
	Estimate	Actual amount collected	(Over)/ Under collection	Estimate	Actual amount collected	(Over)/ Under collection
	R'000	R'000	R'000	R'000	R'000	R'000
Sales of goods and services other than capital assets.	101	67	34	82	67	15
Interest, dividends and rent on land.	4	1	3	-	-	-
Sales of capital assets.	65	487	-422	-	-	-
Transaction in financial assets and liabilities.	145	159	-14	459	552	-93
Total	**315**	**714**	**-399**	**541**	**619**	**-78**

Table 1: Source of Revenue

Revenue Narrative

Departmental revenue has increased from R619 000.00 in the 2021/22 financial year, to R714 000.00 in the 2022/23 financial year, and this is due to an increase in sales of capital assets. The Department received an amount of R 487 000.00 for disposal of Departmental vehicles.

6.2.2 Programme Expenditure

Table 2 below provides a high-level comparison of 2021/22 versus 2022/23 expenditure incurred by the Department against appropriated funds.

Programme Name and Direct Charges	2022/23			2021/22		
	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.	168 010	129 505	38 505	138 777	121 078	17 699
SOCs Governance Assurance and Performance.	60 591	42 048	18 543	54 900	47 434	7 466
Business Enhancement, Transformation, and Industrialisation.	33 916 797	33 716 904	199 893	36 081 142	35 858 678	222 464
Sub-total	**34 145 398**	**33 888 457**	**256 941**	**36 274 819**	**36 027 190**	**247 629**
Direct charges.	204 700	204 700	-	3 035 500	3 030 886	4 614
Total	**34 350 098**	**34 093 157**	**256 941**	**39 310 319**	**39 058 076**	**252 243**

Table 2: Programme Expenditure

Expenditure narrative

The Department spent 99.3% (R34 billion of R34.4 billion) of the final appropriation, of which R218 million was for Departmental operations. The final appropriation was mainly composed of allocations to state-owned companies, namely Eskom - R21.9 billion, Transnet: R5.8 billion, Denel – R3.4 billion, and the SAA – R2.8 billion. Eskom's and SAA's allocations were earmarked for repayment of debt while Transnet allocation of R2.9 billion was for repair of infrastructure damaged by the floods and R2.94 billion to accelerate repair and maintenance of long standing out of service locomotives. Denel's allocation was for implementing the turnaround plan. The under expenditure of R257 million primarily related to payments for financial assets, savings that were realised because of early settlement of guaranteed debt for South African Airways SOC Limited, projects that were executed internally, compensation to employees due to vacant posts and underspending on goods and services caused by delays in implementing some projects.

6.2.3 Virements and Roll overs

6.2.3.1 Virements

There was no virement request submitted to National Treasury (NT).

6.2.3.2 Roll overs

There was no rollovers request submitted to NT.

6.2.4 A description of the reasons for unauthorised, irregular, and fruitless and wasteful expenditure and the amount involved as well as steps taken to address and prevent a recurrence:

6.2.5 Unauthorised, Irregular and Fruitless Expenditure

6.2.5.1 Unauthorised expenditure

The Department did not incur any unauthorised expenditure for the 2022/23 financial year.

6.2.5.2 Irregular expenditure

The cases of Irregular Expenditure have increased from R 35.6 million in 2021/22, to R 38.7 million as at the end of March 2023. These irregular expenditures cases were due the to contravention of Supply Chain Management (SCM) processes.

6.2.5.3 Fruitless and wasteful expenditure

The fruitless and wasteful expenditure of R5 000.00 is due to the penalty levied for booking a venue and not showing up. Disciplinary steps have been implemented.

The Department continues to implement control measures and monitors, detects, and addresses Irregular Expenditure to ensure compliance with the Public Finance Management Act, Act 1 of 1999 as amended (PFMA).

6.2.6 Future plans of the Department

The key priorities of the Department will be centred around the following actions:

- Establishment of the Holding Company,
- Completing the National Transmission Company,
- Concluding the SEP for SAA, and
- Finalising the Transnet Roadmap.

6.2.7 Public Private Partnerships

The Department did not enter into or participate in any Public Private Partnerships (PPP) contracts for the period under review.

6.2.8 Discounted activities/activities to be discontinued

None.

6.2.9 New proposed activities

There are no new proposed activities.

6.2.10 Supply Chain Management

6.2.10.1 List of all unsolicited bid proposals concluded for the year under review.

The Department did not experience unsolicited bid proposals during the 2022/23 financial year.

6.2.10.2 Indicate whether SCM processes and systems are in place to prevent irregular expenditure.

Three Bid Committees (i.e Bid Specification Committee (BSC), Bid Evaluation Committee (BEC) and Bid Adjudication Committee (BAC)) have been established to ensure compliance in the bidding process and the implementation of the Departmental Financial and SCM Policies and Delegations to manage and prevent irregular expenditure. In addition, a Contract Register is regularly updated, and notice of contract expiry is sent to the end-users prior to the expiry date.

6.2.11 Gifts and donations received in kind from non-related parties

No gifts and donations were received in kind from non-related parties.

6.2.12 Exemption and deviations received from National Treasury

There were no deviations from National Treasury.

6.2.13 Events after the reporting date

SAA has committed to reduce the guaranteed exposure for Government of the R333 million as reported at 31 March 2023 in compliance with the appropriation conditions. The amount was reduced to R157 million by 31 July 2023 and is treated as an adjusting event".

Conclusion

The Department's plans recognise that economic transformation of the economy must be prioritised, and that these plans must be implemented in a constrained environment where SOCs' sustainability and viability are challenged.

To this end, the Department will continue to carry out its mandate to ensure that SOCs play their role in the advancement of the South African economy.

Acting Accounting Officer

Department of Public Enterprises

7. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

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

All information and amounts disclosed throughout the Annual Report (AR) are consistent.

The Annual Report is complete, accurate and is free of any omissions.

The Annual Report has been prepared in accordance with the guidelines issued by National Treasury.

The Annual Financial Statement (Part F) have been prepared in accordance with the modified cash standard and the relevant frameworks and guidelines issued by the National Treasury.

The Accounting Officer is responsible for the preparation of the Annual Financial Statements (AFS) 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 (HR) 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 2023.

Yours faithfully

Ms Jacky Molisane

Acting Accounting Officer

Department of Public Enterprises

8. STRATEGIC OVERVIEW

8.1 Vision

To create an enabling environment in which SOCs add real economic value by focussing on operational excellence, commercial viability and fiscal prudence. To drive developmental objectives, industrialisation, job creation and skills development.

8.2 Mission

To provide clear strategic direction and oversight to the Department's SOCs, seeking to ensure that:

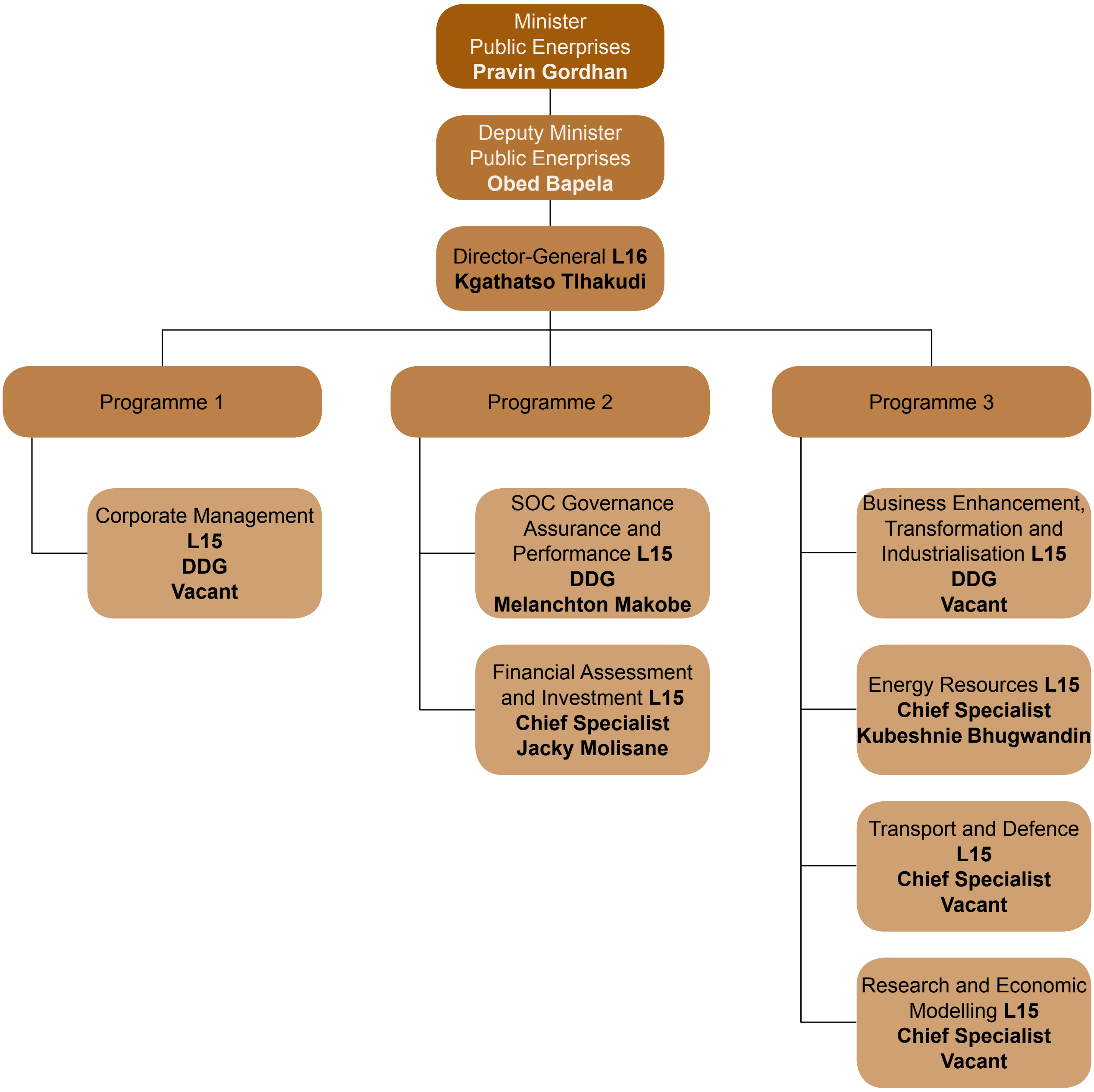
- They are financially sustainable, adequately funded and operationally robust,
- Their operating models keep pace with global development and innovation,
- They provide reliable, high-quality and cost-effective services and infrastructure to industry and our citizens,
- They secure investment and funding for strategic industrial development, and
- They align with National Developmental objectives.

8.3 Values

DPE is guided by the following set of values:

- **Trusting:** Having confidence in the character, ability, strength, and commitment of each other,
- **Enabling:** Fostering an environment that supports our people, our economy, and our nation,
- **Caring:** Treating employees and others with concern, kindness, and empathy,
- **Leading:** Providing clear direction, guidance, and forward thinking, and
- **Transparent:** Ensuring visibility and accessibility of information relating to our business practices.

9. ORGANISATIONAL STRUCTURE



10. SOCs REPORTING TO THE MINISTER

Table 3 below indicates the Entities that reported to the Minister during the 2022/23 financial year:

Name of Entity	Legislative Mandate	Financial Relationship	Nature of Operations
Alexkor	Alexkor Limited Act (Act 116 of 1992)	Shareholder Representative	A diamond mining Company that operates primarily in Alexander Bay and the greater Namaqualand area.
Denel	None	Shareholder Representative	Denel is responsible for manufacturing defence equipment and maintains sovereign and strategic defence capabilities on behalf of the State.
South African Express (SA Express)	South African Express Act (Act 34 of 2007)	Shareholder Representative	SA Express is a domestic and regional air carrier.
South African Airways (SAA)	South African Airways (Act 5 of 2007)	Shareholder Representative	South African Airways is the South African National airline.
South African Forestry Company (SAFCOL)	Management of State Forests Act (Act 128 of 1992)	Shareholder Representative	SAFCOL is Government's forestry Company which conducts timber harvesting, timber processing and related activities both domestically and regionally.
Eskom	Eskom Conversion Act (Act 13 of 2001)	Shareholder Representative	Eskom generates, transmits and distributes electricity to industrial, mining, commercial, agricultural and residential customers and redistributors.
Transnet	Legal Succession to the South African Transport Services Act (Act 9 of 1989)	Shareholder Representative	Transnet is a freight and logistics Company responsible for pipelines, ports, and rail transport infrastructure and operations in South Africa.

Table 3: SOCs reporting to the Minister

PART B

PERFORMANCE INFORMATION

1. AUDITOR- GENERALS REPORT: PRE-DETERMINED OBJECTIVES

The Auditor-General (AG) of South Africa performs certain audit procedures on the Performance Information to provide reasonable assurance in the form of an Audit Conclusion. The Audit Conclusion on the performance against pre-determined objectives is included in the Report to Management.

Refer to page 151 for the Report of the AG, in Part F.

2. OVERVIEW OF DEPARTMENTAL PERFORMANCE

2.1 Service Delivery Environment

The Department is the interface between Government and State-Owned Companies (SOCs) within its portfolio, and it continues to support and provides its contributions into the Legislation and policy formulation to the Policy Departments and other spheres of Government. In executing its responsibilities, the Department seeks to direct and support improvements in the financial, commercial and operational performance of these Entities and their contribution to the wealth of the South African economy.

The efforts to drive SOCs into a divergent future after the damage caused by state capture and corruption, both which had a significant impact on the SOC's Governance, operations and finances, were given precedence to change the status quo.

The work of the Presidential State-Owned Enterprise Council (PSEC) has gained momentum with one of the key recommendations being introduced towards a new State ownership model for key commercial State-Owned Enterprises (SOEs). This is to address the fragmentation in the current hybrid Government Shareholder oversight model. The PSECs work included in-depth analysis and determination of SOEs that should be consolidated and those that should be disposed of, repurposing those consolidated SOEs, development of criteria for SOEs that should be part of crisis management and stabilisation of the SOEs that are under crisis management.

2.2 Service Delivery Plan

The Department's services have no direct influence on citizens, however, the services provided by the SOCs under the DPE portfolio have a direct impact on South African citizens.

2.3 Organisational Environment

The Department has adopted clear goals and targets over the medium-term period, driven by the National Development Plan (NDP) and Medium-Term Strategic Framework (MTSF) and Economic Recovery and Reconstruction Plan (ERRP). The Department's strategy has been designed to ensure that the SOCs under the DPE portfolio fulfil their roles in supporting the attainment of the objective outlined in Government's key priority documents as stated above. The capacity and capability within the Department therefore plays an important role in facilitating the efficient delivery of the strategic outcomes.

The Department has identified a set of initiatives focusing on providing strategic oversight to the SOCs. These include:

- The interactions across the institutional model in terms of National Policy deliverables that requires collaboration with various Stakeholders and alignment between Policy, Regulation, and Shareholding to improve accountability. The institutionalisation of the Inter-Governmental engagements through various oversight tools namely the Strategic Intent Statement (SIS), and Shareholder Compact (SHC) are enablers to unlock bottlenecks within the system to improve the execution of key priorities.

- The standardisation approach in terms of shareholder oversight within Government requires the development of the National Enterprise Bill (NEB) which is currently underway. The Bill is aimed at supporting the objectives of strengthening and harmonising the current institutional architecture. To date, significant progress has been made towards the development of the overarching Act governing SOEs. During the year under review, the Policy Statement that provides the base for the adoption of the centralised model was finalised. Public consultation on the Bill is ongoing and will be submitted to Parliament when the consultation process has been concluded.

During the year under consideration, the Department has pro-actively been involved in engaging and addressing emerging issues that continue to threaten the achievement of the National development objectives. This is mainly to ensure that there is progress made by the SOCs and ensuring their commitment and contribution towards economic growth.

2.4 Key Policy developments and Legislative changes

There were no changes to the Policy or Legislative environment in the period under review that affected the Department.

3. PROGRESS MADE AGAINST THE STRATEGIC OUTCOME- ORIENTATED GOALS

The SOCs under the Department's portfolio has been subjected to several challenges over the years which has affected their performance. In addition, SOCs operations were confronted by numerous dynamics emanating from financial distress and systematic corruption over the years.

The improvement of financial and operational performance is the primary focus for the sustainability of the SOCs within the Department's portfolio, and the Department continues to assist SOCs in streamlining their operations through various interventions. The Department has seven strategic outcomes to support the implementation of Government priorities, and the progress made against these key outcomes is detailed below:

3.1 Improved alignment and efficiency across institutional model

The Department has actively participated in the task team to alleviate copper cable theft and infrastructure vandalism which has become a most prevalent crime in South Africa. During the year under review, there has been an increase in security related incidents that resulted in theft and vandalism of infrastructure which affect the availability of infrastructure and loss of volumes. Because of the impact this increase has had on Transnet's and Eskom's essential infrastructure utilisation, crucial interventions have been implemented that will assist in reducing copper cable theft and infrastructure damage. In this regard, a multi-stakeholder task team was established, and an implementation plan was prepared and implemented and rolled out to combat illegal scrap metal trade and vandalism of infrastructure.

In the 2022/23 financial year, the Information and Communication Technology (ICT) Directorate achieved a 98% service availability which is aligned to the improvement of ICT infrastructure and capacity outcome. The Department appointed its Government Information Technology Officer (GITO) as of 1 February 2023. A further level of oversight and improvement related to infrastructure stability was achieved as the migration of core ICT infrastructure services had permitted the transition to Cloud services and further enhanced operations of the Department's end-user groups.

3.2 Improved Governance and accountability

Corporate Governance is regarded as the structure of rules, practices and processes used to direct and manage companies. This include the SOCs with a view to promote accountability, transparency and sound management practices, so as to maximise long-term and sustainable shareholder value. During the year under review, the Governance Handbook was developed as a tool to assist the SOCs in complying with governance standards and expectations. The Handbook assimilates various international benchmarks and standards into one document, thereby reducing the challenge of having SOCs having to be abreast with multiple regulatory frameworks and/or guidelines.

The Handbook seeks to address the key issues that the Shareholder has faced over the years, in an effort to link Board performance to organisational performance. The Governance Handbook is anchored on ethical leadership that is informed by good Corporate Governance, risk and integrity frameworks within the SOCs. The Handbook essentially comprises good Governance frameworks to provide users with easy reference to the Government's oversight tools and guidelines. It also has the potential of being a supporting manual to the South African NEB and the regulations contained therein.

3.3 Improved independent financial sustainability of SOCs

Monitoring and assessment of the SOCs financial and operational sustainability as part of the Department's core mandate continue to be implemented to streamline the SOCs business to emphasise focus on their core mandate to support the development of the State. The process of restoring these Entities' financial sustainability was challenging, but the Department provided critical strategic support through engagements with relevant financial institutions and business augmentation.

South African Airways (SAA)

South African Airways (SAA) financial performance for the Group has been satisfactory with the Entity recording a profit for the year. The number of routes has been increasing, and as at the end of March 2023, SAA serviced ten Regional and two Domestic destinations. Passenger volumes have therefore also increased from 182 401 in the 2021/22 financial year, to 940 054 in the 2022/23 financial year.

The SOE received an amount of R1 billion during the 2022/23 financial year from Government, which has substantially improved SAA's liquidity situation. Government has yet to allocate the balance of R1.566 billion required for SAA to settle outstanding Business Rescue (BR) obligations.

The process to introduce a Strategic Equity Partner (SEP) is currently in progress. The primary challenges that remain are obtaining regulatory clearances and funds to finish the Business Rescue plan's implementation. This process is expected to be completed in the near future.

South African Forestry Company Limited (SAFCOL)

SAFCOL has experienced a steady increase in revenue over the past five financial years. Revenue reported in the 2022/23 financial year slightly declined from the previous financial year due to declining log sales. The revenue composition is still based on log sales, although SAFCOL hopes to boost non-log revenue contribution to 50% in the medium-term.

Overall profitability is likely to decline in line with lower revenue growth. However, post Balance Sheet date items are likely to significantly impact these results. Despite the adverse results, SAFCOL's financial position remains strong with a strong solvency position. Nonetheless, the SOEs liquidity will be strained in the next financial year. SAFCOL, on the other hand, will be able to obtain funding from the financial markets without the assistance of the Government. Komatiland Forest's (KLF) business continue to be managed in the most sustainable manner. This is evidenced by the accreditation to the worldwide forestry certifying organisation, Forestry Steward Council (FSC), over the last two decades. Furthermore, KLF operations are stable with critical targets.

ESKOM

Eskom is experiencing liquidity challenges where cash generated from operations is not enough to meet its debt obligations and fund the Capital Expansion Programme. The Minister of Finance (MoF) has approved a debt relief package to strengthen the SOE's financial position, which will see the Government assume Eskom's R254 billion debt over the next three years. This amount represents Eskom's full debt settlement over the next three years, with advances of R78 billion in 2023/24, R66 billion in 2024/25 and R40 billion in the 2025/26 financial years. Furthermore, Government will directly assume up to R70 billion of Eskom's credit portfolio. Conditions have been imposed by the MoF in consultation with the Department, and will be monitored on a quarterly basis. The provision of the debt relief will enable Eskom to fund its Capital Investment Programme and cater for its maintenance requirements.

Just Transition to a low carbon economy

Eskom successfully completed the process of decommissioning the Komati Power Station in October 2022 as the initiative served as a test pilot project for Eskom's Just Energy Transition (JET) plan, as well as providing guidance for a 'JUST' transition from coal to green energy sources. The SOC is in the process of revising its JET strategy, considering the latest trends and assumptions, and the lessons learned through decommissioning and repurposing of the power station.

The Komati repowering and repurposing project consists of 3 main components namely: a) Decommissioning, b) Repowering and c) Opportunities for Workers and Communities. This includes the development of Agrivoltaics, a Microgrid assembly facility and Komati Training Facility, as part of the repurposing activities, as well as the establishment of an Eskom JET Taskforce to drive Stakeholder engagement and community empowerment.

To ensure that the process of Transitioning is "Just" Eskom conducted the following Socio-Economic Impact Assessment (SEIA) studies:

- Technical study reports for all four Power Stations (Komati, Camden, Grootvlei and Hendrina),
- The Komati SEIA report has been published,
- The Grootvlei and Hendrina SEIA draft reports have been produced and work shopped, and
- Studies funded by Nationally Determined Contributions (NDC) partnership for socio-economic impact assessment at Camden, Arnot, Kriel, Matla, Duvha, Tutuka, and Kendal are progressing well, with reports being finalised.

DENEL

The liquidity challenges continue to adversely impact Denel's operations and reputation where the critical skills were lost across the Group. As a result, Denel has not been able to timeously submit Quarterly Reports and Corporate Plans due to going concern challenges.

During the 2022/23 financial year, Denel managed to raise over R990 million from the Denel Medical Benefit Trust (DMBT). The funds were mainly used to settle outstanding salaries, pay suppliers, statutory obligations as well as providing working capital. The entity still requires some additional funding to complete its restructuring, pay legacy debt and for its working capital requirement.

There has been a commitment from Government to support and improve Denel's balance sheet. In the 2021/22 financial year, Government undertook to settle the R3.2 billion Guaranteed Debt to relieve Denel from an interest burden.

In the 2022/23 financial year, an additional R3.4 billion through the Special Appropriation Act (2022) was allocated to Denel to implement its turnaround plan.

ALEXKOR

Alexkor generates its revenue from the rental of Alexander Bay properties that are awaiting transfer to the Richtersveld Property Holding Company and from its 51% share in the Pooling and Sharing Joint Venture (PSJV). Alexkor's profitability improved in the 2022/23 financial year, which was largely attributable to the improved performance by the PSJV.

Alexkor is solvent and does not have any interest-bearing debt. A large portion of Alexkor's cash is ring-fenced to settle the Deed of Settlement (DoS) obligations and limited cash is available for operations. However, the Entity is projecting to have adequate operational cash to meet its obligations for the 2023/24 financial year.

TRANSNET

Transnet was unable to meet its budgeted target for the 2022/23 financial year. This was largely attributed to long-standing systemic challenges, particularly within the rail business, which, affected the port operations. The operational challenges in rail emanated from the backlogs in the maintenance of infrastructure, locomotive shortages, the floods in KwaZulu-Natal and criminal activities. The operational challenges, on the other hand are being addressed by a cross-functional team led by Operation Vulindlela, which comprises representatives from Transnet, the DPE, Transport and National Treasury (NT), who are meticulously working on the development of a Transnet Roadmap.

Transnet maintains a healthy Balance Sheet and is solvent, nonetheless, the Entity experiences short-term liquidity challenges due to operational challenges. The appropriations of R5.8 billion from Government, a successful global bond issuance and the recovery of a long outstanding debt has improved Transnet's liquidity situation.

3.4 Increase the contribution of SOCs to support transformation of the South African economy

SOC Local Content spend and Enterprise Supplier Development

SOCs performances has increased particularly on procurement from designated products. For the period under review, SOCs achieved a combined spend of R65,1 billion on designated products. The Department is further collaborating with the South African Bureau of Standards (SABS) to conduct Local Content verification on SOCs strategic procurements to verify the level of compliance to locally manufactured goods and services. The findings from this exercise has indicated that 97% of procurement fully complied with the requirements.

The spend on Enterprise and Supplier Development (ESD) amounted to R8,6 billion, which was spent on sub-contracting and various enterprise development initiatives such as incubation programmes, supplier workshops and training. The Department further had an Enterprise and Supplier Development Forum to facilitate collaboration amongst SOCs.

With the recent changes to the Preferential Procurement Regulations (PPR), SOCs have amended their Supply Chain Policies to align with the PPR, 2022. The Department has planned sessions with SOCs to further discuss the implementation.

Preferential Procurement (B-BBEE)

SOCs in the DPE portfolio continue to make significant contributions to socio-economic development in leveraging preferential procurement towards transformation of the economy. A total amount of R62.82 billion was spent by five SOCs namely Denel, Eskom, SAA, SAFCOL and Transnet in achieving a combined average of 52,82% on procurement spend through Black-Owned (BO) companies against a 40% target.

A total amount of R14.743 billion was expended by the five SOCs to procure goods and services from companies owned by black women. On average, the SOCs procurement from women owned companies surpassed the B-BBEE target of 12% Total Measurement Procurement Spent (TMPS) and averaged 16.35% performance achievement. SOCs offer marginal benefit to emerging women-owned enterprises, but many continue to benefit from preferential procurement opportunities.

The performance also signifies a gradual development towards the Broad-Based Black Economic Empowerment (B-BBEE) objective of promoting economic transformation to enable meaningful participation of Black people in the economy.

SOCs B-BBEE status level for the previous financial year remains unchanged for Eskom, SAFCOL and Transnet based on the revised scorecard as indicated below:

Eskom = B-BBEE level 4

SAFCOL = B-BBEE level 4

Transnet = B-BBEE level 2

Skills Development

During the year under review, the Department undertook the research study evaluating the impact and efficacy of SOCs skills development programmes. The study shows that SOCs' programmes are still effective, aligned and responsive to National priorities in terms of the provision of critical skills on occupations in demand. The study, however, shows that there has been a steady decrease in the numbers of learners being enrolled in SOC skills programmes, largely as a result of the effect of the Covid-19 pandemic, and some financial constraints emanating from an economic slowdown that the country has suffered over the past three years.

This notwithstanding, SOCs have been consistent in their contribution towards addressing the challenge of skills shortages in occupations in demand, and has for the 2022/23 financial year, collectively incurred an average spend of 3,3% for the training of learners in various critical skills, as follows:

A total of 3 465 new learners were registered in various learning programmes in occupations in demand as a total collective pipeline for the period 1 April 2022 to 31 March 2023. This comprised of 1 455 artisan trainees, 455 engineering trainees, 315 technician trainees and 1 240 in sector specific training interventions.

Furthermore, a total of 387 students were supported with bursaries, and 1 244 learners managed to complete their training in various programmes, 125 of which were absorbed into permanent employment within the SOCs.

To mitigate on the challenge of the decreasing number of enrolments alluded to above, the Department has adopted a strategy for establishing new, and strengthening current partnerships with private and public institutions, to ensure continued optimisation of SOC training facilities. New partnerships that were concluded in the financial year under review include a Memorandum of Understanding (MoU) with the Central Johannesburg TVET College (CJC) and the Denel Technical Academy (DTA), which will see the DTA hosting 350 college learners for apprenticeship training, and about 150 for practical and on the job training, should the CJC allocate learners as anticipated in the implementation of the MoU. Furthermore, Eskom and Transnet have established partnerships with various Technical and Vocational Education and Training (TVET) colleges to provide both learners and lecturer support.

Corporate Social Investment (CSI)

Despite the adverse conditions characterised by low to no growth, Alexkor, SAFCOL and Transnet reported continued support for socio-economic development accumulated at R98.33 million as at the end of March 2023. This amount may be modest as a monetary quantum, yet it is significant from a perspective of the SOCs being able to continue to implement a series of deliberate and concerted interventions across a range of focus areas to help push back the frontiers of poverty, unemployment and joblessness. Among key SOC CSI interventions is the Transnet Phelophepa Health Trains flagship programme providing Primary Health Care services in deep rural areas. With a spend of about R70.77 million, 27 113 patients benefitted through onboard clinics and 81 535 benefitted through outreach programmes in various Provinces and Communities including 57 Covid-19 Vaccines having been administered. Other CSI interventions sponsored by Transnet includes 102 youth attending the SAFA/Transnet School of Excellence, as well as 20 Primary Schools and 20 Early Childhood Development (ECD) Centres benefitting.

SAFCOL's approach for its CSI interventions is through concluding social compacts with communities in the area of its operations to ensure CSI programmes align with communities needs, and has among others in achieving this goal, built timber-frame structures for the Mamahlola ECD Centre, Sukumani Advisory Services, Umjindini ECD Centre and classrooms for Edwaleni Primary School.

Gender Responsive Plan

A Gender Responsive Plan (GRP) was developed and approved for implementation to support mainstreaming of Gender, Youth and Persons with Disabilities (GEYODI) based on the requirements of the Gender Responsive Budgeting, Planning Monitoring, Evaluation and Auditing (GRBPMEA) Framework which is co-ordinated through the Department of Women, Youth and Persons with Disabilities (DWYPD). The implementation of the GRP has increased gender responsiveness within the DPE as well as within the portfolio of SOCs to accelerate achievement of Government transformation objectives. This is noted with the increase of the number of companies owned by designated groups in particular Women, Youth and PWDs having benefitted from Preferential Procurement and improved participation in other transformation indicators such as skills provisioning and Employment Equity (EE) status among others. Further improvements will be undertaken during the 2023/24 financial year.

3.5 Supply of Energy Secured

The implementation of the Eskom Roadmap in a Reformed Electricity Supply Industry has resulted in the creation of the independent National Transmission Company (NTC) of South Africa as a wholly owned subsidiary of Eskom.

The National Electricity Distribution Company of South Africa (NEDCSA) was registered in October 2022, and the due diligence to establish a Generation Company has been completed by Eskom. Overall, Eskom had made significant progress in achieving the milestones set out in the Roadmap since its adoption.

The restructuring process to achieve legal separation of the Entities requires alignment and co-ordination between Government Departments to address the Legislative, regulatory, and financial amendments. These discussions are ongoing.

Kusile Unit 5 successfully achieved key milestones towards synchronisation of the unit, namely, boiler chemical clean, first fires on oil and coal.

NT had proposed a total debt-relief arrangement for Eskom to the value of R 254 billion. This consists of two components: Firstly, R184 billion which accounts for Eskom's full debt settlement requirement in three tranches over the medium-term. Secondly, a direct take-over of up to R70 billion of Eskom's loan portfolio in the 2025/26 financial year.

Key strategic focus on the initiatives and reform of Eskom includes the expansion and strengthening of the grid for new generation capacity. The refurbishment of the Koeberg Nuclear Power Station to extend the lifespan of the power plant is well underway. Eskom has progressed with the replacement of some of the Koeberg Nuclear Power Plant (KNPP) life limiting components. The replacement of Steam Generators (SGs) for KNPP Unit 1 commenced in December 2022 with a goal for completion within the 2023/24. Thereafter, Unit 2 replacement will commence.

3.6 Increased access to an affordable and reliable transport system

Transnet has faced significant operational issues in recent years, including inefficient operations and declining revenue as a result of the rail company's poor volume performance. The Covid-19 pandemic, infrastructure vandalism, cable theft, inadequate availability of locomotives to meet the demand of various industries and flooding in critical operational areas have had dire ramifications on the effective operations of the SOE. The high number of security related incidents in critical corridors (i.e., North corridor), vandalism, cable theft, unavailability of locomotives to service the demand and wreckages from the floods still impede the effectiveness of the rail company.

Transnet aimed to attract private investment and partnerships to address infrastructure and operations capacity gaps to meet customers' demands, but failed to meet initiatives undertaken to achieve the desired target by March 2023. These negative transport externalities have also grown significantly due to rail challenges that are resulting in an increase of frequent transportation by trucks.

Over the period under review, rail volumes declined significantly in rail friendly freight, compromising on the MTSF targets which aim to promote road to rail migrations. The role and effectiveness of the National Ports Authority (NPA) as a regulator of terminal operators and custodian of competitive ports as envisaged by the National Ports Act No.12 of 2005 remains sub-optimal with the current Transnet National Ports Authority (TNPA) not corporatized as envisaged by the NPA.

Rail volumes have been negatively impacted mainly by the shortage of locomotives, cable theft, network vandalism and infrastructure backlog. Transnet Freight Rail (TFR) faces loss-making flows and market segments, servicing a network too large for commercial sustainability.

The current interventions to separate the infrastructure from operations, reducing the size of the core network and implement a tiered network for rail will enable greater effectiveness of railways as the backbone of the economy.

4. PERFORMANCE INFORMATION BY PROGRAMME

4.1 PROGRAMME 1 – ADMINISTRATION AND CORPORATE MANAGEMENT

The programme is currently made up of the following sub-programmes: Office of the Director-General (ODG)/Management, Security and Facilities Management, Information Management and Technology, Office of the Chief Financial Officer (OCFO), Human Resources (HR), Communications, Strategic Management and Internal Audit.

Sub-programmes Objectives for Administration and Corporate Management:

Office of the Director-General/Management: Provides technical support, enabling Government to optimally exercise Governance and performance over the portfolio of SOCs.

Security and Facilities Management: Provides a safe, secure environment, internal administration, and facility services to internal customers.

Information Management and Technology: Provides Information Technology (IT) services and applications as strategic tools for business enablement, including comprehensive records management, knowledge management, library and information services.

Office of the Chief Financial Officer: Provides effective and efficient financial management services to ensure compliance with various Legislation, including the Public Finance Management (PFMA) Act, 1999 (Act No 1 of 1999) and Treasury Regulations.

Human Resources: Assists Line Management to implement operational excellence and develop the human capital potential in the Department.

Communications: Repositions the DPE as a strong Shareholder Department, makes the DPE brand relevant and meaningful to ordinary South Africans, develops impactful media relations and media communication, and improves employee engagement.

Strategic Planning, Monitoring and Evaluation: Co-ordinates, manages and oversees the outcomes-based performance reporting of the Department, implements performance monitoring and evaluation processes for individual programmes and business units as a mechanism for measuring delivery of our strategic objectives, and reports to various Stakeholders.

Internal Audit: Provides independent and objective assurance and consulting internal audit services to add value and improve the Department's operations and assists 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.

Programme: Administration and Corporate Management

Outcomes, outputs, output indicators, targets, and actual achievements

Outcome	Output	Output Indicators	Actual Performance 2020/21	Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Deviation from planned targets to Actual Achievement 2022/23	Reasons for deviation
Promote alignment and efficiency across institutional model.	Reduce vacancy rate by 8% annually.	Percentage of vacancy rate reduced.	None.	None.	8% Vacancy rate reduced.	Not achieved. Vacancy rate was reduced by 0.5%.	There is a variance of 7.5% from the planned target.	Due to high staff turnover, the vacancy rate was not reduced by 8%.
	Performance Management achieved as per individual performance agreements linked to APP and Annual Operating Plan (AOP) targets.	Percentage on Performance Management achieved as per individual Performance Agreements linked to the APP and AOP targets.	None.	None.	80% Achievement as per individual Performance Agreements linked to the APP and AOP targets.	Achieved. 80% Of individual Performance Agreements linked to the APP and AOP targets was achieved.	None.	None.
Improved ICT and business alignment and enhanced oversight function.	Improvement of ICT infrastructure services and 90% systems availability maintained by 2025.	Percentage on improvement of ICT infrastructure services and 90% of systems availability maintained.	None.	None.	90% Systems availability maintained	Achieved. An average of 99.80% systems availability was maintained.	9.80% Variance from planned target to actual achievement.	The achievement was based on comprehensive ICT services. No baseline was available for the previous year, hence the actual performance vs the planned may seem over stated.

Outcome	Output	Output Indicators	Actual Performance 2020/21	Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Deviation from planned targets to Actual Achievement 2022/23	Reasons for deviation
	Population of ICT structure and improved capacity.	Percentage on population of ICT Structure with new capabilities.	None.	None.	90% of ICT structure populated.	Not achieved. 88% of ICT structure populated with new capabilities (8 Funded posts exist on the structure of which 7 are filled).	One unfilled funded post.	Priority was given to the Director: IM post to address an audit finding.

Outcome	Output	Output Indicators	Actual Performance 2020/21	Actual Performance 2021/22	Planned Annual Target 2022/23	Actual Achievement 2022/23	Deviation from planned targets to Actual Achievement 2022/23	Reasons for deviation
Promote alignment and efficiency across institutional model.	Percentage on implementation of signed Corporation agreement to reduce SOCs infrastructure vandalism through signing Corporation with Stakeholder.	Percentage on implementation of signed Corporation agreement to reduce SOCs infrastructure vandalism through signing Corporation with Stakeholders.	None.	None.	50% of the Corporation agreement milestone achieved.	Not achieved. 0% Corporation agreement milestone achieved.	Eskom MoU was signed.	Transnet MoU was not signed.
	Percentage on media public perception survey achieved.	Percentage on media public perception survey achieved.	None.	None.	30% Improvement against the baseline achieved.	Not achieved. 0% Improvement against the baseline achieved.	DPE media perception was analysed.	The improvement of public media perception was undertaken by the Government Communication and Information System (GCIS). DPE does not have the capacity of managing public perception.

Table 4: Programme: Administration and Corporate Management

Strategy to overcome areas of under performance

There are interventions in place to address and finalise the MoU with Transnet for the implementation of a signed Corporation agreement to reduce SOCs infrastructure vandalism through the signing of a Corporation agreement with a Stakeholder. The Department will continue to work with various task teams and forums to support efforts to curb cable theft and infrastructure vandalism.

Mitigation plans are in place to improve the Department's media public perception, and this will be carried out in the new financial year through frequent media analysis.

The year under review was challenging in terms of filling strategic positions because it was operating in a relatively uncertain environment and high turnover rate. However, the Department on the other hand, developed a strategy to fast-track the filling of critical vacant positions.

Linking Performance with Budgets

Programme Expenditure

Programme Administration	2022/23			2021/22		
	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	30 901	24 710	6 191	24 486	23 316	1 170
Management	13 954	8 098	5 856	9 140	7 482	1 658
Communications	39 684	34 762	4 922	34 500	29 232	5 268
Chief Financial Officer	22 526	17 131	5 395	20 876	19 490	1 386
Human Resources	33 304	21 655	11 649	24 299	18 703	5 596
Internal Audit	7 686	4 542	3 144	5 184	3 908	1 276
Corporate Services	5 258	3 918	1 340	3 734	2 391	1 343
Office Accommodation	14 697	14 689	8 054	16 558	16 557	1
Total	**168 010**	**129 505**	**38 505**	**138 777**	**121 079**	**17 698**

Table 5: Programme Expenditure

Expenditure narrative

Expenditure on the programme was R130 million in the 2022/23 financial year as compared to R121 million in the 2021/22 financial year.

The increase in expenditure is mainly due to a general annual increase in prices. The primary cost drivers under goods and services include operating lease, property payments, computer services and audit fees.

4.1.1 Programme 2: SOC Governance Assurance and Performance

Purpose: Provide and enforce SOCs Governance, legal assurance, financial and non-financial performance monitoring, evaluation, and reporting systems, in support of the Shareholder to ensure alignment with Government's priorities.

Programme Objectives

Ensure effective Shareholder oversight of SOCs by:

- Providing Governance and legal systems,
- Developing and maintaining Shareholder risk profiles and mitigating strategies for Government's SOCs, and
- Monitoring, evaluating, and reporting on the financial and non-financial performance of SOCs and proposing intervention measures when required.

Sub-programmes:

- **Management:** Comprises the office of the Deputy Director-General (DDG), which provides strategic leadership and management of the programmes' personnel.
- **Legal:** Provides external legal services and support, including transaction and contract management support, to sector teams and the commercial activities of SOCs within their portfolio.
- **Governance:** Develops, monitors, and advises on Legislative, Corporate Governance and Shareholder management systems for the Department and SOCs in its portfolio. The sub-programme develops and implements Risk and Compliance Management guidelines and systems for Shareholder risk.
- **Financial Assessment and Investment Support:** Analyses SOCs' capital planning, operational performance, funding of Capital Programmes and proposed restructuring proposals and advises on appropriate action.

Sub-programme: Governance, Legal Assurance, Risk Profiling and Mitigation

Outcome, outputs,output indicators, targets and actual achievements

Outcome	Output	Output Indicators	Actual Performance 2020/21 FY	Actual Performance 2021/22 FY	Planned Annual Targets 2022/23 FY	Actual Achievement	Deviation from planned targets to Actual Achievement	Reasons for deviation
Improved Governance and accountability.	Government Shareholder Management Bill adopted into law by 2023.	Government Shareholder Management Bill (GSMB)adopted into law by 2023.	None.	Draft Bill not submitted to Cabinet.	SOE Bill submitted to Cabinet and Parliament.	Not achieved. SOE Bill was not submitted to Cabinet and Parliament.	The Bill was drafted but not submitted to Cabinet and Parliament.	Further consultation on the Bill required.
	Strategic and Secretariat support.	Report on activities and recommendations of PSEC.	None.	None.	Annual PSEC Report on activities and recommenda-tions.	Achieved. Annual PSEC Report on activities and recommendations was finalised.	None.	None.
	Governance Tool (Memorandum of Incorporation) (MoI) standardised.	Number of Governance Tools (MoI) revised and approved.	None.	None.	Denel and Alexkor MoIs revised and approved.	Not achieved. Denel and Alexkor MOIs revised and not approved.	Revised MoI templates were developed and engaged with both Denel and Alexkor.	The approval process was delayed due to further consultation required on the certain MoI clauses.
	Establishment of Centre of Excellence on Governance.	Centre of Excellence on Governance established.	None.	None.	Governance Centre of Excellence on Governance established.	Achieved. Governance Centre of Excellence on Governance established.	None.	None.

Table 6: Sub-Programme: Governance, Legal Assurance, Risk Profiling and Mitigation

Strategy to overcome areas of underperformance

Consultation of the Bill had to be undertaken before the finalisation of the Bill and subsequent to the consultation process, the Department will expedite the development of the Bill and securing technical assistance where necessary.

Sub-programme: Financial Assessment and Investment Support

Outcomes, outputs, output indicators, targets and actual achievements

Outcome	Output	Outcome indicators	Actual Performance 2020/21 FY	Actual Performance 2021/22 FY	Planned Annual Targets 2022/23 FY	Actual Achievement	Deviation from planned targets to Actual Achievement	Reasons for deviation
Improved independent financial sustainability of SOCs.	Propose financial option to resolve Eskom debt.	Report on preferred option to resolve Eskom debt.	None.	None.	Report on preferred option to resolve Eskom debt.	Achieved. Report on preferred option to resolve Eskom debt was finalised.	None.	None.
	Develop and approve guidelines in seeking SEP and evaluating shareholding i.e., majority and minority Shareholding.	Guidelines in SOCs seeking SEP and evaluating Shareholding i.e., majority and minority Shareholding approved.	None.	None.	Guidelines for seeking SOC SEP (either majority or minority) Shareholding approved.	Achieved. Guidelines for seeking SOC SEP (either majority or minority) Shareholding was approved.	None.	None.
	Establishing of the SOCs restructuring unit.	Number of SOCs' Business Plans developed and restructuring unit established.	None.	None.	SOCs' Business Plan developed and restructuring unit established.	Not achieved. SOCs Business Plan was not developed, and the restructuring unit was not established.	SOC restructuring framework was developed.	Framework was developed as a guide for the restructuring process.

Outcome	Output	Outcome indicators	Actual Performance 2020/21 FY	Actual Performance 2021/22 FY	Planned Annual Targets 2022/23 FY	Actual Achievement	Deviation from planned targets to Actual Achievement	Reasons for deviation
	Monitor implementation of SOCs external auditors' audit findings.	Number of Progress Reports on SOCs audit findings.	Consolidated reports on SOCs audit findings.	Consolidated reports on SOCs audit findings.	Two Progress Reports on SOCs audit findings.	Achieved. Two Progress Reports on SOCs audit findings were completed.	None.	None.
	Ensure Compliance reporting (i.e., Corporate Plans (CP), Quarterly Reports, PFMA section 66 applications).	% On SOCs compliance reporting (i.e., CP, Quarterly Reports, PFMA section 66 applications).	20 SOC quarterly reviews and reports produced, and 5 CP reviewed.	24 SOC quarterly reviews and reports produced, and 6 CP reviewed.	100% Assessment Compliance Reports received.	Achieved. 100% Assessment of all reports received.	None.	None.
	DPE and SOC Chief Financial Officers (CFOs) forum held.	Number of DPE and SOC CFO's forums held quarterly.	None.	None.	Four DPE and SOC CFOs' forums to be held quarterly	Achieved. Four DPE and SOC CFOs' forums were held quarterly.	None.	None.

Table 7: Sub-Programme: Financial Assessment and Investment Support

Strategy to overcome areas of underperformance

The restructuring framework will provide guidance on the process to reposition of SOEs as effective instrument of economic development as part of the work undertaken by PSEC.

Programme Expenditure

Sub-programme Legal and Governance	2022/23			2021/22		
	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	3 421	3 311	110	2 474	1 940	534
Legal	24 478	15 944	8 534	24 835	23 756	1 079
Governance	20 713	11 986	8 727	13 710	11 913	1 797
Financial Assessment and Investment Support	11 979	10 807	1 172	13 881	9 826	4 055
Total	**60 591**	**42 048**	**18 543**	**54 900**	**47 434**	**7 466**

Table 8: Programme Expenditure

Expenditure narrative

Expenditure on the Financial Assessment and Investment Support Programme was R42 million in the 2022/23 financial year, compared to R47.4 million in the 2021/22 financial year. The decrease was due to a reduction in legal services. The cost driver within the programme is Legal Services.

4.1.2 Programme 3: Business Enhancement and Industrialisation

Purpose: Provide Sector oversight of SOCs by advancing industrialisation, transformation, Inter-Governmental relations and International collaboration services, and support the Shareholder to strategically position and enhance the operations of SOCs.

Programme Objectives

To contribute to the enhancement of the performance of SOCs on an ongoing basis by:

- Conducting reviews, research and modelling of pipelines and new business enhancement opportunities within the SOCs,
- Assessing operations of SOCs and developing mitigating instruments in conjunction with Policy Departments, regulatory bodies and industry, and
- Conducting research, modelling job creation and transforming instruments for SOCs to inter- alia inform compact alignment imperatives.

The Sub-programmes:

Business Enhancement Services: Develops and co-ordinates the implementation of SOCs strategies to leverage localisation programmes, provides Inter-Governmental co-ordination and support to programmes and SOCs in relation to economic development programmes, as agreed with Provincial and Local Governments, maintains a register of commitments made by SOCs and lobbies for the implementation of special programmes focusing on skills development, transformation and the youth.

Energy Resources: Exercises Shareholder oversight over Eskom, Alexkor and SAFCOL.

Research and Economic Modelling: Conducts cost benefit analysis reviews on business enhancement and transformation initiatives and develops economic sustainability models for proposed work packages and projects.

Transport and Defence: Exercises Shareholder oversight over Transnet, South African Express, South African Airways and Denel.

4.1.3 Sub-programme: Business Enhancement and Services Objectives

- Initiates and co-ordinates specialists research projects to model the short-medium-and long-term business enhancement prospect.
- Develops and co-ordinates the implementation of SOCs' group pipeline business enhancement strategies and instruments.
- Develops business enhancement models for the clusters and co-ordinates the adoption processes.
- Initiates and co-ordinates specialist research projects to define business enhancement inhibitors for the SOC Groups.
- Liaises with Policy and Regulatory institutions to mitigate the impact of the identified business inhibitors.
- Provides technical inputs to influence alignment of the regulatory regime impacting on the operations of the SOC Groups.
- Provide technical advisory services to support SOCs compact alignment processes and facilitate their development/ adoption.

Programme: Business Enhancement Services

Outcomes, outputs, output indicators, targets and actual achievements

Outcome	Output	Output Indicators	Actual Performance 2020/21 FY	Actual Performance 2021/22 FY	Planned Annual Targets 2022/23 FY	Actual Achievement	Deviation from planned targets to Actual Achievement	Reasons for deviations
Increase the contribution of SOCs to support transformation of the South African economy.	Gender responsive plans approved and implemented.	Number of Gender Responsive Plans approved and implemented.	None.	None.	Gender responsive plan developed and approved.	Achieved. Gender responsive plan was developed and approved.	None.	None.
	SOC Public procurement % spent on WO businesses.	% On SOC Public procurement spent on WO businesses.	None.	None.	12% On Public procurement spent on WO businesses.	Achieved. 16.35% On Public procurement spent on WO businesses was met.	Positive variance of 4.35 from the planned target.	Department facilitated the elevation of SOC procurement support of WO businesses.
	Develop test Local Content verification framework.	SOCs Local Content verification framework developed and tested.	Four Assessments Reports on SOCs' 75% spend on Local Content.	Four assessments on SOCs' 75% spend on Local Content.	Local Content verification framework developed and testing with two capital programmes in partnership with SABS.	Achieved. Local Content verification framework developed and testing with two capital programmes in partnership with SABS was finalised.	None.	None.

Table 9: *Business Enhancement Services*

4.1.4 Sub-programme: Energy and Resources

Purpose: Responsible for the oversight of three SOCs, namely Eskom, Alexkor and SAFCOL

Eskom SOC Limited

Supports the security of supply by:

- Examining on an ongoing basis Eskom's maintenance plans, operational practices, electricity generation, transmission and distribution efficiency, as well as its reserve margin,
- Ensuring on an ongoing basis that Eskom supplies electricity by monitoring, evaluating and engaging in system security and the new Build Programme to alleviate constraints,
- Facilitating on an ongoing basis engagement between Eskom and other spheres of Government to address Municipal debt, and
- Monitoring on an ongoing basis the rollout of the Capital Investment programme to ensure that it is delivered on time, is of quality appropriate quality and within budget.

Alexkor SOC Limited

- Ensure increased diamond production and promote the financial stability of the Joint Venture (JV) by monitoring the implementation of Alexkor's strategy to promote financial sustainability and monitoring the pooling and sharing of the JV turnaround strategy, on a quarterly basis.
- Ensure collaboration and alignment of the two SOCs, to provide a clear indication to the market by developing a collaborative model with the African Exploration Mining and Finance Corporation over the medium-term.
- Contributing to developing sustainable economic activities linked to the Agricultural sector by continuously supporting and co-ordinating the joint efforts of the DPE with the Department of Mineral Resources and Energy (DMRE) and the Department of Agriculture, Rural Development and Land Reform (DARDLR) to stabilise the Richtersveld region and make use of revenues.

SAFCOL SOC Limited

- Oversight of the implementation of the land restitution strategy for claims over the Komatiland Forests Land Claims Settlement Model, to ensure meaningful benefits to the successful land claimants over the medium-term.
- Oversight of the implementation of SAFCOL's Corporate strategy over the medium-term.

Engagement with the Department of Agriculture, Land Reform and Rural Development (DARDLR), the Department of Forestry, Fisheries and the Environment (DFFE) and the Department of Trade Industry Competition (the dtic) to ensure the warehousing of the Shares held by SAFCOL including the Shares held in the four privatised forestry companies.

- Reduction of reliance on the sawlog market by supporting the development of the new business strategy over the medium-term.

Sub-programme: Energy and Resources

Outcomes, output, output targets, and actual achievement

Outcome	Output	Output Indicators	Actual Performance 2020/21 FY	Actual Performance 2021/22 FY	Planned Annual Targets 2022/23 FY	Actual Achievement	Deviation from planned targets to Actual Achievement	Reasons for deviations
Improved Governance and accountability.	Shareholder Compact (SHC) signed.	Signed SHC per year (Eskom).	SHC signed (Eskom).	SHC signed (Eskom).	One 2023/24 SHC signed (Eskom).	Not achieved. 2023/24 SHC was not signed (Eskom).	Draft 2023/24 SHC (Eskom).	Finalisation of the SHC was delayed due to prolonged engagements to ensure alignment between the Department and SOC.
Supply of Energy Secured.	Increase Energy Availability Factor (EAF) to above 80% by 2024.	Increased EAF factor to above 80% by 2024.	Four Assessment Reports on Eskom's performance generation fleet.	Four Assessment Reports on Eskom's performance generation fleet.	Monitor implementation of Eskom's interventions to increase energy availability to above 70% by 2022/23.	Achieved. Implementation of Eskom's interventions to increase energy availability to above 70% by 2022/23 was monitored.	None.	None.
	Eskom Planned Capacity Adherence (Infrastructure / Build Programme).	Eskom Planned Capacity Adherence (Infrastructure/ Build Programme).	Four Progress Reports on Eskom's delivery of the Infrastructure programme.	Four Progress Reports on Eskom's delivery of the Infrastructure programme.	Four Progress Reports on Eskom's delivery of infrastructure programme.	Achieved. Four Progress Reports on Eskom's delivery of infrastructure programme completed	None.	None.

Outcome	Output	Output Indicators	Actual Performance 2020/21 FY	Actual Performance 2021/22 FY	Planned Annual Targets 2022/23 FY	Actual Achievement	Deviation from planned targets to Actual Achievement	Reasons for deviations
	Assessments of Eskom's on interventions to increase electricity reserve margin to counter loadshedding by 15% by 2024.	Increased electricity reserve margin by 15% by 2024.	None.	None.	15% Reserve margin achieved.	Not achieved. 15% Reserve margin not achieved.	Reserve margin was 3.21%.	Reserve margin was below 15% due to low EAF factor.
	Implementation of the Eskom Roadmap commitment by 2024 (Unbundling process: Transmission, Generation and Distribution).	Eskom's Roadmap for reformed electricity supply industry implemented (unbundling process: Transmission, Generation and Distribution).	Two Progress Reports on the Eskom's implementation of Roadmap.	Two Progress Reports on the implementation of Eskom's Roadmap for reformed electricity supply industry (unbundling process).	Corporatisation of Distribution and Generation companies finalised.	Not achieved. Corporatisation of Distribution and Generation companies not finalised.	New Transmission Company was corporatised.	The process of corporatising Distribution and Generation is still underway.
	Implementation of the Nuclear Build Programme and extend the life of the current nuclear plan.	Number of reports on the maintenance of the energy levels.	None.	None.	Four reports on KNPP life extended.	Achieved. Four reports on KNPP life extended were completed.	None.	None.

Outcome	Output	Output Indicators	Actual Performance 2020/21 FY	Actual Performance 2021/22 FY	Planned Annual Targets 2022/23 FY	Actual Achievement	Deviation from planned targets to Actual Achievement	Reasons for deviations
	Explore embedded generation Small Scale Embedded Generator (SSEG) options to augment Eskom's generation capacity by 1000 MW by 2024.	Number of Progress Reports on additional 1000 MW commissioned by 2024 produced.	Two Progress Reports on the additional embedded generation capacity added.	Two Progress Reports on additional embedded generation capacity added.	Four Progress Reports on additional embedded generation capacity added.	Achieved. Four Progress Reports on additional embedded generation capacity added were completed.	None.	None.
Improved Governance and accountability.	SHC signed.	Signed SHC per year (SAFCOL).	SHC signed (SAFCOL).	SHC signed (SAFCOL).	SHC signed (SAFCOL).	Achieved. SHCs was signed (SAFCOL).	None.	None.
	SHC signed.	Signed SHC per year (Alexkor).	SHC signed (Alexkor).	SHC signed (Alexkor).	SHC signed (Alexkor).	Not Achieved. SHC was not signed (Alexkor).	Draft SHC (Alexkor).	Finalisation of the SHC was delayed due prolonged engagements to ensure alignment between the Department and SOC.

Table 10: Energy and Resources

Strategy to overcome areas of underperformance

The review of the Logical Planning, Monitoring and Evaluation framework is already underway to improve the turnaround time on the finalisation of the Shareholder Compact.

The Implementation of the Eskom Recovery Plan (RP) that aims to recovery approximately 6000 MW and achieve a EAF of 70% by March 2025.

The Inter-Governmental Steering Committee for the implementation of the 2019 Eskom Roadmap (consisting of Director- Generals of the Department of Public Enterprises, Mineral Resources and Energy, National Treasury, and Chief Executive Officer (CEO) of Eskom) has been established to deal with the inter-dependencies such as amendments to the Electricity Regulation Act.

Transnet SOC Limited

Provides oversight on Transnet's implementation of the Market Demand Strategy (MDS) to optimise the economic impact of infrastructure investment on the economy, by monitoring the roll-out of Transnet's Capital Expenditure Programme, quarterly and annually, to assess any significant deviations from corporate plans and potential cost overruns and time delays on major capital projects.

South African Express Airways SOC Limited

- Develops a strategic proposal for the optimal group structure of the State-owned airlines to assist in rationalising the structure of these airlines as well as to unify their operations.
- Facilitate the review of commercial arrangements as and when required to support the financial position of the company to ensure its long-term financial and commercial sustainability.

Denel SOC Limited

- Oversee the development of a long-term growth strategy to achieve financial stability and the growth of manufacturing export products on an ongoing basis.
- Leverage off the company's advances in manufacturing capability through securing work packages in support of the industrialisation drive aligned with the Industrial Policy Action Plan (IPAP) over the medium term.
- Ensure Denel's ongoing sustainability by monitoring the implementation of the multi-year turnaround plan over the medium-term.
- Ensure proper balance between the need to develop indigenous capabilities in response to national defence equipment requirements and the need to cooperate and collaborate with international armaments companies in the context of high development costs and the importance of having access to selected markets on an ongoing basis.

Sub-programme: Transport and Defence

Outcomes, outputs, output indicators, targets and actual achievements

Outcome	Output	Output Indicators	Actual Performance 2020/21 FY	Actual Performance 2021/22 FY	Planned Targets 2022/23 FY	Actual Achievement	Deviation from planned targets to Actual Achievement	Reasons for deviation
Improved Governance and accountability.	SHC signed per year with the SOC (Transnet).	Signed SHCs per year (Transnet).	Two 2021/22 SHCs not signed (Transnet and Denel).	Three 2022/23 SHCs were not signed (Transnet, SAA and Denel).	One 2023/24 SHC signed (Transnet).	Not achieved. 2023/24 SHC was not signed by (Transnet).	Draft 2023/24 SHC (Transnet).	SHC was not finalised due to further engagement with Transnet, NT and the DoT to ensure alignment of Key Performance Areas (KPAs)/Key Performance Indicators (KPIs).
Increase access to an affordable and reliable transport system.	Corporatised NPA as required by Section 3(2), 4 and 27 of National Ports Act No 12 of 2005.	Implementation of the agreed decision of Government on the structure and functions of TNPA.	Four quarterly Progress Reports on Corporatisation of the TNPA.	Four quarterly Progress Reports on the implementation of the decision on the future structure and functions of the TNPA.	NPA establishment as a subsidiary of Transnet.	Not achieved. NPA was not established as a subsidiary of Transnet.	TNPA interim Board's appointment was extended, while the process of appointing a permanent Board is at the Ministerial level.	PFMA section 51 (1)(g) application not yet submitted.

Outcome	Output	Output Indicators	Actual Performance 2020/21 FY	Actual Performance 2021/22 FY	Planned Targets 2022/23 FY	Actual Achievement	Deviation from planned targets to Actual Achievement	Reasons for deviation
	Improved movement of rail friendly commodities from road to rail by TFR.	% Increase of rail friendly commodities moved from road to rail by TFR (6.2 million tons by 2023/24).	None.	None.	10% Improvement of rail friendly commodities moved from road to TFR, not less than 2,12mt.	Not achieved 10% Improvement of rail friendly commodities moved from road to TFR was not met.	Progress on road to rail movement was monitored.	Improvement of rail commodities from road to rail was negatively impacted by, amongst others, theft and vandalism of infrastructure, rolling stock and shortage of locomotives.
Increase access to affordable and reliable transport systems (Private Sector Participation (PSP)).	PSP in ports and freight rail.	Number of PSP transactions in ports and rail identified.	None.	None.	PSP in ports and freight rail on 13 transactions identified.	Not achieved. PSP in ports and freight rail on five transactions were identified.	Eight identified transactions were not viable.	Transaction milestones were not met due to business cases still being considered.

Outcome	Output	Output Indicators	Actual Performance 2020/21 FY	Actual Performance 2021/22 FY	Planned Targets 2022/23 FY	Actual Achievement	Deviation from planned targets to Actual Achievement	Reasons for deviation
Improved Governance and accountability.	Develop Shareholder Oversight Model for SOCs with a minority Government Shareholding.	Framework for the Shareholder Oversight Model for SOCs with a minority Government Shareholding developed	None.	None.	Framework for the Shareholder Oversight Model for SOCs with a minority Government Shareholding developed.	Not achieved. Proposal framework for the Shareholder Oversight Model for SOCs with a minority Government Shareholding was not developed.	Engagements with relevant Stakeholders to solicit inputs.	Engagements took longer than anticipated.
Improved independent financial sustainability of SOCs.	Mapping of Denel's core defence industrial capabilities and develop options for Denel divisions (Pretoria Metal Pressings, Denel Land Systems, Denel Dynamics Missiles and Denel Aeronautics Maintenance Repair and Overhaul) to preserve or restore the capabilities.	Number of reports on mapping of industrial defence capabilities and options for Denel divisions.	None.	None.	Four Mapping Reports with options to restore or preserve the core industrial Defence capabilities for four Denel divisions, namely Pretoria Metal Pressings, Denel land Systems, Denel Dynamics Missiles, Denel Aeronautics Maintenance, Repair and Overhaul.	Achieved. Four Mapping Reports with options to restore or preserve the core industrial Defence capabilities for four Denel divisions, namely Pretoria Metal Pressings, Denel land Systems, Denel Dynamics Missiles, Denel Aeronautics Maintenance, Repair and Overhaul were completed.	None.	None.

Outcome	Output	Output Indicators	Actual Performance 2020/21 FY	Actual Performance 2021/22 FY	Planned Targets 2022/23 FY	Actual Achievement	Deviation from planned targets to Actual Achievement	Reasons for deviation
	Conduct diagnostic study to determine the root causes and lessons on the Denel Badger Hoefyster contract.	Number of Diagnostic Reports on the root causes to the challenges of the Denel Badge/ Hoefyster contract and lessons produced.	None.	None.	Diagnostic Report on the root causes to the challenges of the Denel Badger/ Hoefyster contract and lessons produced.	Achieved. Diagnostic Report on the root causes to the challenges of the Denel Badger/Hoefyster contract and lessons produced was finalised.	None.	None.
	Implementation of the Aerospace & Defence Masterplan.	Number of quarterly reports update on the implementation of the Defence and Aerospace Masterplan.	None.	None.	Four quarterly reports on the implementation of the Defence and Aerospace Masterplan (Progress made and interventions required).	Achieved. Four quarterly reports on the implementation of the Defence and Aerospace Masterplan were completed.	None.	None.

Table 11: Transport and Defense

Strategy to overcome areas of under-performance.

The review of the Logical Planning, Monitoring and Evaluation framework is already underway to improve the turnaround time on the finalisation of the Shareholder Compact.

Framework for the Shareholder Oversight Model for SOCs with a minority Government Shareholding is progressing and key stakeholders have been engaged. It is anticipated that the framework will be achieved during the first quarter of 2023/24 financial year.

Transnet operational challenges, particularly the locomotives, resulted in an overall decline in rail volumes. The department will closely monitor the rail performance and continue to engage Transnet on intervention plans to mitigate operational challenges that affected the achievement of the key milestones during the year under review.

4.1.5 Sub-programme: Research and Economic Modelling

The Sub-programme is responsible for the following:

- **Economic modelling:** Appropriate macro-economic modelling and research to enhance links between industrial policy, macroeconomic policy and the role of SOCs in economic development. To conduct socio-economic impact assessment as a result of SOCs' economic activities.
- **Research modelling:** conduct topical research to inform the development of policies and strategies.

Objectives

- To conduct cost benefit analysis reviews of proposed business enhancement and transformation initiatives.
- To develop economic sustainability models for proposed work packages and projects.

Sub-programme: Research and Economic Modelling

Outcomes, outputs, output indicators, targets and actual achievements

Outcome	Output	Output Indicators	Actual Performance 2020/21 FY	Actual Performance 2021/22 FY	Planned Annual Targets 2022/23 FY	Actual Achievement	Deviation from planned targets to Actual Achievement	Reasons for deviations
Just transition to a low carbon economy.	Development and implementation of a JET Framework in collaboration with Eskom.	Number of reports on the implementation of "Just" Energy Transition Framework.	None.	Progress Report on development of the JET Framework in collaboration with Eskom.	Four quarterly Monitoring Reports on the implementation of "Just" Energy Transition Framework.	Achieved. Four quarterly Monitoring Reports on the implementation of "Just" Energy Transition Framework were completed.	None.	None.
Increase the contribution of SOCs to support the transformation of the South African economy.	Industry-specific research.	Number of industry-specific research working papers conducted.	Five industry specific research working papers conducted.	Two industry specific research working papers conducted.	Four Industry specific research working papers conducted.	Achieved. Four Industry specific research working papers were conducted.	None.	None.

Table 12: Research and Economic Modelling

Programme Expenditure

Sub-programme: Business Enhancement	2022/23			2021/22		
	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
Business Enhancement Services	30 324	21 015	9 309	21 762	21 257	505
Energy Resources	21 873 192	21 867 279	5 913	31 704 668	31 702 956	1 712
Transport and Defence	12 008 222	11 825 130	183 092	4 347 521	4 130 189	217 332
Research and Economic Modelling	5 059	3 480	1 579	7 191	4 276	2 915
Direct charges	204 700	204 700	-	3 035 500	3 030 886	4 614
Total	**34 121 497**	**33 921 604**	**199 893**	**39 116 642**	**38 889 564**	**227 078**

Table 13: Programme expenditure

Expenditure narrative

Expenditure on the Business Enhancement and Industrialisation programme was R33.9 billion in the 2022/23 financial year as compared to R38.9 billion in the 2021/22 financial year. The decline in expenditure is due to a decrease in the payments for financial assets to SOC's.

In the current financial year, allocations to SOCs comprised of: Eskom - R21.9 billion, Transnet- R5.8 billion, Denel – R3.4 billion, and SAA – R2.6 billion. Eskom's and SAA's allocations were earmarked for repayment of debt while Transnets allocation of R2.9 billion was for repairs of infrastructure damaged by floods and R2.94 billion to accelerate repair and maintenance of long standing out of service locomotives.

Denel's allocation was for implementing the Turnaround Plan.

5. TRANSFER PAYMENTS

5.1 Transfer payments of Public Entities

None.

5.2 Transfer payments to all organisations other than Public Entities

None.

6. CONDITIONAL GRANTS

None.

7. DONOR FUNDS RECEIVED

None.

8. CAPITAL INVESTMENT

None.

PART C

GOVERNANCE

1. RISK MANAGEMENT

1.1 SOEs Risk Oversight

The roll-out of the State-Owned Entities (SOEs) Risk and Integrity Management Framework (RIMF) continued as initiatives to improve integrity in the SOEs environment gained momentum. The RIMF priorities for the period under review focused on the analysis of the Conflict of Interest (CoI) concerning financial disclosures, gifts and donations in SOEs.

1.1.1 Norms and Standards on Financial Interest Disclosure

Analysis of the number of Directors and SOC Employees compliant with financial disclosure requirements. This was consistent with norms and standards that prohibited the awarding of contracts to companies wherein, Directors and employees of SOEs have a financial interest. The analysis was conducted to determine whether the SOE's have effective measures in place to detect CoI relating to the awarding of contracts. Summarily, the analysis revealed varying levels of control environment stability in the SOEs, with some requiring capacity interventions that are currently being rolled out. The Department will be tasked with implementing interventions that address the transversal challenges that SOEs face.

Table 14 below depicts the summary of findings per SOE.

SOE	Analysis	Director or Employee conducting business with SOE	Improvement Plan
Eskom	99% Of employees and all Board members complied with financial interest disclosure requirements.	None.	Eskom continues to raise awareness on financial disclosures across the group, with emphasis placed on making non-compliant officials aware of the consequences of failure to disclose their financial interest. The Department continues to monitor corrective action plans implemented by Eskom to ensure that the Company achieves 100% compliance.
Transnet	Transnets policy requires every employee to declare their interests except 632 employees who are placed in the Disability Risk Pool because of illness or disability. During the period under review, 13 152 (24.39%) of 53 930 employees disclosed their financial interest. From this population, 1001 Managers and 37 832 bargaining unit employees failed to comply. This translates to 18% of Managers and 79% of the bargaining unit employees. Notwithstanding this, statistics demonstrate an improvement compared to 2021/2022 FY when only 6 823 (13%) of 50 670 employees complied with the requirements.	None.	Transnet has secured access to the Companies and Intellectual Property Commission (CIPC) database to enable effective verification of CoI relating to its employees and Directors. The Department continues to monitor the efficacy of the Entity's Improvement Plan to ensure that the Entity achieves 100% compliance.

SOE	Analysis	Director or Employee conducting business with SOE	Improvement Plan
Denel	1 224 Declared their financial interest, whilst 633 failed to comply.	None.	The Department continues to monitor corrective action plans implemented by Denel to ensure that the Entity achieves 100% compliance.
SAA	45 (20%) Of 2 224 employees disclosed their financial interest. Compared to the 2021/22 FY, 69 out of 115 employees complied with financial disclosure requirements. The low compliance rate was a result of the organisation being seized with the relaunch of the airline and onboarding of additional employees compared to the previous financial year.	None.	SAA has revised the financial interest disclosure policy to improve compliance with the RIMF requirements that prohibit awarding of contracts to companies wherein employees and Directors of SAA have a financial interest. The updated policy was approved by the SAA Board of Directors during the period under review. The policy will be implemented on an incremental risk-based approach until all employees are fully compliant. The Department continues to monitor corrective action plans implemented by SAA to ensure that the Entity achieves 100% compliance.
SAFCOL	The Entity launched the process to introduce reforms during the period under review to align its policies to the RIMF. All Board members declared their financial interest.	One potential case of CoI was detected concerning a Director of SAFCOL.	A forensic investigation was launched by SAFCOL to ascertain the origins of the business relationship and determine if there exists actual CoI. The recommendations from the investigation if any are raised, will be tracked to ensure they are fully implemented. The Entity plans to finalise all reforms designed to ensure that policies and practices align to the RIMF during the 2023/2024 financial year. The Department continues to monitor reforms introduced by SAFCOL to verify their compliance with the RIMF requirements.

SOE	Analysis	Director or Employee conducting business with SOE	Improvement Plan
Alexkor	The DPE's analysis of the Entity revealed that Human and ICT infrastructure constraints affect the Company's ability to ensure that RIMF speedily finds expression in the Company's policies and practices.	None.	The Department inducted the Executive Team on the RIMF requirements during the period under review. The Company is developing a RIMF implementation plan that will be finalised during the 2023/24 financial year. The Department is currently developing a plan to enhance the capability of SOEs that lack the capacity to respond to RIMF requirements adequately and effectively.

Table 14: Analysis of Financial Disclosures in SOEs

1.1.2 Norms and Standards on Gifts

The Department conducted an analysis of the number of cases of SOC officials receiving gifts from companies doing business with SOCs. This was consistent with Norms and Standards that prohibit Directors and employees of SOEs from receiving gifts from companies doing business with the SOE to avoid exposure to CoI risk.

SOE	Analysis	Director or Employee receiving Gift	Improvement Plan
Eskom	Eskom's policy allows employees to receive gifts subject to their value and approval. A total of 208 employees received gifts from suppliers. To this end, 183 were approved, 8 were rejected and 17 were awaiting approval at the time of reporting.	Yes.	The Department continues to monitor corrective action plans implemented by Eskom to ensure that the Company achieves 100% compliance. This includes monitoring that the Company's policy is amended to align with the RIMF requirements.
Transnet	Transnet has a gifts policy which prohibits employees from accepting any gifts, favours, or benefits. The same principle applies to the Directors of the Company.	None.	The Department continues to ensure that Transnet fully complies with the RIMF requirements on gifts.
Denel	Denel's policy prohibits employees, or members of their immediate family from receiving gift or favours from third parties which might reasonably create a CoI. Gifts or favours that are above the approved threshold may not be accepted on any occasion from any supplier, customer, sub-contractor, or competitor of Denel, or from any other person or corporation having a business relationship with Denel, without the prior written consent of the Line Manager.	None.	Denel planned to review the gift policy provision to ensure existing gaps are addressed and that the policy fully meets with the RIMF requirements. The Department continues to monitor corrective action plans implemented by Denel to ensure that the Company achieves 100% compliance.

SOE	Analysis	Director or Employee receiving Gift	Improvement Plan
SAA	The Company has reported that it has not registered any gifts granted to employees or any of its Directors from a Company doing business with SAA.	None.	SAA planned to develop and implement a risk-based plan to align its policies and practices to the RIMF requirements. The Department will monitor the plan to ensure that the Company fully complies with the RIMF requirements.
SAFCOL	The Entity launched the process to introduce reforms during the period under review to align its policies to the RIMF.	None.	The Entity plans to finalise all reforms designed to ensure that policies and practices align to the RIMF during the 203/2024 financial year. The Department continues to monitor reforms introduced by SAFCOL to verify their compliance with RIMF requirements.
Alexkor	The DPE's analysis of the Entity revealed that Human and ICT infrastructure constraints affect the Company's ability to ensure that the RIMF speedily finds expression in the Company's policies and practices.	None.	The Executive Team were inducted on the RIMF requirements during the period under review. The Company is developing a RIMF implementation plan that will be finalised during the 2023/24 financial year. The Department is currently developing a plan to enhance the capability of SOEs that lack the capacity to respond to the RIMF requirements adequately and effectively.

Table 15: Analysis of Gifts in SOEs

1.1.3 Norms and Standards on Donations

The Department conducted an investigation to determine if any Official(s) and Board member(s) received donations from their respective SOEs, in their capacity is individuals and/or through a Company wherein they have a financial interest.

Findings revealed that the control environment concerning the risk of CoI relating to donations is stable across the SOCs that submitted reports in line with their RIMF implementation requirements.

SOE	Analysis	Director or Employee receiving Donations from SOE	Improvement Plan
Eskom	There is a policy that prohibits donations to Board members and employees in their individual capacity.	None.	The Department continues to monitor Eskom's compliance with the RIMF requirements on donations.
Transnet	The Sponsorship and Donations Policy was approved in 2020. The policy prohibits employees and Board members from accepting any donations and sponsorships. This applies to both monetary and in-kind offers.	None.	The Department continues to monitor Transnets compliance with the RIMF requirements on donations.
Denel	Denel does not make donations as these are not part of its Corporate Social Responsibility programme.	None.	The Department continues to monitor corrective action plans implemented by Denel to ensure that the Company achieves 100% compliance with the RIMF requirements on donations.
SAA	There is no Employee or Director who received donations from SAA suppliers or Service Providers for this financial year.	None.	The Department continues to monitor SAA's implementation of a strategy to ensure donation compliance with RIMF rules.
SAFCOL	The Entity launched the process to introduce reforms during the period under review to align its policies to the RIMF. The CoI policy and procedures are being amended to define processes for other donations such as grazing rights, collection of firewood, which are standard practices in SAFCOL operations.	None.	The Entity plans to finalise all reforms designed to ensure that policies and practices align to the RIMF during the 2023/2024 financial year. The Department continues to monitor reforms introduced by SAFCOL to verify their compliance with the RIMF requirements.
Alexkor	The DPE's analysis of the Entity revealed that Human and ICT infrastructure constraints affected the Company's ability to ensure that the RIMF speedily finds expression in the Company's policies and practices.	None identified during the period under review.	The Executive Team were inducted on the RIMF requirements during the period under review. The Company is developing a RIMF implementation plan that will be finalised during the 2023/24 financial year. The Department is currently developing a plan to enhance the capability of SOEs that lack the capacity to respond to the RIMF requirements adequately and effectively.

Table 16: Analysis of Donations in SOEs

2. Enterprise Risk

The Enterprise Risk Management (ERM) unit continued to provide support and guidance to the Management of risks within the Department. The Strategic Risk Register was also developed with the Executive Committee (Exco) in identifying key strategic risks for the Department and implementing the necessary controls to mitigate against the identified strategic risks. Quarterly progress on the implementation of mitigation plans was provided by the Deputy Director-Generals (DDGs) and reported to the Audit and Risk Committee (ARC).

All the requisite operational Risk Registers were developed and finalised during Quarter 1, as per the 2022/23 Annual Performance Plan (APP) and quarterly monitoring was done with Progress Reports presented to both Exco and the ARC.

The risks relating to all unachieved targets have been rolled over to the new financial year, and those aligned to achieved targets were collapsed and removed. A close out report on Risk Management was presented to the ARC after the Quarter 4 Annual Performance review.

The ERM unit continued to roll out awareness material on ERM and to provide the necessary support where it was needed.

3. Fraud and Corruption

The Anti-Fraud and Corruption Risk Register was revised accordingly, and progress is being monitored with the various internal Stakeholders quarterly. All matters relating to Ethics, Integrity, Anti-Fraud and Corruption were reported to the Ethics and Expenditure Control Committee (EECC). The material relating to awareness on anti-fraud and corruption was developed and rolled out via Newsflash on a quarterly basis.

The ERM unit continues to manage the anti-fraud hotline and whistle blowing boxes for anonymous reporting of malfeasance, and to allocate the reported cases to various Stakeholders both within the Department and in the SOC environment, for investigation and resolution. All reported cases were brought to the attention of the ARC and the Auditor- General (AG).

4. Minimising Conflict of Interest

According to the Public Service Regulations, 2016 and the Department of Public Service and Administration directives on financial disclosures, Senior Management Service (SMS) and non-SMS employees are required to disclose their financial interests.

During the year under review, the Department put measures in place to ensure that the financial disclosures submitted by designated individuals through the Department of Public Service and Administration (DPSA) e-disclosure system. The information was validated to ensure that there is no potential CoI against any employees. The process of ensuring that the Verification Report is completed and submitted to the Accounting Officer was finalised within the stipulated timelines. In cases where there might be potential conflicts identified, corrective measures were put in place to address any CoI with the affected employees.

5. Code of Conduct

The Code of Conduct forms part of the broader Anti-Fraud and Corruption Strategy for the Department, which is premised on four main pillars: Prevention, Detection, Investigation and Resolution. The Department has an approved Code of Conduct Policy which seeks to guide employees on expected ethical conduct around the workplace, and when conducting business on behalf of the Department and Government as a whole.

During the year under review, all reported cases and progress were deliberated at the EECC, whose main responsibilities include monitoring, intervening, and reporting on Ethics Management and ethical behaviour as required by the Public Service Regulations. The Department also provides regular awareness through the Fraud and Corruption Prevention Implementation Plan (FCPIP).

6. Health Safety and Environmental issues

The Department's Occupational Health and Safety (OHS) programme/strategy focuses on improving the DPEs working environment, by regularly conducting occupational hygiene inspections and monitoring the maintenance of equipment. There is an OHS Management system to address any emerging OHS challenges within the Department to ensure compliance with OHS Legislation, Policy and other requirements.

The Department has a functional Health and Safety Committee (HSC) which meets on a regular basis and are equipped with OHS knowledge and requirements that are necessary to execute their OHS responsibilities. The Department also has an Emergency Response Team (ERT) who are trained to respond effectively to any emergency. During the year under review, inspections were done as planned, and control measures were put in place to address OHS risks. The monitoring and implementation of hazard identified risks were also undertaken.

2022/23 PUBLIC ENTERPRISES PORTFOLIO COMMITTEE MEETINGS, NA (23)

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
11/05/22	Joint meeting with Select Committee: Briefing by the Auditor-General of South Africa on the audit outcomes of the Strategic Plan and Operational Plans of the Department of Public Enterprises. Briefing by the Department of Public Enterprises on the Strategic Plan and budget for the 2022/23 financial year.	• R40,9 million was allocated for Secretariat in the Presidency, has its performance been satisfactory? • What are the challenges in the Shareholder Management Bill? • Has the Board evaluation framework been effective? • What can give hope and be effective in the revitalising of Denel? • How far is the Department in evaluating viability and Infrastructure Development? • How much are the various operating companies losing in rands on a daily basis? • What are the contingency liabilities in South African SOCs? • What are the financial options that are being looked at regarding the impact of the Eskom debt? • What steps are in place to support Eskom? • What is the Department's plan in taking freight trucks off the road and moving to rails? (Trucks transporting manganese are damaging road infrastructure and are causing accidents).	The Deputy Minister (DM) stated that the Department has been assisting Denel with its challenges and has received positive feedback. It is desirable to take away some of the traffic from the roads to rail, however that has been muted due to current resource constraints. The Acting DG (ADG) highlighted that the bid window 5 on Eskom has been approved by the Board and they are currently looking at applications of bid window 6 by the end of May 2023 for IPPs to add more power to the grid. The operations of Eskom are currently challenged and there is a need for 4 – 1600 Mega Watts to deal with energy supply. It is important for Eskom to have the necessary maintenance and be transparent on how long it will last in order to have proper investor confidence.

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
		• Is there a plan in place for Alexkor to rid itself of the effect of State Capture? • There needs to be concerted efforts to deal with infrastructure vandalism and theft. • Is there inter-Departmental communication in order to resolve the matter of cable theft? • Will the current budget be able to deliver on the Department's mandate? • Why are Shareholder Compacts (SHCs) not signed and what is the timeframe? • Can the Department elaborate on the extension of the Nuclear Operating licence? • What are the proactive measures by the Department to deal with the operational and financial instability of SOEs? • How does the Department plan to stimulate the investment of capital? • Can the Department elaborate on its current budget capacity versus the 2021/22 budget? • What is the Department's take on Denel's operational and financial challenges, especially with regard to unpaid staff salaries? • Is it realistic for the Department to implement all outcomes and priorities listed, even though they have capacity constraints? • What will be different in the current financial year on expenditure of goods and services? • What will the Department do differently in the current year to avoid irregular expenditure?	Cable theft is a serious crime that is affecting the economy, and it is important to report such crimes to the SAPS for the culprits to be prosecuted. The Department is monitoring Eskom's generation performance as well as the issue of its debt. The Department is aware of the different power stations challenges. PSEC is undertaken by the Presidency and the Department is working as a Secretariat. The Department's vacancy rate is a challenge which is being dealt with. When it comes to recruiting, the Department looks to both the private and public sectors in order to identify the skills required. There is an undertaking to assess how many Boards a particular individual serves on, and there is concern that if one serves on too many Boards, that they might not deliver. SOE Boards are working to implement the State Capture Commission's recommendations. The Department acknowledges that women and People with Disabilities (PWDs) need to be part of SOC Boards. Cable theft necessitates broader collaboration, such as that of the National Prosecuting Authority (NPA), to guarantee that it is dealt with appropriately. The issue of road-to-rail conversion is being addressed, and it must be expedited due to the impact it will have on the roadways. **Both Committees concluded that due to time constraints, the Department will need to send responses to the questions in writing no later than 12 May 2022.**

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
		• How will the APP and budget presented contribute to the achievement of the seven priorities of the Government? • What were the costs of irregular expenditure in SOEs in the 2020/21 financial year? • Does the Department have a plan in place to assist SOEs to prevent irregular expenditure? • Can the Committees be furnished with the names of Board members whose term of office are to end this year? • What plans does the Department have to encourage private sector investment to SOEs? • What are the measures taken by the Department to address SOEs that have performed poorly? • What good has the Department learnt from Eskom to avoid the same scenario from happening to SAA? • What legal processes will be required by the Department regarding the liquidation of SA Express? • How is the challenge of load shedding going to be resolved? • Has there been any engagements with the residents of Soweto to try and resolve how much they can afford to pay on their Eskom debt? • There needs to be more information shared on Independent Power Producers (IPPs) and how they will deal with loadshedding. • What is the criteria used for appointment of Board members? • How is the Department assisting SAFCOL in reaching the post-settlement agreement with land claimants?	

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
18/05/22	Consideration and adoption Budget vote report for 2022/23 financial year. Consideration and adoption of Oversight Report.	Internal Committee process which does not require the Department.	None.
25/05/22	Briefing by National Treasury and the Department of Trade and Industry on the policy impediments that prohibit SOCs from advancing the developmental mandate, including the future of Denel.	• It is important for the Committee to have regular engagement with the National Treasury (NT) and the Department of Trade, Industry and Competition (DTIC), in order to work together in addressing the challenges facing SOCs that are in financial distress. • Before a product is designated for local production, the DTIC undertakes consultation with industry (associations and local manufacturers) as well as procuring authorities. If Eskom and Transnet were consulted on the designations for Local Content, why are they advising the Committee that local manufacturers are unable to meet their specifications on certain products? • The DPE should update the Committee on its discussions with the DTIC and National Treasury on Local Content requirements for SOCs. • The DTIC confirmed that it has designated certain areas for both Denel, Eskom and Transnet for local content. • There is a lack of collaboration between SOCs and Organs of State, particularly on projects that seeks to advance the developmental objectives of Government. The Committee noted with concern that SOCs and Government Departments are coerced to use the competitive bidding process for services that the State can provide.	None, but DPE would be expected to update the PC on its discussions with the DTIC and NT, regarding Local Content requirements for SOCs.

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
01/06/22	Briefing by the Department of Agriculture, Land Reform and Rural Development (DALRRD) on unresolved land claims issues affecting SAFCOL and the outstanding issues affecting Alexkor.	• It is important for the Committee to have regular engagements with the DALRRD in order to monitor the progress on land claims and deeds of settlement. • There is a need to clarify roles in the formation of community structures and institutional arrangements in SAFCOL and Alexkor. • There was a need for clarification of the outcomes for interventions by the DPE in resolving outstanding issues at both SAFCOL and Alexkor, and what are the timelines for these interventions? • A concern was raised on the delays of the settlement amount of R21 million at Kaapsehoop. Is the amount sufficient and fair given the town is not restorable? In light of the lease back model, how will this model avoid conflicts of interest amongst beneficiaries so that they don't affect SAFCOL's productivity and revenue. • There is a lack of co-ordination and collaboration between Departments and Organs of State, particularly on land claims. • A concern has been raised about SAFCOL's land claims dating back from 1998. Clarity was needed on when this would be concluded. An expedited solution or plan should be developed and be brought forward to the Committee. • It is necessary to ascertain the reasons for the filing of a claim in the first instance. Alexkor has to pay beneficiaries R45 million subject to the town being handed over to the municipality. • Kaapsehoop is a tourism area, and clarity was sought on what will happen to the Small -Medium Enterprises (SME) in the area who are making contributions to the Mbombela economy.	The Committee concluded that the Departments of Public Enterprises, Agriculture, Land Reform, and Rural Development, and Forestry should be invited back to present challenges, lessons learned, and solutions, with a holistic solution to be presented.

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
		• Clarity was sought regarding the Scarlet Sky investigations, which has worked towards the detriment of the Richtersveld community. • Clarity was sought on the directors appointed in the SOEs, as well as where the funds to pay out the Directors would be obtained from. • Clarity was sought on how many land claims since 1998 have been successfully resolved, especially in Mpumalanga. • What framework or model has been developed to address the bloated CPA structures, and how will this framework address the lack of effective co-ordination amongst the beneficiaries?	
08/06/22	Joint meeting with PC on Transport briefing by the Department of Transport (DoT) on the challenges facing rail infrastructure and the road to rail strategy (Transnet and DPE).	• Concerns raised regarding the lack of coherent efforts to address cable theft, vandalism, and security of infrastructure. There was a need for a collaborative effort among all players in the rail transport industry and the security cluster to work on strategies to deal with cable theft and vandalism. • Noted that the cost of moving goods by rail has increased by 80% over the years, and it had become more expensive to move goods through rail as compared to road transport. • Prasa and Transnet must collaborate closely, since a lack of co-operation has resulted in disagreement between the entities in the past, which has led to cross-invoicing between these two State Entities that rely on, and manage State infrastructure. System flaws must be corrected, and there must be proper implementation of Strategic plans, turn-around plans and the Rail Policy.	None, but the meeting agreed that there is a need for regular engagements on policy matters that affect both Transnet and Prasa, and other transport related matters which are cross cutting.

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
		• Noted that the volumes in the port have been reduced, and the Committee impressed upon Transnet and Prasa to ensure that private sector involvement does not worsen the balance sheets and volume levels, instead it should have a positive impact on productivity as well as ensuring that our freight costs become more Internationally competitive. • There is a problem in the country where foreign nationals and homeless people erected informal settlements on the rail lines or within rail reserves, with particular reference to Booysens and Naledi in Soweto. There was a need for Transnet and Prasa to work together with relevant Government Departments to deal with these illegal occupations. • Concern was raised regarding the leadership of the Entities advocating for Private Sector Participation (PSP) instead of building State capacity. The move to allow greater PSP or use of rail infrastructure, must ensure that there is clarity regarding the maintenance responsibility for the infrastructure, as well as an increase in volume of growth on corridors that will be to the benefit of the economy, and the revenue collection of both Entities.	
24/08/22	Briefing by Alexkor on the Annual Report (AR) and Financial Statements for the 2020/21 financial year.	• Clarity sought on how the plan to turnaround the SOE will be funded, and how the infrastructure development will be capitalised. • Concern was raised as to why the previous executives were allowed to resign without having delivered on the deliverables on their contracts. • What informs the decisions for applying for an exemption from NT and the decision not to pay any salary increase.	The new Board learned that there was no Corporate Plan, and that the previous Board and Executives had not prepared any Financial Statements. Clarity was provided that the interim CEO's employment terms were beneficial for the Company, and that he is based in Alexander Bay near the mine. There is an Implementation Plan in place to address matters of emphasis that have been highlighted in the AG report.

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
		• The Innovation and Growth strategy was criticised for being sound and convincing, just like the previous strategies, particularly if there is no capital to finance the implementation. • Concerns have been raised about the sale of diamonds at below-market pricing, and it was requested to clarify what measures had been used to address this issue. • Clarity was sought regarding the employment of consultants, and the services for which they were engaged . • Clarity was sought on the reasons for the resignation of the former Chief Executive Officer (CEO) and the Chief Financial Officer (CFO). • Concern regarding the lack of companies that are owned by Blacks, Youth, Women and PWD's and called for the transformation in the leadership of Alexkor. • Given the findings of the audit, what measures has the Entity put in place to ensure a better audit finding for the 2020/21 financial year? • Given that the shortage in staff saw the delayed submission of the financial statements for the 2020/21 financial year, have all vacancies been filled? • What strategies have been employed to ensure that the financial statements will be submitted timeously for the 2021/22 financial year? • Concern was raised regarding the cost of travelling and the use of chartered flights for Board Members, and clarity was sought regarding the employment conditions of the interim CEO.	Assurance was provided to the Committee that the new Board has been meeting more often than required, to ensure that all the historical Governance issues are addressed.

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
31/08/22	**Joint meeting with Select Committee on Public Enterprises and Communications:** Briefing by Denel on a status update regarding the financial and Governance challenges facing the Company. **Joint meeting with Portfolio Committee on Mineral Resources and Energy** Meeting with Eskom and the Department of Public Enterprises on: Finalisation of the Koeberg oversight visit and related matters. Update on developments at Eskom.	• The Committee was interested in how the Company mitigated against its monthly commitments with its inability to secure guarantees and if there was any willingness to return from the highly skilled personnel who left the Company now that the Company was restructuring. • Clarity on the suspension of the National Union of Mineworkers (NUM) members. • The Department of Mineral Resources and Energy (DMRE) needed to account for the lack of additional capacity. • How is Eskom attracting investment and whether the Entity is comfortable with the status quo. • What are the implications of repurposing the coal power stations on power generation, and the job security of the workers who worked in those stations? • What is the progress made on rehabilitating the 17 000 megawatts that were broken and whether they were included in the plan mentioned in the presentation? • What is the revised estimate for the life extension at Koeberg based on the 2022 Rand/Dollar exchange rate? • What is the impact on the license renewal, given the delays in the life extension operations?	Denel informed the Committee that in order to return to a financially secure position, it would need to generate R800 million in the coming months, on in addition to the Government aid it had already received. The Company planned to raise R1.8 billion through the sale of non-core assets. Some of the highly skilled personnel that left the Company were willing to return, as some of them were very experienced and aged 50-56 years. They parted ways because they wanted to cash in on their pensions and had nowhere else to go, and some of them were still in the market and the Company had access to them. Prof Makgoba said he would follow up on the matter and respond in writing to the Committee. The three people suspended were all Senior Managers at Eskom and not lower level employees and the relevant Legislation that guided the disciplinary processes was the Protected Disclosures Act. The Company would be unable to make new investments or purchase new electricity without the DMRE's approval, and the mechanism developed to procure new capacity. This would be done through the IPP office located in the DMRE, which ran the bid windows responsible for bringing more capacity onto the grid. Eskom was in the process of pursuing projects to repurpose and re-power power stations that had reached the end of their lives. Eskom was going to invest in several projects to provide job security by building a 100 megawatt PV solar plant and would install a manufacturing line for modular micro grids on site to create employment at the plant.

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
			Chairperson Luzipo asked Mr Andre de Ruyter to respond to the questions in writing and forward the responses to the Committee Secretariat, including the questions he was yet to answer in the meeting because the time had run out.
07/09/22	Briefing by Transnet on the AR and Financial Statements for the 2021/22 financial year.	• There is a lot of improvement, positive picture and progress in the presentation. • There is a need to do a comparative analysis of performance before Covid-19, and after the pandemic to be able to see the Entity's progress. • The Committee was interested in what measures were being put in place to curb cable theft, vandalism and encroachment on the rail network. • The Committee was also concerned about the theft on the petrol pipelines. • Concern was raised regarding the savings initiatives that the Entity was undertaking, as this should not be to the detriment of workers and their morale. • Issues regarding the Entity's level of debt, and the Entity's ability to repay these debts were raised. • The Committee was interested in the accounting practices that gave rise to the Entity's profit. • Concern was raised regarding the Entity's Public Service Participation (PSP) strategy and the success there of. • Female representation within the Entity was highlighted as an area of concern. • The Committee highlighted the fact that due to the inefficiencies on rail, goods are being transported by road which are having a negative impact on the road system in the country. The Committee wanted to know what the Entity was doing regarding its road-to-rail strategy.	The State has a role to play in dealing with vandalism and theft, which is mostly dealt with by law-enforcement. There are parts of the network where the private sector is collaborating with Transnet, particularly in the coal line. The Minister of Trade, Industry and Competition is dealing with the issue of export scrap metals and copper. The Minister thanked the members for their questions. He clarified the distinction between the APP and the AR in the meeting, and the APP was submitted to the Committee. Members are awaiting the AR for which the Parliamentary deadline is 30 September 2022. The Committee should join with other Committees of Parliament to draft an enabling environment to place a curb on the exports of certain products. Road to rail is an important policy matter, and it has been disrupted due to floods and the conditions of the new container line. On the issue of third-party access, different interests should be balanced in this area. Through the SHC, the Ministry continues to keep the Board accountable, and a report will be issued in due time. The Transnet National Ports Authority (TNPA) Board issue is being addressed, and feedback will be provided in due course.

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
		• A concern was raised to expand and support the rail, port and pipeline value chains, thereby acting as a supply chain co-ordinator while pursuing new business in over-border geographic markets by following existing and new customers' footprints into the continent. • The Committee wanted to know about the corporatisation of the TNPA and its impact on the Transnet Balance Sheet, as well as when its Board members would be appointed. • Transnet should provide details of its cost compression strategy as well as the improved procurement processes mentioned in its AR. • A concern was raised on the incidents of fuel theft which occurred during the financial year, and how this will be addressed going forward. • The Committee was concerned about Transnet's lack of Consequence Management.	The matter of irregular expenditure is under serious discussion between the AG's office, Accountant General's and various other role players. In his response, the Chairman of the Transnet Board highlighted that while there are remnants of State Capture, it is a long process. In order to deal with issues relating to State Capture and linking people, it should be evidence based. The role of the Board is to strengthen the confidence in the business. Transnet is one of the leading organisations in promoting gender equality. The VSP process began in August 2021 and ended in September 2021, with 2669 employees leaving. This against the current staff establishment of 54000. The employees have exited the business by July 2023 this year. The majority of the employees were train and crane drivers at most Previously, the Transnet Academy provided training for assistant train and crane drivers, and this initiative has given young people a chance for upward mobility. The majority of the training is done in person, and Covid-19 had an impact owing to the social distancing time. Transnet had 159 suspensions, 91 dismissals, and 68 different sanctions in the last three fiscal years in terms of Consequence Management and disciplinary action.

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
			Transnet initiated PSP transactions, the nature of which are partnerships. These partnerships fit within the Transnet segment and market strategy which includes automotive, containers, coal, iron ore, manganese, chrome and magnetite, energy (includes gas) and agriculture. There were a number of transactions in the container market and it fits into to the road to rail strategy. The two key container PSPs, the Durban Container Terminal (DCT) Pier 2 and Nqqura container terminal. In the same segment which is containers, Transnet has third party access in key corridors, first Gauteng to Durban, Gauteng to East London and Gauteng to Gqeberha. The corridors that have been hit hard by cable theft, 44% of incidences affect the container corridor starting from Durban to Johannesburg, followed by the northern corridor Lephalale to Richards Bay with 30% of incidences and 39% of incidents in the central corridor in Johannesburg which connects the other corridors. Contracts to Services Providers do not include penalties or incentives. Transnet has implemented outcome-based security, which looks at how many trains can travel along the line without disruptions and an incentive is given to the Service Provider. An essential Task Team has been created at TFR in all Provinces headed by the Commissioner.

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
			Transnet assumes the role of Chair within the Infrastructure Crime Forum, which serves as a platform for bringing together various Stakeholders with the purpose of addressing and resolving criminal activities. Transnet also has close collaboration with the SAPS. Customers have contributed to resolve security challenges, and their contribution has resulted in the Task Team being assigned with 35 drones to secure the line. This initiative has resulted in a drastic drop in incidences, but syndicates continue to hit Transnet where it hurts the most, with a reduction of 28% of the length of cable stolen since last year. The reporting of the irregular expenditure is as detailed as it was when it was reported in the financial statements. On page 21 of the Integrated Report (IR), all the irregular and wasteful expenditure was reported. Transnet is strengthening its controls to avoid irregular expenditure going forward. The SOEs debt portfolio in terms of when it is maturing is captured in the presentation slides. Gearing is an area of focus for Transnet, as it is important to raise money for the Balance Sheet to support the capital expenditure. According to benchmarks done, there is a need to keep it below 50%. On page 59 there has been a reduction in the use of consultants. Pension Fund Board Directors are rotated every three years in line with the Pension Fund rules. Impairment is not something Transnet wants on its Balance Sheet, however, when trains are damaged or derailed, they are removed from the Balance Sheet, which is a number that Transnet seeks to reduce.

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
			The terms of the R1 billion considered Transnet's Balance Sheet, credit risk, and benchmarks for what price should be charged and Transnet went through the redeeming process. An Integrated security approach analysed the costs of securing the pipeline, preventing pipeline damage, and spills that cause environmental damage. Prior to Covid-19, TPL was moving 16 billion litres of liquid fuel. Transnet was handling 13 billion litres and there has been a recovery of 15 billion litres. At the end of the financial year, the average was about three incidences. The cost drivers are the security of the network, the containment of recovery costs after every incident, revenue lost due to pipeline downtime and environmental costs. Over the last 3 years, 31 million was lost, which constitutes 60% diesel and 33% petrol. Gauteng and North West have been identified as areas of concern, and Mpumalanga identified as a hotspot with 50% of the cases. There is a need for dedicated courts to deal with these offenses, as there were merely seven convictions out of 186 arrests. There was media reports of illegally inhabited property in Durban. When there is an illegal occupation, the police are summoned, and when the property is unoccupied, security is established in the premises. There have been cases in Durban where security has been threatened, and when this occurs, a police report is filed and a court process is initiated to evict the illegal occupants. With regard to the Booysens area, most of the residents in the informal settlement are undocumented foreign nationals. Transnet is working with the City of Johannesburg to ensure that the foreign nationals are evicted.

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
			There are plans to construct a wall in order to secure the rail line, but there is encroachment and people are refusing to relocate . A Property valuation was done internally, however, since the appointment of the Auditor- General, independent experts were appointed to valuate Transnet's property. Female representation in Transnets operations is at 32%. Increasing community interaction is a key component of Transnet's security. TFR's new tender is an outcomes-based tender that will focus on success. The Economic Regulator will be in charge of Governing the rules Governing third-party access. Transnet is working on an ecosystem to allow for a vibrant third-party access. Since 2012 to 2022, Transnet has spent R32.9 billion on maintenance of the infrastructure. The committee concluded that Transnet will submit information on the economic multiplier effect of Transnet's investments.
14/09/22	Briefing by Business Rescue (BR) Practitioners on the status update regarding Mango's rescue process.	• What would happen to Mango should it fail to attract private sector buyers? Mango's assets were substantially less than the R2.8 billion it owed its creditors, and it would prove challenging to sell its assets to pay its creditors. One of the stated reasons as to why Mango's assets would be insufficient to cover the outstanding debt is that the airline does not own, but rather leases its fleet of aircraft? • How would the two years suspension of the operating licence affect the BR process? • It was highlighted that R100 million was received from the Government for the BR process in September 2021, and the Committee should obtain an update on the utilisation of these monies.	The Committee concluded that there are contradictions in the Companies Act that needed to be addressed. The Content Advisor was requested to look at Legislation and advise the Committee. The Committee should have a joint sitting with the Portfolio Committee on Trade, Industry and Competition as they are responsible for Policy and Legislation affecting SOEs. The BR Practitioners should table a report on Mangos finances and how it has been utilised and The Committee would appreciate written feedback from Mango.

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
		• Why would the private sector be interested in buying Mango? • A concern was raised about more information of the Local Content of the BR Practitioner deal. The BR Practitioner should provide the Committee with an update on the preferred bidder and what the current status is? • Why Mango had stopped operating when the airline could have continued to operate? Does this have anything to do with Lift Airlines being partnered with SAA on the Takatso deal? When will the Takatso deal be finalised? Would Lift Airlines be part of that transaction? • Why the Mango BR Practitioner had to take the Department to court for the payment of the appropriated funds? Clarity was sought on what was the main disagreement between the two parties. • What is the role of DPE in the BR process? Why has the State decided to sell 100% of Mango? In whose opinion, was it a lucrative business deal? • What were the reasons for Mango grounding if it was more profitable? • The Committee wanted clarity on the Investor process and the timeframe. Is there a potential investor when they are looking at the submissions that the Department already has on the table, and what would the timeframe be to conclude the whole process? • What are the details of the legal processes surrounding the cancellation of an aircraft lease, as well as the amount of money involved that was lost? • What lessons had been learned, and was the Department using its experience from SAA as an opportunity for improvement to do things better where Mango is concerned in the future?.	

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
		• Why was the initial restructuring process forsaken and a decision was made to go the BR plan route? • A concern was raised as to when the plan was drafted, had the practitioner not realised that the investor was so important that the plan or perhaps the aircraft would not be able to take off without the investors? • DPE, Mango, or even the practitioner, ought to assess the six bidders, and advise the Committee on which one has the best chance in terms of capacity, the technical skills, and finances. This would be vital to keep the Portfolio Committee (PC) informed of the situation. • A concern was expressed regarding the previously delayed, report from SAA, which was caused by the exorbitant charges levied by the BR Practitioner. The Committee had still not received any updated report from SAA. • Clarity was sought on what exactly had prompted, and motivated the withholding of the balance of the R85 million after discussions with SAA and DPE. • A concern had been raised since Mango had not yet concluded the investor process, which could result in the depletion of the remaining allocated funds under the Special Appropriation Bill before the Investor process concluded. • What the reasons were behind the decision of the SAA Board, to propose an adjournment of the planned resumption of Mango's operations? • A concern was raised to the DPE to ensure that the Investor retains some of the employees that exited via the VSPs.	

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
		• Why SAA would not consider being part of the bidding process to take over Mango. The DPE is proposing the total disposal, and retaining no interest or shares in Mango? With Mango sold to a viable bidder, would there be no interest in retaining it as part of a SOE or perhaps a Shareholder of that Entity?	
21/09/22	Briefing by SAA on the AR and Financial Statements for 2017/18, 2018/19 and 2019/20 financial years.	• What are SAA's operating losses until the 31st of August 2022, since it had resumed operations? What is the amount of working capital that SAA is using to keep operations going currently? SAA complied with all statutory obligations such as VAT, PAYE, and UIF as well as employee fund contributions, these are the issues that the Committee must comprehend in order to provide quality and quantity recommendations. • What is the status of the Airlink claim, where there was legal action for payment of Airlink ticket sales revenue collected by SAA and not paid to Airlink? • Why SAA employees got special treatment with massive severance packages, but SA Express and Mango Airline employees were not getting the same treatment? • The Committee was concerned about the Takatso issue taking a 51% Shareholding as explained via an announcement made some 15 months ago in June 21. The Committee needs to get a copy of the agreement and a report on what had been done and why it has taken so long. • The Committee was concerned about SAA not being able to survive without the Takatso Consortium. What the implications would be should the Takatso Consortium not come on board with what they have committed?	The delay in finalising the transaction was not with the Takatso Consortium. The Takatso Consortium could only come in and take over the 51% shareholder position once all the regulatory processes had been completed. That included the current work that the Competition Commission (CC) was looking at. The Department had made a submission to the CC to finalise the work. This is expected to be completed by mid-November. It was highlighted that other regulatory issues that needed to be addressed were around the Air Services Council, and that they expected those processes to take a few months. The desired time frame is at the end of March at the latest, which is when all the regulatory approvals would have been secured to ensure that they have checked all the boxes. Takatso cannot commence operations until the Regulatory Authorities, be it the Competition Commission, the Tribunal or the Air Service Council give their approval. Until all those conditions had been met, SAA would still be 100% owned by Government. It would only be after the approvals had been sought and met, that the Shareholding would shift from Government being a 100% Shareholder, to becoming a 49% Shareholder.

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
		• Given the audit findings, what measures has the Entity put in place to ensure a better audit finding for the 2021/22 financial year? • What are the current issues that are happening at SAA, particularly to inform the Committee of the latest developments? • The DPE should provide timelines as to when the Strategic Equity Partner (SEP) will be finalised and come on board at the Entity. • The DPE must provide clarity as to whether the Government still is the major Stakeholder in SAA ? What measures were put in place for the audit finding of the 2021/22 financial year. The SEP was now on-board and what was their stance on SAA's internal audit? The issue of the missing financial reports stems from the fact that the people did not submit their latest financial reports from 2017 up until last year. How will the Committee obtain these financial reports? It is not acceptable to expect the Committee to properly oversee an Entity that does not submit Financial Reports. • Clarity was sought as on the 23rd of June 2022, the media reported that investment firm Toto Investment Holdings had filed documents in the Cape Town High Court against the Government's sale of SAA. The Committee requested DPE explain the situation given the fact that the Company was claiming that the process lacked transparency, and that it had been unfairly excluded from the deal. Given this Litigation against the SEP, how will this affect the deal going forward?	The legal case that was currently before the courts, had been launched by Toto, one of the entities that had submitted an expression of interest. Toto were given an opportunity to present their proposal and that the DPE had a one-on-one engagement with them to ascertain their business proposition which did not meet the criteria. The criteria had clearly stipulated what Government was looking for in a strategic fit, operational capability, the ability to raise funding and to make sure that the entity taking over would have the necessary operational capability to manage SAA. The matter was before the courts and would be settled later in the month. The Department had made their submissions and is awaiting the outcome. When DPE undertook the process, the options were clear, either go through the BR process or proceed through liquidation. Having done their cost-benefit analysis, they had come to the conclusion that it was much more prudent to go through the BR process. R14 billion was needed for the implementation of the BR plan. Thus far, the NT had managed to transfer R10.5 million to SAA. The balance of R3.5 billion that was now required was to deal with the unused ticket liabilities and the concurrent creditors and was also needed to complete the implementation of the Business Plan. All the interested SEP's had indicated that in terms of any of the historical liabilities, they were not willing to consider taking on those liabilities.

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
		• The NT had withdrawn its approval of the selling of the 51% of the shares of SAA to the SEP, reasoning that the sale still represents a contingent liability to the fiscus. How would this affect the finalisation of the deal? • The Committee pleaded with the DPE to at least keep one South African airline flying. • There are five consecutive years that the reports have not submitted to the Committee. Is there any kind of cut-off date for the submission of the Financial Statements? What will be the value of the Financial Statements reports? • The Committee sought a clarity on what the taxpayers' money that was allocated to the BRP was used for. • The BRP were meant to perform two functions namely, come up with a plan, secondly, be able to advise if SAA were to be liquidated. None of the above was mentioned in the presentation? • A concern was raised if Government could still run SAA, and how much funding would be required from the NT? • The Committee should consider lobbying Parliament to petition the Executive for funds for SAA from NT. • Clarity was sought as to why the DPE never advertised the request for a SEP in a more progressive manner, in so doing, request more potential investors to express their interest to invest in SAA, while still leaving the Government as the majority Shareholder? • What is the process on the bid selection of Takatso? There were no other progressive business people that would wish to invest in a government shareholder model of an airline in order to give back to our people what is due to them?	The DPE performed due diligence to see whether Takatso Consortium has the financial capacity to fund SAA, which was confirmed. Takatso Consortium sought to close the transaction as fast as possible, but all SEP processes had to be completed and regulatory barriers cleared. The DPE is very determined to ensure that the individuals responsible for the State Capture and the damage done to the SOCs are held accountable and are imprisoned. Given the large sums of money invested in these enterprises, this in fact costs the economy and Government a lot of money. SAA was flying at the time and was looking at all of the options that were made available in the environment, demonstrating that they are pro active to sustain themselves. When SAA was experiencing financial difficulties, there were basically only two options for dealing with the problem, either the Board's restructuring or going through a BR process. The decision was made to go through a BR process because it afforded SAA protection from litigation and would give SAA the ability to negotiate with creditors. In terms of the law and the process of BR, post commencement finance needed to be provided to ensure that the restructuring of the Entity was done within the confines and protection of the BR process as it is quite an expensive process. They had to review the fees charged by the BRP to ensure they were in accordance with the Republic of South Africa regulations. Once they entered the BR process, the Government indicated that the fiscus was severely constrained in terms of future funding support for SAA.

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
		• SAA's net profit target was R2.778 million, but the actuals ended up being R5.44 million, and that KPI also too was not achieved. A concern was raised that out of a target of 85%, the actual achieved target was 64%. Clarity was sought on reasons for the non-achievement? • The performance against the SAA SHC was 37.0% achieved with 6 out of 16 targets met, and 44.4% achieved, with 8 out of 18 targets met, resulting in a qualified audit opinion. • It was highlighted by the auditors with respect to the restatement of corresponding figures, the corresponding figures as of at that time, 31st March 2017, were restated as a result of errors in the consolidated and separate Financial Statements of the SAA group, at the year ended 31st March 2018. Included are the material impairment with material losses of R3.313 million, which was incurred as a result of the impairment of the cash neutrality advanced to the South African Express Airways SOE Limited. Additionally, there were the issues of the contingent liabilities and events after the reporting period that were present. • What was needed from the Board and the current leadership, including DPE, was an explanation of the issues of internal control that were highlighted. Matters of leadership instability, inadequate policies and procedures, the lack of decisive action taken to mitigate emerging risk, no proper record keeping, the inadequate oversight regarding compliance and related internal controls by the Accounting Authority (AA) and Management, needed to be addressed. These matters must be relayed to the Minister, including the Deputy Minister.	The fiscus had invested substantially in SAA and would not have allowed it to be liquidated. As a result, because the Treasury was unable to provide the necessary working capital, they began to look for a SEP to come in and provide the necessary capital injection into SAA so that the taxpayers' money was not lost in a liquidation "where all the assets, the few of them, are sold on a fire sale and the money is given to the creditors. The employees who have worked with SAA for a long time, are left with nothing, as we have seen with SA Express. The advantage of a SEP was, that it could come in and invest working money into SAA when the Government was constrained in terms of paying SOEs. The Government required operating capital to operate SAA, and a constrained fiscus would not be able to provide that working capital, thus the advent of Takatso and they are not just getting in for free. They will invest the R3 billion that they have pledged to in terms of the agreement into SAA, and will also capitalise SAA going forward. The agreement was signed subject to what is called in Law Condition Precedents. Until those conditions had been met, the deal could not be finalised . Consequently, they are awaiting the CC and the Aviation Authorities to give them the necessary approvals.

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
		• The auditors has raised a concern about SAA going-concern status. This concern was informed by the fact that the Entity required the SEP to provide R3 billion over a three-year period to remain financially sustainable. However, the SEP partnership had not been finalised and consequently, the deal had not yet been finalised. This raised serious concerns about the future sustainability of the SAA.	Once those approvals are granted, the case could ultimately be handed over, with Takatso receiving the 51% Shareholding, and the keys With the Government still being a 49% minority Shareholder They had negotiated minority rights in terms of the agreement, k retaining SAA in South Africa and ensuring that the developmental objectives of Government would still be realised through the Entity into the future.
		• Compliance is a legal process that makes financial sense and maintains accountability, and the Financial Statement given was part of the remaining Financial Statements that was outstanding. • The 6th administration inherited problems, including financial challenges facing most of our own SOEs, including liquidity challenges. Central to those problems of liquidity, SAA was among the entities that were failing due to the financial situation that confronted them. State Capture and all the corruption that was executed in the past exacerbated this problem.	Totos litigation launched an application for review of the process that they had followed in appointing Takatso. DPE have filed papers in court and prospects of success are good in that case, since they followed the process, the legal requirements that were required when they appointed Takatso. The matter will be decided before the courts and South Africans. Toto litigation had also filed an urgent interdict seeking to halt the transactions implementation DPE is also opposing the urgent application, which will be heard in the Cape Town High Court, on the grounds that the matter is already before the CC.
		• The Shareholder, together with the Minister had played a leading role in terms of trying to fix these problems, including assigning proper operating Governance structures. To mitigate this, new Executives were appointed in some of those State Entities. • The CC should address the problem and fast-track the acquisition process. SAA's limited resources should not be given to private owners free of charge.	The 2017/18 audit had to be put on hold and it was only resumed at the end of 2021 since the Company had gone through a BR process which took 18 months, resulting in the delay in concluding those four years. The financial statements had now been drawn up. The AG would be going over them as part of the audit process, which will be concluded early next year, in the fourth last quarter of fiscal year 2022/23.

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
		• To what extent does the expertise still reside with SAA, and what are the airline's plans to tap into that expertise created over many years once the business does expand? • Clarity was sought concerning the near-disaster fuel contamination on the flight from West Africa. The investigation had been completed and will the PC be getting a report on that matter?	SAA is currently flying domestic routes namely, Durban, Cape Town and also six other additional routes in the region including Kinshasa, Accra, Lagos, Lusaka, Mauritius and Harare. SAA is also looking to further increase the routes as they head into December. There was a programme in terms of the international routes aim, and the SOE envisage themselves flying Internationally sometime in the 2023/24 fiscal year. SAA's fleet was currently operating six aircraft with a seventh aircraft as a backup. Looking at the airline's future, the airline needs to acquire additional fleet and operational capital. SAA does need further CAPEX in terms of modernisation. The funding requirements would also have relevance when the International routes are introduced as part of their 2023/24 financial year target. SAA is compliant with regards to VAT, PAYE, UIF, and Workman's Compensation. The operational capital that is being used, is part of the funding that was provided during the BR, as well as part of the cash generation that is being generated to run operations. Once an audit has been completed, the SOE will be able to disclose the details of those matters using a method similar to this. The outstanding four years of financials have been concluded, and will be presented to the Committee and discussed in depth. The Air Link claim issue proceeded to court twice, and SAA triumphed on both occasions, therefore the case was remanded and remained Subjudice. After negotiating with the Trade Unions representing SAA employees, the BRP reached an agreement on retrenchment costs.

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
			SEP is not on board yet, does not have an opinion, or has not given an opinion on the status of the internal audit. The audit results occurred during a rather undesirable and challenging period in which the auditors were forced to withdraw because going-concern criteria could not be met. There were serious issues of liquidity and solvency at the time, and that the auditors continued not so long ago to conclude their process. The reports that were generated then, are currently in the process of being followed up. These issues date back many years and it is going to take time to resolve, but they are being followed up as key issues of concern. The business needs to be sustained by the Shareholder. The Executive must ensure that profitable initiatives are implemented to ensure that the business turns around. SAA currently operates a smaller fleet, but they have the essential experience and would embark on a process to attract the necessary skills as the organisation grows. South Africa as a country has a wealth of relevant expertise, which SAA can capitalise on as it advances forward. Of the R10.5 billion, R3 billion was used to fund voluntary severance packages/retrenchments and settle issues of unpaid salaries. It was to pay post commencement creditors of R600,000 and unused ticket liabilities. There has been a R2.2 billion refunding process as by the time the SOE went into BR, many travellers had paid for their tickets but had not flown.

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
			R2 billion was left for operational capital. To summarise, an additional R 2.7 billion was paid to subsidiaries, bringing the total cost to R10.5 billion as indicated earlier. Inherent in the matter is the entire BR where fees were paid and those fees will be subject to the current ongoing audits. The challenges related to a difficult time in the history of SAA, including the issue of KPIs and the underperformance relative to those KPIs. The business had completely failed and that's why it ended up in BR. The emphasis now is more on putting in place processes for going forward, and seeking to address those difficult historic issues. The business had completely underperformed owing to issues pertaining to employment costs, maintenance costs, lease costs, fuel costs etc. thereby impacting targets being set at the beginning of a financial year, as they would not be met at all. Looking at the businesses loss year-on-year, it was more or less the same as the previous year, whereas the target was to achieve something in the region of over R2 billion. DPE submitted to the CC in June, stating that they expected them to finalise the determination by mid to end October, it will proceed to the Competition Tribunal. The Department had been engaging with them, but this was an independent process and that they needed to complete in order to meet their own mandate.

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
			If Takatso does not come through, the transaction will fall through, and if the Government is unable to inject additional funds into SAA, the option that we have all worked very hard to avoid, liquidation, will be the outcome. It is imperative that they conclude the transaction and ensure that the remainder of the transaction is completed, all regulatory approvals have been secured, and the balance of the funding is fulfilled. By Takatso coming on board, could then augment the current Entity to become sustainable and financially viable going forward. An Addendum to the Agreement had been signed, indicating that the agreement was still in effect and had not been violated. Takatso is not unable to invest working capital due to CC difficulties, and they are cooperating and supplying information. The CC regards this as an important matter and they are taking their time regarding it, and as a Independent Authority, we are powerless to pressure them beyond what they are able to. Once all of the CPs (Conditions Precedent), that is, all of the regulatory clearances, were met, ownership would be transferred and Takatso's money would be paid. They expected payment immediately when all of the CPs were met, and are making efforts for it to happen swiftly. The agreement was subject to a confidentiality regime in law, and DPE must consult Takatso to obtain the requisite consent to be able to disclose the agreement. **The Committee resolved to invite the Competition Commission to attend and clarify t why it is taking them 3 years to conclude the work on the Regulatory Framework for the transaction.**

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
12/10/22	Briefing by the AGSA on the audit outcomes of SOEs and the DPE. Briefing by the DPE on the AR and Financial Statements for the 2021/22 financial year.	• Concern regarding the financial sustainability and the policy matters that are prohibiting SOCs from succeeding. • Clarity was sought regarding the list of material irregularities, and what action the Department has taken to address the findings. • There is a need for an alignment between DPEs AR and that of SOCs, and that would improve the correlation on the mandate and outputs of the Shareholder and Departments. • Concern was raised regarding the lack of policy intervention to address the impediments that are hindering the performance, and success of SOCs. • There is a lack of collaboration between SOCs and Organs of State, particularly on projects that seeks to advance the developmental objectives of the Government. The Committee noted with concern that SOCs, and Government Departments are coerced to use the competitive bidding process for services that the State has capacity to deliver.	The Department had established a CFO forum with the SOCs, where they identified and discussed best practices and lessons learnt within the portfolio, because it was not acceptable for one SOE to be failing while another was doing exceptionally well. The DPE was scrutinising Consequence Management and ensuring that disciplinary processes would be carried out where cases were substantiated, and all essential documentation was provided as the reigns needed to be tightened up, especially on procurement matters. Deputy Minister Masualle requested that the DPE make written submissions to the Committee on the outstanding matters.
19/10/22	Consideration and adoption of the Budgetary Review and Recommendations Report.	• Internal Committee process which does not require the Department.	None.
26/10/22	Briefing by SAFCOL on the AR and Financial Statements for the 2021/22 financial year.	• The Committee acknowledged the improvements and progress at SAFCOL. • What is the SAFCOL Board doing to ensure that the audit findings are not repeated in the 2021/22 financial year? What plans are being put in place to address the AGSA's concerns?	An announcement will be made very soon in respect of a new Chairperson of the Board to ensure stability and the continuity of SAFCOL. The Department will revert back to the Committee with a comprehensive report on how best practice will be shared among the SOcs.

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
		• Where the investigations into the previous year irregular expenditure and wasteful and fruitless expenditure finalised? What was the outcome of these investigations? Was disciplinary action taken? • Clarity on irregular expenditure having been reduced by 48% down to R60 million which is still very high. • Who is the Acting Board Chairperson of SAFCOL? Who will be responsible for SAFCOL's performance now that the Chairperson has been transferred to the Eskom Board? • 57% of land claims still affect SAFCOL, what mechanism and system has been put in place to address this matter? • How will SAFCOL diversify to mitigate climate change and prepare its transition to a green economy? • Does SAFCOL have a plan for expansion and diversification which can be shared with the Committee? • What does SAFCOL mean by Onerous Procurement process? Further details should be provided to the Committee? • Clarity was sought on Human Capital as in the report it states "Return on investment increased from 10% to 94%". • What are the mitigating strategies to deal with timber theft? • SAFCOL should update the Committee on the Timbadola re-investment project, which does not seem to be progressing. How is the DPE assisting the Entity to get funding to upgrade the Timbadola sawmill?	The Department together with the Department of Forestry, Fisheries and Environment and Department Agriculture, Land Reform and Rural Development have worked extensively on the land issue claims. The delays are resulting from land reform. Three land claims in the Venda area have been settled, however they have not been transferred to the relevant beneficiaries. These issues have since been incorporated into the Forestry Masterplan, and the Committee will be briefed on the progress made in this area at the next Committee meeting. SAFCOL is not negatively affecting climate change based on the company planting trees. There is immense potential for SAFCOL to contribute to reduction of emissions due to trees being carbon syncs. There are also significant opportunities to contribute towards addressing climate change. SAFCOL's diversification has three phases. Firstly, stabilise the Entity and improve audit results. The second phase was to ensure expansion utilising the current asset base. Third phase is to expand into other areas using the 50/50 strategy. Currently, SAFCOL is about 80% log business and 20 % lumber. The strategy intends to have 50% log business and increase the other 50% into value adding products. This is where SAFCOL can improve its competitive advantage. The challenge is the funding to improve facilities, in particular Timbadola in order to get value out of the products.

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
		• SAFCOL should update the Committee on the progress of engaging with land claimants and the implementation of the settlement model and how much is it? • SAFCOL has signed a long-term lease with the Department of Forestry, Fisheries and the Environment (DFFE). What is the term of the long-term lease? • What is SAFCOL doing to increase the number of females and PWDs employed in the Company? • How can SAFCOL share the best practice on Governance with other SOCs?	The issue on the Consequence Management is highlighted by the AG with regards to irregular expenditure. SAFCOL has appointed an independent Company to identify people who were responsible for the irregular expenditure. The Company submitted the report and will be tabled when SAFCOL appears before the Committee again. Timber theft is not only a problem to SAFCOL, but to industry as well. SAFCOL is partnering with communities, industry and law enforcement to address this challenge. The total irregular expenditure during the preceding year was R60 million, of which R59 million was historic and was rooted out. Under this current year it was under R1 million. In the case of Timbadola project. There is a business case that funding institutions are willing to finance. The SOE is going to implement a bio-energy plant that will supply electricity and heat to the mill. SAFCOL is appointing a Company to manage the Timbadola investment project implementation. The return on equity has three key drivers, the net profit margin, asset efficiency and leverage and these drivers are reported to the Board on a quarterly basis. The benchmarks with a similar business are with York timbers. There is a delicate balance between compliance and procurement processes, and many people are fearfull of compliance management when working in the environment. The Supply Chain Management (SCM) process is slightly longer than in the private sector. There is a need be more agile and dynamic in the procurement process.

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
			Human Capital return on investment that went up from 10% to 94% is informed by a matrix to benchmark and track performance. Operating profit is divided by the employee costs. This is to ensure that employees contribute to the bottom-line. An action list with 90% of findings from the AG have been closed. A new Consequence Management policy has been approved in the 2022 financial year. **The Committee resolved that there is a need to visit SAFCOL head offices in Johannesburg.**
09/11/22	Briefing by the Parliamentary Legal Services on the following issues: How can Parliament exercise oversight over BR processes of SOCs, Legislation relating to BR and Liquidation processes, challenges and recommendations. Legal opinion relating to the Legislative framework that prohibits Organs of State from collaborating, or doing business together (public-public partnership) for the public good.	Internal Committee process which does not require the Department.	None.
16/11/22	Briefing by Denel on a progress update on the implementation of the Turnaround Strategy.	• The Committee welcomed the Turnaround Strategy and applauded Denel for how they have engaged Stakeholders such as organised labour, Armscor and the International market during the difficult times. • The Committee welcomed the timeframe of 18 months for the implementation of the Turnaround Strategy.	The expenditure of the recapitalisation will be based on the conditions set out by NT. There are plans in place to re-attract the critical skills that were lost to the market. There is a secured Order Book of about R12bn, which will be implemented through the recapitalisation. It has also enabled Denel to deal with the legacy debt.

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
		• However, the Committee required the Company to submit a detailed timeline to show all the milestones achieved during the 18 months. • It also noted that the Company was headed in the right direction by demonstrating profitability and decreasing costs, nonetheless, Denel advised not to discontinue programmes, but rather diversify the business to address the socio-economic challenges that the Company was facing. • Although the recapitalisation was accompanied by stringent NT restrictions, the Company was requested to provide a breakdown of the expenditure plan for the implementation of the Turnaround strategy. • The Committee wanted clarity on what non-core assets were up for disposal.	Recapitalisation will enable the Company to address its historic debt, and honour its contractual obligations and deliver on its orders.
23/11/22	Briefing by the DPE on the mid-term Performance Report of the Department and SOCs.	• A concern was raised regarding the lack of commitment to conclude the development of the Shareholder Management Bill (SMB). • A concern was raised regarding the lack of representation of young people on the Boards of SOCs, particularly the composition of the Alexkor Board. • A concern was raised regarding the impact of loadshedding on the economy, and the fact that the Department was emphasising the role of Renewable Energy (RE) more than fast-tracking the maintenance of ailing power stations. • The Committee acknowledged the challenges facing Eskom, but had a concern regarding the over usage of diesel and its impact on Eskom's Balance Sheet.	The Committee resolved that the DPE should ensure that the SMB is introduced in the National Assembly (NA). Furthermore, it should address the issues raised by the AG by strengthening controls in the Department and SOCs.

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
		• The Committee acknowledged the work done to address the Municipal debt, however, it raised concern regarding the cutting of electricity to communities around Gauteng Province. • The Committee acknowledged the road-to-rail efforts, but expressed concern about the increasing number of trucks on the road.	
30/11/22	Briefing by Alexkor on a progress update regarding the implementation of the Turnaround Strategy.	• Clarity sought on how the plan to turnaround the Company will be funded, and how the infrastructure development will be capitalised. • Concern was raised as to why the previous Executives were allowed to resign without having delivered on the deliverables on their contracts. • What informs the decisions for applying for an exemption from NT and the decision not to pay any salary increases? • The Innovation and growth strategy was criticised for being sound and convincing, just like the previous strategies, particularly if there is no capital to finance the implementation. • A concern was raised regarding the selling of diamonds at below market prices, and clarity was sought as to what interventions have been employed to address this problem. • Clarity was sought on the use of consultants, and for which services were these used in the amount of R3.8 million and for the reasons for the resignations of the former CEO and the CFO. • Concern regarding the lack of companies that are owned by blacks, youth, women and PWDs and called for the transformation in the leadership of Alexkor.	The new Board discovered that the previous Board and Executives had not prepared a Corporate Plan or Financial Statements. Clarity was provided that the employment conditions of the interim CEO were the best for the Company, and that he is based in Alexander Bay near the mine. There is an implementation plan in place to address matters of emphasis that have been highlighted in the AGs report. Assurance was provided to the Committee that the new Board has been meeting more often than required, to ensure that all the historical Governance issues are addressed.

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
		• Concern was raised regarding the cost of travelling and the use of chartered flights for Board Members, and clarity was sought regarding the employment conditions of the interim CEO.	
01/02/23	Briefing by the DPE on progress made in addressing the audit findings of the AG on the Department and SOCs. Update on the SMB and responses to the budget vote and Budget Review & Recommendation Reports (BRRR) recommendations.	• A concern was raised on the deferment of submission on Financial Statements of SOCs. How can these be avoided in the future? • The Department should report progress on the implementation of addressing the AG findings, and implementation of BRRR findings on a quarterly basis. • Concern were raised about public perception of plans to privatise Eskom and Transnet through the unbundling process. • Concern was raised regarding the unending BR process at Mango, including the impact of the protracted SEP at SAA. • The Committee welcomed the report on action that has been taken to respond to the findings of the AG, however it was concerned that there was a slow pace of recuperating money that has been lost though unlawful contracts. • The Committee appealed to Eskom to ensure that the cost of Koeberg's life extension is handled, and that all regulatory requirements are met in order to meet the July 2024 License renewal deadline. A concern was raised that Eskom seems to be spending more money on powers stations which only has a 28% Energy Availability Factor (EAF) such as Tutuka and others, whilst those contributing to the stabilising of the base load are not prioritised.	One of the things that the Department had been striving hard to prevent was late submission of Annual Financial Statements (AFS). The response that the Department received from Entities through their Boards was that the entities should always ensure that they remained a going concern, in the sense that there was some kind of guarantee that there was adequate cash flow to sustain the Entity for at least 12 months. Given the financial difficulties Entities were getting themselves into --particularly in the case of Alexkor, -- it became a "unavoidable situation." In response to Eskom's unbundling, the general consensus was that it should result in three businesses responsible for Generation, Transmission, and Distribution operating under a holding Company, Eskom Holdings. Eskom Holdings would be the parent Company from which there would be subsidiary companies. There was no stated intention to hive off any of those subsidiary companies from the State, except that from time to time, there would be an invitation for PSP, with certain restrictions, even if the private sector might carry out certain elements. Transnet had previously stated that for some of the branch lines that were critical to supporting certain sectors of economic activity but did not appear to have the capacity to invest appropriately in them, there could be an invitation to the private sector to contribute to the upkeep of such branch lines. The guideline for monitoring SOE Equity partners would be used once a decision had been made to sell some of the Government Shareholding to the SEP.

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
		• Concerns were raised that Eskom was not obtaining coal from the State-Owned mining Company, and was urged to work closely with the mining Company to increase its capacity. • Concerns were raised regarding the lack of reliable, technologically compliant storage facilities for renewable electricity. There is a lack of co-ordination between State agencies developing technologies, and the Eskom team regarding the solution to power storage. • The Department was further encouraged to continue renegotiating the Evergreen contracts in order to accelerate transformation to enable new players to enter the market. • Monitoring and evaluation of Service Providers work must be improved to ensure that high quality coal is delivered before payment is made.	The guidelines would then guide the Department as to how it would carry out oversight in an administration where it was a minority Shareholder. For example, with SAA, Government would sell a 51% Shareholding in SAA and hold 49%. **The Committee resolved that the Department should report quarterly on progress regarding the implementation of the turnaround strategies of SOCs.**
07/02/23	**Joint meeting with the PC on Mineral Resources and Energy and Select Committee on Public Enterprises and Communications.** Follow up meeting with Eskom on interventions to end loadshedding.	• How much money would it take to bring an end to loadshedding? • What is the total amount Government Departments are indebted to Eskom? • Why did Eskom's employees not get increases for the past eight years? • Have you considered the possibility of IPPs collapsing coal-power stations to pursue their own agenda? Why is maintenance outsourced (contractors) and does Eskom monitor the quality of their work? • Does Eskom involve all the key Stakeholders in dealing with loadshedding e.g Cogta, Salga, etc? • How is Eskom dealing with illegal connections and the culture of non-payment of service?	The Chairperson of Eskom, Mr Mpho Makwana indicated that Eskom has never had a Chief Operating Officer. A Chief Operating Officer was only appointed at the behest of one of the previous Group Chief Executive Officers (GCEO) and that is how the position came about and since then it was endorsed by succeeding GCEOs. However, once Eskom is unbundled into three separate divisions, namely generation, transmission and distribution there will be no need for a Chief Operating Officer. With regard to Eskom's capacity which is always below 60%, according to the board chairperson no utility, the world over can have energy availability of 100%, hence 75 % energy availability in South Africa was what was approved by the President.

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
		• What is done to ensure that there is no fuel stolen and power stations are not sabotaged? • How far is the Technical Academy to assist with the technical challenges?	In terms of how much Eskom need to end loadshedding, a funding model was concluded and approved by all key stakeholders such as National Treasury, Department of Public Enterprises, Department of Mineral Resources and Energy, etc to address Eskom's funding requirements.
		• What was Eskom's motivation to apply for tariff increases from NERSA? • Will additional funding for diesel end loadshedding? • If Eskom was to be given all the money the utility required, will that bring an end to loadshedding? • Is Eskom now focussing more on renewables and doing away with coal as quality coal is reported to be exported outside the country? • What is the cost benefit ratio of Independent Power Producers (IPPs)? • What are the risks of going to stage 8 loadshedding as a country? • Will the R2,5 billion that was stolen from Eskom be recovered? • Is there a plan to balance small processors and miners who are connected to the municipal grid? • Which Entity or division is going to be responsible for Eskom's debt following the unbundling of Eskom between Generation, Transmission and Distribution? • When is the CEO's term ending? • Why focus on Thuthuka sub-station that does not yield any financial benefit to Eskom? • Unions seem not to be taken serious by the Executive: Are there any strategic forums where Management and unions deliberate and share ideas, information about Eskom's solutions?	On the question of whether enough funding will bring to an end load shedding, the real challenge is that there are factors that are outside Eskom's control. For example, if the country looks at the demand side, particularly energy saving mechanisms starting with energy efficient light bulbs and roof-top solar panels for public buildings. That can save the country two stages of load shedding. There's also a pilot project undertaken at Bradford, a power station in a container that cost about R2 million. The roll-out of this initiative can bring relief to the grid. There's also the issue of tariff increases which is beyond Eskom's control. Increases granted by NERSA helps the utility to fund its maintenance programme and recover certain expenses relevant to operations. All that put together with the participation of all key Stakeholders can help toward reducing loadshedding. The advertisement for the position of the CEO is underway. Eskom is following the Public Finance Management Act (N0. 1 of 1999) as well as its Human Resource (HR) policies in search for the new GCEO. The current GCEO is serving his notice due to the fact that he was not fired or dismissed but resigned. There is no policy at Eskom in terms of how many Boards a Board member can serve on, although in the banking sector its 4 plus 1 (5 in total).

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
		• Why is Eskom using lower grade coal and taking the best coal out of the country?	However, if the Committee looks at how often the Board has met, which is more than 50 times in one year, that shows that members of this Board are committed in fulfilling their fiduciary duties.
		• What is the nature of the dispute between Eskom and the Mozambican Government? • Where is the 12 000 Mega-Watts imported electricity coming from? • Is there a plan in the pipeline for new generation to be available? • What obstacle stands in the way for Eskom to get to 65% capacity? • Is Nuclear more convenient than IPPs? • Can Eskom explain the work done by ABB, the Swiss Company? • Is there a provision for review of contracts especially those that were signed during the Covid-19 pandemic period? • Are there any Board members currently sitting on more than 9 or 10 Boards? • What does Eskom need Government to do to assist? • Allegations that Eskom is deliberately decommissioning power stations to increase dependency on renewables or IPPs? • What is the progress in appointing the new CEO since the current one has resigned? • Has Eskom considered interacting with its sister Entities like Transnet to carry its coal and assist with the shortfall?	On the issue of small miners connected to the municipal grid, it is not feasible for them to change and be connected to the Eskom grid because the Municipalities has debt problems to deal with. Municipalities get revenue from their consumers as well, and the problem arises when a Municipality decides to lower its debt to Eskom and its consumers suffer as a result.The GCEO, Mr Andre De Ruyter mentioned that there have been engagements with all Entities regarding the R57 billion debt owed to it by Municipalities. The principal debt is R57 billion and interest is R10, 9 million and Eskom on a continuous basis, has been engaging with all the relevant key Stakeholders in reducing the municipal debt and this includes Cogta, Salga, etc. Government Departments owe Eskom about R13, 4 million. On the issue of tariff increases, Eskom is required by Legislation to submit a tariff increase application every three years called a Multi-Year Price Determination to the regulator, and amongst other factors to recover production costs. The NERSA, which is independent would then follow its procedures and methodology before it determines the percentage Eskom's tariff increases should be set at. This is accomplished by considering the impact on the poor and taking measures to mitigate the impact.

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
		• What are the interim measures to address instances where more than one member resigns?	As for the type of energy mix used, that is a policy issue determined by the Department of Mineral Resources and Energy (DMRE). The other issue is the timeframe and period with which the energy mix would be available for additional capacity which is the main challenge. When it comes to alternative energy costs, nuclear is very expensive to construct (12 to 15 years) but very cheap to operate, as are solar or wind farms, which can take 8 to 36 months, and gas, which takes 24 to 60 months and is similarly cheap to operate. A new coal-fired power station will take 10 to 15 years to build, but the challenge is that coal mines are being depleted and a new coal fire station will cost about R15, 9 billion to build. The dispute with Mozambique revolves around a disputed amount by Eskom of R894 million. The exact disputed amount is R350 million of the R894 million, as Eskom is importing electricity from the Cahora Bassa dam in Mozambique. On the allegations that Eskom is closing down productive power stations possibly to increase reliability on IPPs. The Komati power station has been decommissioned due to it not meeting the accepted safety standards due to its age. And to bring it back into operation will require capital that Eskom at the moment does not have.

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
			Allegations that Eskom employees have not received their yearly increases are not substantiated by facts, as all Eskom employees have received their yearly salary increases except for Management. There are regular engagements with organised labour and allegations that this is not the case are not true, there are quarterly Management Forums where Management meets with employees as well as monthly consultative forums and monthly bargaining forums. Eskom is exporting or selling 15% of its electricity, and this also includes Nam-Power (Namibia) which is a very profitable sale agreement.
	Briefing by Transnet on an update on the overall business, including socio-economic contributions in terms of job creation, skills development, promotion and support of SME.	• Concern regarding an emphasis on the private sector investment on infrastructure, and operation of railway lines and ports. The Committee particularly advised Transnet against a move towards the privatisation of some of the operations of the Entity. • Concern was raised regarding the lack of effort in supporting SME. The Committee was also perturbed by the fact that the DPE did not include a target of Local Content as part of the SHC. • The Committee further advised Transnet to address the unresolved cases with employees, some who have gone to court and have written to Parliament for intervention. It urged the Company to maintain a healthy relationship with employees. • The Company was further urged to collaborate with sister Public Entities through public-public partnerships in order to maximise the impact of the State in transforming society.	The Committee resolved that Transnet should respond in writing to all the questions posed by members of the Committee due to time constraints.

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
22/02/23	Briefing by Eskom on the AR and Financial Statements for the 2021/22 financial year.	• The Committee raised concern regarding the manner, and platform at which the Group CEO made allegations of corruption in an ENCA interview, furthermore, the Committee requested the Board to submit a report. • Concerns was raised regarding the slow response in addressing the problem of poor quality of coal and ash. • Concerns over the Board's inability to reach its targets, despite Eskom receiving its sixth consecutive qualified audit. • The Committee raised concern regarding the late submission of the AFS and the reshuffle of auditors. • The Committee also raised concern regarding the slow pace of the unbundling of Eskom, and the lack of uncertainty regarding reforms. • The escalating municipal debt and the lack of comprehensive and effective mechanism to address the situation. • The Committee raised a concern about decline in sales resulting from loadshedding and challenges in the economy. • The Committee wanted to know why the board was not able to meet the EAF target that it has set for itself, and what remedial actions were taken. • Clarity was sought on what the response from Eskom would be in the event of a disaster.	**The Committee resolved that the Eskom Board should investigate the allegations that were made by the Group Chief Executive Officer in an ENCA interview, and provide a comprehensive report to the Committee on the remedial action.** Eskom is in the process of obtaining a Diesel Wholesale licence, and significantly enhancing coal control measures in an attempt to combat the procurement of low-quality coal. By managing coal quality and ensuring that it adhered to the design specifications of power plants, pressure on dust stream handling would be alleviated. More needed to be done to lessen environmental impacts, even though the year under review had low emissions compared to prior years. Municipal debt continues to be a significant burden on the sustainability of Eskom. The Entity's challenges with liquidity had always been well-publicised, but the issue of the escalating municipal debt continued to exacerbate the issue and very little progress had been made so far. Partner agreements have been set up, which entailed approaching Municipalities indebted to Eskom to help them with billing, revenue control, maintenance and disconnection of illegal connections. Eskom has not made significant progress with active partner agreements, as only three of them has been implemented.

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
		• The Committee was concerned with the number of fatalities, and sought mechanisms to a move to zero fatalities.	On loadshedding, one of the three units (unit 1) at Kusile had experienced the collapse of a flue unit that affected the two other flue units that carried emissions. This rendered all three units inoperable and resulted in a loss of about 2 160 megawatts. These units were meant to be returned to service in December, and arrangements for the necessary steel had been made to repair the damage. Eskom was awaiting a delegation from the Department of Forestry, Fisheries and Environment to allow them to exceed certain emission standards while repairing the collapsed flue units. The unfortunate deaths resulting from direct contact with electrical wiring were because of illegal connections. These live, unprotected wires with the unlawful connections were strung over roadways, putting youngsters at risk of electrocution. Combating illegal connections and electricity theft could reduce electric contact deaths significantly.
01/03/23	Briefing by the DPE on issues emanating from the State of the Nation Address (SONA). Update on the Mango BR process.	**On issues emanating from SONA:** • Concern was raised regarding the slow pace of addressing skills shortage in Eskom and Transnet, including improvements on the performance of power stations, rails and ports. • The Committee noted the report on the unbundling process, but it was unclear how the holding Company would vary in comparison to what the DPE was performing. • Concerns have been expressed that Transnet is being undermined in preparation for privatisation through private participation. • The Committee noted the report on the reforms at Transnet, but raised concerns with an overemphasis on the movement of vehicles, and less on moving bulk commodities from road to rail.	The Committee will invite the Department of Trade and Industry to outline mechanisms for conducting oversight of Enterprises undergoing BR proceedings.

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
		• There is lack of political will and a slow pace on the implementation of SONA pronouncements particularly on policy matters, including the tabling of an overarching Legislation for SOCs. • The Committee was particularly dissatisfied with Law Enforcement services' slowness in apprehending suspects at sabotage hotspots for both Eskom and Transnet.- The Committee raised a concern on the future of Entities not mentioned in the SONA such as Denel. **On issues relating to the Mango BR proceedings:** • The Committee raised concerns over the BR Practitioners lack of accountability, and their inability to appear before the Committee in order for the Committee to hold them accountable. • The Committee expressed dissatisfaction with the absence of a low-cost carrier to cater for the working class, and especially South Africans who cannot afford exorbitant airfares. • The Committee sought clarity on the cost implications for the ongoing litigation between the BRP and the Department. • The Committee sought to find out if there was willingness from both parties to settle out of court. • The Committee wanted clarity on the value for money that Government obtained on the sale of SAA.	
15/03/23	South African Forestry Company Limited (SAFCOL) presented an update on its overall business and its impact on communities.	• The ageing infrastructure, the unavailability of plantable land, timber theft and loadshedding, how is the Entity dealing with these challenges?	The Committee welcomed SAFCOLs strategy to beneficiating timber, and participating in the value chain by producing furniture to increase the value add to the products.

2022/23 PUBLIC ENTERPRISES AND COMMUNICATION SELECT COMMITTEE MEETINGS, NCOP (04)

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
08/06/22	Alexkor & Richtersveld Community Deed of Settlement Progress Report.	• Committee not happy with the nominations of Local Government Councillors to serve on the Richtersveld Investment Trust. • The Committee vented that every time Alexkor appeared before them, no progress was made, this had been going on for more than a decade, and everyone should be mortified. • Progress on the State Capture Commission findings and recommendations about Alexkor and the CPA.	The Constitution outlines how committees are formed, their roles, how committee members can be removed, and who votes when and how. The community has the right to change the terms of the Constitution, as long as they comply with the CPA Act. The Department's involvement is limited, especially when the CPA Constitution, like in the Richtersveld's case, states that the Municipality must nominate two councillors to be a member of that. The Zondo Commission's findings reference Alexkor and malpractice, and a follow up with Alexkor is required. The DALRRD and DPE are aware of a Company that was appointed without a license, and whom allegedly undervalued the diamonds purchased from the Alexkor Joint Venture (JV). This matter is what the law enforcement agency would be responsible for investigating.
15/06/22	Port of Durban & Ngqura Expansion Plans.	• The Committee questioned why South Africa has four of the world's least efficient ports, and why its ports have lagged behind those of other African countries. What impact has the recent floods had on Durban port's turnaround time in comparison to Worldwide benchmarks? • What is the current state of railways, goods and passenger trains to accommodate the shift from road to rail? • If the TNPA had appointed its Board and separated Transnet and TNPA's roles?	It is important to benchmark against significant competitors like Thailand, and not just the average benchmark. The floods had a wide-ranging impact on Transnets divisions, with Transnet Freight Rail bearing the brunt of the damage. The impact on port infrastructure was relatively moderate, but still significant with many workshops being flooded. The cost of repair is in the billions of rands. The TNPA Board has been appointed, and TNPA must be viewed as a Transnet subsidiary in both substance and form . However, there is a conflict between the 2006 Ports Act and the 2008 Companies Act, which supersedes the Ports Act, that needs to be resolved before the TNPA can be properly established as a subsidiary of Transnet.

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
03/08/22	Transnet on measures to expand capacity, internal and Special Investigating Unit (SIU) investigations.	• Members raised questions regarding the organisation's staff morale and the existence of International terminal operators within the country. They enquired as to whether Transnet and the National Port Regulator had resolved existing tariff issues. The Committee also required an explanation for the underutilisation of some of the ports, and the effect of cable theft and loadshedding on Transnet's operations.	Transnet had launched a number of initiatives to motivate the personnel involved, addressing the issue of staff morale. On the question of International terminal operators, there were none currently. The International terminal operators were part of the private sector with whom Transnet was attempting to collaborate since, they have the requisite experience, knowledge, and financial resources to assist in improving port operations. Tariff allocation was frequently fraught with tension, particularly in determining how much these tariffs should be. The gap between the price application and the final determination was too large to create system predictability . This was because the application submitted was based on the agreed tariff methodology. This would imply a difference in interpretation, or factors outside the TNPA's and the Ports Regulator of South Africa's (PRSA) authority. The location of the Ngqura port could not attract a large number of vessels. As a result, the aim was to find someone who could draw the necessary numbers as the port only utilised 60% of its capacity, which was insufficient. Transnet admitted that the country's ports were poorly ranked, and stated that the only way to advance up the ladder would be to find a corporate partner with a good reputation and strong ties to key export markets. The cable theft is not a Transnet concern, but rather an International one, and Transnet informed some of its clients, who replied favourably. Its coal customers had provided drones and personnel to man the Transnet lines, reducing the number of weekly occurrences from 35 to 20.

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
09/11/22	DPE bringing on post-settlement process between Safcol and the successful land claimants.	• Concern regarding the lack of attention given to beneficiation by the Department's address. SAFCOLs non- compliance as there was a lack of Consequence Management or disciplinary processes in the Entity. • What are the latest developments in the Management of illegal activities and the impact thereof on operations? • What is the rental paid by SAFCOL whilst awaiting finalisation of land claims and Shares held by the Entity on behalf of communities? • Are communities ever paid the money, and if so, in what form? Is it a monetary payment to communities or is it a project-based payment? • Does the Department and SAFCOL have any plans to engage with the communities on post-settlement matters, to assist them in achieving maximum economic value from forestry, and how can communities continue to benefit from partnerships with SAFCOL?	The Department currently has a challenge with the progress of lease rentals with the Department of Land Reform. This makes it difficult for SAFCOL to engage as to why the process of land claims has been delayed. On the beneficiation of the land claims processes, it is important to remember that land claims cannot be separated from communities and be made an individual process, as communities lodge these claims. The issue of Consequence Management on irregular expenditure, has been reduced to less than R1 million to date. An external Company is currently investigating historical irregular expenditure, and the report has identified the responsible parties for irregular expenditures and the recommendations include disciplinary processes, which are currently underway. SAFCOL has been paying rentals since 2012. Once the land claims are finalised, SAFCOL will enter into direct agreements with the communities, wherein market-related rentals will be paid out to them directly, and the land removed from the Department's asset register. The Department of Forestry's release of SAFCOL held Shares to communities faces challenges as the beneficiaries in communities are still being identified.

2022/23 STANDING COMMITTEE ON PUBLIC ACCOUNTS RESOLUTIONS, NA (03)

RESOLUTION NO.	SUBJECT	DETAILS	RESPONSE BY THE DEPARTMENT	RESOLVED (YES/NO)
1.	Disposal of SAA Government Shareholding.	• A report on developments concerning the airline's performance since its return of operations in September 2021, matters related to the AG of South Africa (AG/AGSA), and an update on the progress of the SIU investigations into alleged malfeasance at the airline as well as on the SEP acquisition process.	All parties wanted to conclude the transaction as soon as possible and had hoped to do so by December 2022, but this has been delayed by the various regulatory steps that still need to be taken. The Department and SAA would provide the Committee with an update of any developments, or an announcement of its conclusion.	**On-going.**
2.	Eskom Oversight visit recommendations.	• A briefing from Eskom on the Standing Committee on Public Accounts (SCOPA's) recommendations as adopted by Parliament and an update from the SIU on its Eskom investigations. The Committee had also requested Eskom to provide an update on the loadshedding crisis and how they planned to end or reduce it significantly.	The plan to end loadshedding would require EAF recovery, additional capacity and Government enablers through improving Eskom's plant performance, while urgently bringing additional capacity online. The Generation's Operational Recovery Plan was geared towards improving the EAF from 57%, to at least 70% at the end of the 2025 financial year and onwards.	**Yes.**
3.	Committee investigation into Eskom and related matters.	• Consideration of the draft ToR for its oversight enquiry into allegations of financial impropriety, and the misuse of public funds at Eskom. The Committee had received a legal opinion that the allegations regarding the financial administration within the Entity fell squarely within its oversight mandate.	This was an internal process which did not require DPE at the time, but all the relevant Stakeholders (including the Minister/ DPE) were identified and eventually invited to make presentations.	**On-going.**

7. PRIOR MODIFICATION TO AUDIT REPORTS

Nature of qualification, disclaimer, adverse opinion and matters of non-compliance	Financial year in which the matter first arose	Progress made regarding the clearing/resolving of the matter
Pre-determined Objectives: Unqualified audit with findings.	2021/22 financial year.	Quarterly reporting has been improved to avoid the recurrence of the findings.

Table 19: Modification to Audit Reports

8. INTERNAL AUDIT UNIT

The Internal Audit Activity (IAA) is responsible for evaluating the control environment and assisting the ARC to fulfill its responsibilities. The IAA also provides the ARC and the DG with independent, objective assurance and consulting services on Governance, Risk Management and Internal Control processes, to ensure these controls are adequate and effective in helping the Department achieve its objectives. The purpose, authority and responsibility of IAA is stated in the Internal Audit Charter, which is endorsed by the DG and approved by the ARC.

The Chief Audit Executive reports administratively to the DG and functionally to the ARC. The objective of the IAA is to provide independent, objective assurance, and consulting services to add value and improve the Department's operations. The IAA assists the Department with accomplishing its objectives, by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of Risk Management, internal controls, and Governance processes.

8.1.1 Internal Audit objectives and key activities

The IAA, through engagement with internal Stakeholders (DPE Management), the ARC and the Auditor-General of South Africa (AGSA), developed a comprehensive three-year rolling Strategic Plan, incorporating an annual internal Audit Operational Plan that was approved by the ARC. The IAA executed risk-based audit engagements in accordance with the annual internal Audit Operational Plan. The following were reviewed:

i. High Level Review of the Draft 2021/22 Annual Financial Statements (AFS).

ii. Review of the 2021/22 Annual Performance Report (APR).

iii. Audit of Performance Information (Quarter 4 of 2021/22).

iv. Audit of Performance Information (Quarter 1 of 2022/23).

v. ICT Governance.

vi. User Access Management.

vii. Cyber Security.

viii. Audit of Performance Information (Quarter 2 of 2022/23).

ix. Audit of Performance Information (Quarter 3 of 2022/23).

x. Human Resource Management (Recruitment).

xi. Investments and guarantees.

xii. Stakeholder Management.

The IAA provides recommendations to Management with regards to Governance, Risk Management and control processes. A follow-up on agreed Management action plans is being carried out, using the implementation date provided by Management. The IAA also provides Management advisory services when requested and prepares and reports quarterly to the ARC on progress against the approved Annual Audit Plan. Quarterly follow-up of AGSA issues/findings are tracked and reported at the quarterly ARC meetings.

8.1.2 Summary of work completed

The IAA successfully completed 100% (12 out of 12) of the engagement assignments as set out in the approved Annual Audit Plan. The IAA would like to continue to increase its audit coverage, in line with newly identified (emerging) risks, Management and ARC requests.

8.1.3 Key activities and objectives of the Audit Committee

The overall objectives, and key activities of the ARC are to support the DG and Executive Management in fulfilling their respective oversight responsibilities for the financial reporting process, the audit process and systems of internal control, Governance, and Risk Management, including:

a. The reliability and integrity of the Department's financial and operation information,

b. Compliance with legal and regulatory obligations,

c. The effectiveness of the Department's Enterprise-wide Risk Management and internal control system,

d. Oversight of the effectiveness and efficiency of the internal auditors, as well as the independence of internal and external auditors, and

e. Safeguarding of assets.

8.1.4 Attendance of Audit Committee meetings by Audit Committee members

Table 20 below provides relevant information on the Audit and Risk Committee members:

Name	Qualifications	Internal/ external	Date appointed	Date Resigned	No. of Meetings attended
Mr. Sathie Gounden (Current Chairperson)	• B.Compt • Higher Diploma in Accounting • Chartered Accountant CA(SA) • Chartered Director CD(SA) • Certificate in Forensic Accounting and Fraud • Graduate of the Chartered Secretaries • Executive Leadership Development Institute Accredited Mediator	External	03 December 2020	N/A	6/6
Mr. Nala Mhlongo	• Chartered Global Management Accountant (CGMA) • Chartered Management Accountant (CMA) • Chartered Accountant CA(SA) • Advance Taxation Certificate • B.Com • B.Com (Hons)	External	19 October 2020	N/A	5/6
Ms Margaret Phiri	• Chartered Accountant CA(SA) • CTA/B.Compt Honours • B.Com Accounting	External	19 October 2020	N/A	6/6

Name	Qualifications	Internal/ external	Date appointed	Date Resigned	No. of Meetings attended
Mr. Shami Kholong	• BA (Law) • LLB (Bachelor of Law) • BA Honours • Project Management Certificate • Certificate in Corporate Governance • Masters in Business Leadership • Certificate In International Commercial Arbitration • Certificate in Construction Adjudication	External	19 October 2020	N/A	6/6

Table 20: ARC meetings attended

9. AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee (ARC) ("the Committee") was established as an independent statutory Committee in terms of the Public Finance Management Act (PFMA). The Committee functioned within approved Terms of Reference (ToR) and complies with relevant Legislation, regulation, and Governance codes.

The Committee submits this report for the financial year ended 31 March 2023, as required by the Treasury Regulations 3.1.9 and 3.1.13 (b) and (c) issued in terms of sections 38 (1) (a)(i) and 76(4)(d) of the PFMA.

The Committee consists of four Independent Members and was chaired by Mr. Sathie Gounden. The Committee was required to meet at least four times per annum as per its approved ToR. Six meetings were held for the financial year ended 31 March 2023.

The ARC is satisfied that it has complied with its responsibilities as outlined in Section 38(1) (a) of the PFMA and Treasury Regulation 3.1. The Committee also reports that it has adopted and reviewed its formal ToR in the Audit Committee Charter and has discharged all its responsibilities as contained therein. The Committee met with the Executive Authority (EA) and has raised issues and expressed concerns on areas that needed attention.

Effectiveness of Internal Control systems

The PFMA requires the Accounting Officer (AO) to ensure that the Department has, and maintains effective, efficient and transparent systems of financial, Risk Management and Internal Control. The Committee reviewed the effectiveness of internal controls and provided oversight over Risk Management and compliance.

Internal Audit evaluated internal controls in order to determine their effectiveness and efficiency, and developed recommendations for enhancement and improvement. The Committee reviewed the findings of the Internal Audit, which revealed certain short comings in Management's mitigation of some identified risks. The findings were brought to the attention of the Department, which presented an action plan to mitigate the identified risks.

Through the analysis of the audit reports and engagement with the Department, the Committee reports that the system of internal controls for the year under review were adequate and not always entirely effectively implemented in improving the control environment to an acceptable level, especially in the area of Performance Management.

The quality of the in-year Management and monthly/quarterly reports

The Committee had:

- Reviewed the quarterly financial Management and Performance Reports submitted to National Treasury (NT) in terms of the PFMA and Treasury Regulations.
- Reviewed the policies and procedures to ensure compliance with applicable laws and regulations.

The Committee was satisfied with the quality of the in-year reports that were presented at the Committee meetings.

Internal Audit

Internal Audit provided the Committee and Management with assurance that the Internal Controls were appropriate and effective. This was achieved through a Risk Management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

The Internal auditors included the following areas in the Internal Audit Coverage Plan:

- Performance Information review,
- Financial Control review,
- Supply Chain Management review,

- Information Technology review,
- Stakeholder Management,
- Human Resource Management,
- Annual Financial Statements review, and
- Investments and guarantees.

The Committee was satisfied that Internal Audit had discharged its functions objectively, with independence, and in compliance with its Charter.

Risk Management

The Committee was responsible for the oversight of the Entity's Risk Management activities. Strategic and operational Risk Assessments were conducted by Management for the year under review.

The Committee had reviewed the Risk Management process on a quarterly basis, had made recommendations for the improvements thereof, and was satisfied with the progress made. A Risk Maturity assessment of the ERM unit had been recommended, to ensure the extent to which Risk Management was embedded within the Entity and the extent of effectiveness thereof. The Risk Maturity assessment has been planned for the 2023/24 financial year. The Committee is largely satisfied with the Risk Management process.

Evaluation of Annual Financial Statements

The Audit and Risk Committee has:

- Reviewed and discussed the AFS to be included in the AR, with the AGSA and the AO,
- Reviewed the AGSA's Management Report and Management's response thereto,
- Reviewed changes in Accounting policies and practices,
- Reviewed the Entity's compliance with legal and regulatory provisions, and
- Reviewed significant adjustments resulting from the audit.

Auditor-General South Africa (External Auditors)

The Committee has reviewed the Entity's implementation plan for audit issues raised in the prior year, and is satisfied that the matters previously identified had been adequately resolved.

The ARC also monitored the implementation of the action plans to address matters arising from the Management Report issued by the AGSA for the 2022/23 financial year. The ARC has reviewed the Department's Implementation Plan for audit issues raised in the previous year and notes that 88% of the findings were adequately resolved.

The Committee is satisfied with the independence and objectivity of the AGSA. The Committee has met with the External Auditors separately to ensure that there were no unresolved issues.

Conclusion

The Committee concurs with, and accepts the AGSA's report on the AFS, reviewed significant adjustments resulting from the audit, and is of the opinion that the audited AFS should be accepted and read together with the report of the AGSA.

Signed on behalf of the Audit and Risk Committee:

S Gounden

Chairperson of the Audit and Risk Committee (ARC) Johannesburg

31 July 2023

10. B-BBEE COMPLIANCE PERFORMANCE INFORMATION

The following table has been completed in accordance with the compliance to the B-BBEE requirements of the B-BBEE Act of 2013 and as determined by the Department of Trade and Industry (the dti).

Has the Department applied any relevant Code of Good Practice (B-BBEE Certificate Level 1 – 8) with regards to the following:		
Criteria	**Response Yes/No**	**Discussion**
The process of establishing the DPE level of B-BBEE is underway and is assigned to Honeycomb BEE Ratings.	Yes.	The consultant has been appointed and currently busy with the assessment.

Table 21: B-BBEE Compliance information

PART D

HUMAN RESOURCE MANAGEMENT

1. INTRODUCTION

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

2. OVERVIEW OF HUMAN RESOURCES

2.1 Overview of Human Resources (HR) in the Department

The Chief Directorate: Strategic Human Resources and Office Management is responsible for rendering a Management support service to the Department. It provides services relating to organisational development, HR planning and policy, HR Administration and Practices, Performance Management and HR Development, Employment Relations and Wellness, as well as Security and Facilities Management.

2.2 The status of Human Resources in the Department

Since 2017/18, the Department has been involved in a process of re-aligning its Organisational structure to ease the effects of the reduction of the Compensation of Employees' budget. The re-aligned structure was implemented with effect from 1 January 2019. The rationale behind the re-alignment was to make changes on certain programmes, allowing the organisation to perform more effectively and efficiently without necessarily changing the organisational architecture. However, the re-aligned Organisational structure did not prove to enhance the effectiveness or efficiency.

In the interim, Sector Teams have been appointed to enhance productivity and efficiency in the overall performance of the Department. The aim of the Sector Teams is to provide strategic oversight, operational support and guidance to the Executive Authority (EA) and Accounting Officer (AO) on the stabilisation and efficient functioning of the SOCs within different sectors.

The Department has identified priority positions that needs to be filled, and the recruitment process to fill these positions will be pursued in the 2023/24 financial year. The Department is also exploring other ways of augmenting the capacity, which includes the deployment of short-to-medium contracts to address the capacity constraints, and headhunting for the appointment of these critical positions.

As part of maintaining a conducive working environment, HR remains committed to provide employees with the required training and development, as well as Employee Wellness Programmes that enables a productive workforce to support the execution of the Department's strategic goals and objectives.

2.3 Human Resource priorities for the year under review

During the year under review, HR committed itself to the following outcomes:

The identified amendments to be made on the approved Organisational structure are still in progress and it is envisaged that approval for these changes will be obtained in line with the Department of Public Service and Administration (DPSA) directive for the 2022/23 financial year. The Department has embarked on the process of reviewing the structure due to emanating challenges facing SOCs.

Training interventions remained to be one of the priorities within HR, and more training interventions as committed in the Annual Performance Plan (APP) 2022/23 were achieved through the on-line training, which contributed to the majority of skills development and capacity building within the Department. The SOC's Sector Teams specific training programmes has been developed to capacitate the employees.

2.4 Workforce planning and key strategies to attract a skilled and capable workforce

The Medium-Term Expenditure Framework (MTEF) Human Resource Plan, remains to be one of the key strategic documents to ensure that the required skills to execute the Department's mandate, is optimised. The Plan for the 2021/22 to 2023/24 period was developed and informed by the need to acquire adequate manpower and workforce within the Department, by embracing the concept of a global village, and amplifying the role of HR to a more critical function for the organisation which must be efficient and effective. As such, the staffing function is emerging as a critical process in the achievement of the aforementioned.

To support economic transformation and job creation as one of the Medium-Term Strategic Framework (MTSF) priorities, during the 2022/23 financial year, the Department commenced with the roll out of its Internship Programme and appointed 15 interns with effect from 1 April 2022 for a period of 24 months, and further received two interns in collaboration with the DPSA, National Youth Development Agency (NYDA) and Public Service Sector Education and Training Authority (PSETA). The programme focused on empowering graduated youth with technical knowledge on the industry and various fields. All interns were allocated mentors and coaches in various units to ensure smooth assimilation into the workplace.

2.5 Employee Performance Management

The Department has an approved Performance Management and Development System (PMDS) Policy for Non-SMS members and further adopted the DPSA Chapter 4 of the Senior Management Service (SMS) handbook, as amended, as a guiding policy for the Performance Management of Senior Managers. The aforementioned policies require all employees in the Department to enter into Performance Agreements on an annual basis. During the financial year under review, the Department utilised a structured Performance Management system through performance planning, continuous monitoring and evaluation to ensure ownership and accountability in the attainment of performance targets set out in the Annual and Operational Performance Plan.

The recorded incidents of poor-performance on Senior level Management in the previous financial years have been remedied. Continuous awareness initiatives were implemented to improve compliance with Policy.

2.6 Employee Wellness Programmes

The Department's Employee Health and Wellness (EHW) programme is fully operational. A structured employee wellness programme was implemented within the Department based on the Annual EHW Operational Plan. The Department appointed a Service Provider, whom is accessible 24 hours to provide employees, and their immediate family members support services which include psychosocial and trauma counselling.

Quarterly interventions on health and wellness were rolled out in line with the Annual Health calendar, and the trends presented through Stakeholders reports. During the wellness interventions HIV/AIDS testing and counselling, TB screening, diabetes, body mass index, hypertension and cholesterol testing were conducted. Continuous awareness was conducted through newsflashes to emancipated employees on four areas of concerns namely health, finance, psychosocial and legal matters.

2.7 Employment Equity

The Department is continuously implementing measures in place to comply with the National Employment Equity (EE) targets. The gender representation on Senior Management level is 37% female versus 63% male. The Department is yet to achieve the appointment of People Living with Disabilities (PWDs) in the Department which is currently sitting at 1.9%. The implementation of the EE Plan is closely monitored, and Selection Committees are assisting to address the equity gaps during recruitment. The Department, through the recommendations made by the EE Committee has encouraged targeted EE candidates to apply for advertised posts.

2.8 Policy development

During the year under review, the Department has reviewed four policies to ensure alignment with the Public Service Regulations, 2016 and other relevant prescripts, namely, Harassment Policy and Funeral & Bereavement Policy, Overtime Policy and, the Working Hours Policy. The reviewed policies seek to strengthen the internal controls and foster social cohesion.

2.9 Labour Relations

The Employee Relations Unit advocates a culture of compliance to ethical standards regulating the employment contract. Awareness conducted to employees on ethical conduct where such caution assisted in eliminating cases in certain specific areas. The Disciplinary Code and Procedures provided for in the Public Service, are applied as part of Consequence Management within the Department whenever a conduct necessitated corrective action. There was an increase of cases subjected to corrective action due to non-compliance with policy.

Achievements and Challenges

Although the bulk of vacancies were advertised, the high turnover rate challenge remains, especially at SMS level. This causes instability in the Department and places an additional burden on other employees because of the additional responsibilities assigned due to the latter circumstances.

The Department's MTEF Human Resource Plan was approved timeously. The Plan is aligned to the Organisational structure and is being monitored and reported on as per the DPSA requirements. There were no adverse audit findings reported during the year under review by the Auditor-General of South Africa (AGSA), which solidifies the adherence and compliance to the public service frameworks.

3. HUMAN RESOURCES OVERSIGHT STATISTICS

3.1 Personnel related expenditure

Programme	Total Expenditure	Personnel Expenditure	Training Expenditure	Professional and special services expenditure R'000	Personnel Expenditure as a % of total expenditure	Average Personnel cost per employee
	R'000	R'000	R'000			R'000
DPE: Administration	129 505	74 553	593	0	57,60	637
DPE: SOC: Governance & Assurance	42 048	28 243	0	0	67,20	1 046
DPE: Direct Charge against National Revenue Fund (NRF)	204 700	0	0	0	0,00	0
DPE: Business Enhancement	33 716 904	39 231	0	0	0,10	957
Total as on Financial Systems (BAS)	**34 093 157**	**142 027**	**593**	**0**	**0,42**	**768**

Table 3.1.1: Personnel expenditure by programme for the period 1 April 2022 to 31 March 2023

Salary Band	Personnel Expenditure	% Of total Personnel cost	No of Employees	Average Personnel cost per Employee
	R'000			R'000
Unskilled (Levels 1-2)	179	0,10	1	179
Skilled (Level 3-5)	4 179	2,90	16	261
Highly skilled Production (Levels 6-8)	22 092	15,60	47	470
Highly skilled Supervision (Levels 9 - 12)	48 336	34,00	58	833
Senior and Top Management (Level 13 -16)	65 537	46,10	46	1 425
Periodical remuneration	309	0,20	1	309
Abnormal appointment	1 395	1,00	16	87
Total	**142 027**	**100,00**	**185**	**768**

Table 3.1.2: Personnel costs by Salary Band for the period 1 April 2022 to 31 March 2023

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 cost
DPE: Administration	65 456	87,80	1 081	1,40	1 097	1,50	1 740	2,30
DPE: SOC: Governance & Assurance	25 713	91,00	17	0,10	128	0,50	383	1,40
DPE: Business Enhancement, Transformation & Industrialisation	34 480	87,90	0	0,00	582	1,50	801	2,00
Total	**125 649**	**88,50**	**1 098**	**0,80**	**1 807**	**1,30**	**2 924**	**2,10**

Table 3.1.3: Salaries, overtime, Home- owner's allowance and Medical Aid by programme for the Period 1 April 2022 to 31 March 2023

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 cost
Unskilled (Level 1-2)	179	100,00	0	0,00	0	0,00	0	0,00
Skilled (Level 3-5)	3 547	84,60	45	1,10	137	3,30	243	5,80
Highly skilled production (Levels 6 -8)	17 496	78,70	653	2,90	767	3,50	1 305	5,90
Highly skilled Supervision (Levels 9 -12)	41 977	86,60	400	0,80	585	1,20	1 095	2,30
Senior Management (Levels 13 -16)	60 746	92,50	0	0,00	318	0,50	281	0,40
Periodical remuneration	309	100,00	0	0,00	0	0,00	0	0,00
Abnormal appointment	1 395	99,50	0	0,00	0	0,00	0	0,00
Total	**125 649**	**88,20**	**1 098**	**0,80**	**1 807**	**1,30**	**2 924**	**2,10**

Table 3.1.4: Salaries, overtime, Home- owner's allowance and Medical Aid by Salary Band for the Period 1 April 2022 to 31 March 2023

3.2 Employment and vacancies

Programme	Number of posts on approved establishment	Number of posts filled	Vacancy rate	Number of Employees additional to the establishment
DPE: Administration, permanent	119	101	15,10	2
DPE: SOC Governance Assurance & Performance	37	27	27,00	2
DPE: Business Enhancement, Transformation & Industrialisation	58	41	29,30	1
Abnormal appointment	0	16	0,00	0
Total	**214**	**185**	**21,00**	**5**

Table 3.2.1: Employment and vacancies by programme as at 31 March 2023

Salary Band	Number of posts on approved establishment	Number of posts filled	Vacancy rate	Number of Employees additional to the establishment
Lower skilled (Levels 1-2	2	1	50,00	0
Skilled (Levels 3-5),	16	15	6,30	0
Highly skilled Production (Levels 6-8)	49	44	10,20	0
Highly skilled Supervision (Levels 9-12)	72	60	16,70	0
Senior Management (Levels >= 13)	73	47	35,60	5
Other occupations	2	2	0	0
Abnormal appointment	0	16	0,00	0
Total	**214**	**185**	**21,00**	**5**

Table 3.2.2: Employment and vacancies by Salary Band as on 31 March 2023

Critical occupation	Number of posts on approved establishment	Number of posts filled	Vacancy rate	Number of Employees additional to the establishment
Administrative related, permanent	33	28	15,20	0
Cleaners in offices, Workshops, Hospitals etc., permanent	4	4	0,00	0
Client inform Clerks (Switchboard, Reception, Information Clerks), permanent	3	3	0,00	0
Communication and Information related, permanent	5	5	0,00	0
Finance and Economics related, permanent	12	8	33,30	0
Financial Clerks and Credit Controllers, permanent	7	6	14,30	0
Food services aids and Waiters, permanent	5	4	20,00	0
Head of Department/Chief Executive Officer (CEO), permanent	1	1	0,00	0
Human Resources & Organisational Development & related professions, permanent	12	10	16,70	0
Information Technology (IT) related, permanent	8	6	25,00	0
Library mail and related Clerks, permanent	8	8	0,00	0
Logistical support personnel, permanent	6	5	0,00	0
Messengers, Porters and Deliverers, permanent	3	3	0,00	0
Secretaries & other Keyboard operating Clerks, permanent	28	28	0,00	0
Security Officers, permanent	2	2	0,00	0
Senior Managers, permanent	73	44	39,70	5
Other occupations	2	2	0,00	0
Total	**214**	**169**	**21,00**	**5**

Table 3.2.3: Employment and vacancies by critical occupations programme as at 31 March 2023

3.3 Filling of SMS posts

SMS Level	Total number of funded SMS posts	Total number of SMS post filled	% Of SMS posts filled	Total number of SMS post vacant	% Of SMS posts vacant
Director-General (DG)/HOD	1	1	100	0	0
Salary level 16	2	2	100	0	0
Salary level 15	7	4	43	3	43
Salary level 14	20	13	65	7	35
Salary level 13	43	27	63	16	37
Total	**73**	**47**	**64**	**26**	**36**

Table 3.3.1: SMS post information as at 31 March 2023

SMS Level	Total number of funded SMS posts	Total number of SMS post filled	% of SMS posts filled	Total number of SMS post vacant	% of SMS posts vacant
DG/HOD	1	1	100	0	0
Salary level 16	2	1	50	1	50
Salary level 15	7	2	29	5	71
Salary level 14	20	13	65	7	35
Salary level 13	43	24	56	19	44
Total	**73**	**41**	**56**	**32**	**44**

Table 3.3.2: SMS post information as at 30 September 2022

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
DG/ HOD	0	0	0
Salary Level 16	0	0	0
Salary Level 15	2	0	0
Salary Level 14	2	0	0
Salary Level 13	2	0	0
Total	**6**	**0**	**0**

Table 3.3.3: Advertising and filling SMS posts for the period 1 April 2022 and 31 March 2023

Reasons for vacancies not advertised within 6 months
Vacant posts not advertised are due to the amendments to the structure that is still in process.

Reasons for vacancies not filled within 12 months
Amendments to the structure (still in process) were not finalised within 12 months. 17 Vacancies were filled.

Table 3.3.4: Reasons for not having complied with the filling of funded vacant SMS advertised within 6 months after becoming vacant for the period 1 April 2022 to 31 March 2023

Reasons for vacancies not advertised within 6 months
Due to developments within the Department some vacancies could not be advertised, as the Structure may change.

Reasons for vacancies not filled within 6 months
Due to possible envisaged changes to the Structure in the Department, some vacancies could not be filled.

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 2022 to 31 March 2023

3.4 Job Evaluation

Salary Band	Number of posts approved establishment	Number of Jobs evaluated	% Of posts evaluated by Salary Bands	Posts upgraded		Posts downgraded	
				Number	% Of posts evaluated	Number	% Of posts evaluated
Unskilled (levels 1 -2)	2	0	0%	0	0%	0	0%
Skilled (levels 3 -5)	13	0	0%	0	0%	0	0%
Highly skilled production (levels 6-8)	52	3	0%	1	2%	0	0%
Highly skilled supervision (levels 9-12)	72	1	0%	0	0%	0	0%
Senior Management Service Band A	43	0	0%	0	0%	0	0%
Senior Management Service Band B	20	0	0%	0	0%	0	0%
Senior Management Service Band C	9	0	0%	0	0%	0	0%
Senior Management Service Band D	1	0	0%	0	0%	0	0%
Deputy Minister (DM)	1	0	0%	0	0%	0	0%
Minister	1	0	0%	0	0%	0	0%
Total	**214**	**4**	**1%**	**0**	**0,50%**	**0**	**0%**

Table 3.4.1: Job Evaluation by Salary Band for the period 1 April 2022 to 31 March 2023

Gender	African	Asian	Coloured	White	TOTAL
Female	1	0	0	0	1
Male	0	0	0	0	0
TOTAL	0	0	0	0	0
Employees with disability	0	0	0	0	0
Total	**1**	**0**	**0**	**0**	**1**

Table 3.4.2: Profile of Employees whose positions were upgraded due to their posts being upgraded for the period 1 April 2022 to 31 March 2023

Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
Total number of Employees whose salaries exceeded the level determined by job evaluation	0	0	0	0
Percentage of Total employed	**0%**	**0%**	**0%**	**0%**

Table 3.4.3: Employees with salary levels higher than those determined by job evaluation by occupation for the period 1 April 2022 to 31 March 2023

3.5 Employment changes

Salary Band	Number of Employees at beginning of period 1 April 2022	Appointments and transfers into the Department	Terminations and transfers out of the Department	Turnover rate
Unskilled (1-2)	1	1	1	100,00
Skilled (level 3-5)	15	4	2	13,30
Highly skilled production (levels 6-8)	43	1	1	2,30
Highly skilled supervision (levels 9-12)	61	2	7	11,50
Senior Management Services Bands A	27	5	4	14,80
Senior Management Services Bands B	13	1	0	0,00
Senior Management Service Bands C	1	3	1	100,00
Senior Management Service Bands D	3	0	0	0,00
Deputy Minister	1	0	0	0,00
Minister	1	0	0	0,00
Total	**166**	**17**	**16**	**9,60**

Table 3.5.1: Annual turnover rates by Salary Band for the period 1 April 2022 to 31 March 2023

Critical occupation	Number of Employees at beginning of period April 2022	Appointments and transfers into the Department	Terminations and transfers out of the Department	Turnover rate
Administrative related, permanent	29	2	3	10,00
Cleaners in Offices Workshops, Hospitals etc. permanent	4	0	2	50,00
Client information Clerks (switchboard, reception, information Clerks), permanent	6	4	1	17,00
Communication and information related, permanent	5	0	0	0,00
Finance and economics related, permanent	12	0	1	8,00

Critical occupation	Number of Employees at beginning of period April 2022	Appointments and transfers into the Department	Terminations and transfers out of the Department	Turnover rate
Financial clerks and credit controllers, permanent	7	0	0	0,00
Food services aids and waiters, permanent	4	1	1	25,00
HOD/CEO, permanent	1	0	0	0,00
Human Resources & organisational development & related professions, permanent	10	0	0	0,00
Information Technology related, permanent	5	1	1	20,00
Library mail and related clerks, permanent	8	0	0	0,00
Logistical support personnel, permanent	6	0	1	17,00
Messengers, Porters and Deliverers, permanent	3	1	0	0,00
Security officers, permanent	2	0	0	0,00
Secretaries and Keyboard Operating Clerks	21	1	3	14,00
Senior Managers, permanent	43	7	9	21,00
Other occupations	2	0	0	0,00
Total	**166**	**17**	**16**	**10,00**

Table 3.5.2: Annual turnover rates by Critical Occupation for the period 1 April 2022 to 31 March 2023

Termination type	Number	% of Total Resignations
Death	1	6.25%
Resignation	5	31.25%
Expiry of contract	8	50%
Dismissal – operational changes	0	0%
Dismissal – misconduct	0	0%
Dismissal – inefficiency	0	0%
Discharged due to ill-health	0	0%
Retirement	0	0%
Transfer to other Public Service Departments	2	12.5%
Other	0	0%
Total	**16**	**100%**
Total number of Employees who left as a % of total employment	**169**	**9%**

Table 3.5.3: Reasons why Staff left the Department for the period 1 April 2022 to 31 March 2023

Occupation	Employees 1 April 2020	Promotion 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, permanent	29	0	0%	16	55%
Client information Clerks (switchboard, reception, information Clerks), permanent	4	0	0%	1	25%
Communication and information related, permanent	5	0	0%	3	60%
Finance and economics related, permanent	13	0	0%	9	69%
Financial clerks and credit controllers, Permanent	7	0	0%	5	71%
Food services aids and Waiters, Permanent	8	0	0%	2	25%
HOD/CEO, permanent	1	0	0%	0	0%
Human resources & organisational development & related professions, permanent	10	0	0%	6	60%
Information Technology related, permanent	5	0	0%	4	80%
Library mail and related Clerks, permanent	8	0	0%	4	50%
Logistical support personnel, permanent	6	0	0%	2	33%
Messengers, Porters and Deliverers, permanent	3	0	0%	1	33%
Security officers, permanent	2	0	0%	2	100%
Secretaries and Keyboard Operating Clerks	21	0	0%	17	81%
Senior Managers, permanent	43	0	0%	24	56%
Other occupations	2	0	0%	0	0%
Total	**166**	**0**	**0%**	**96**	**58%**

Table 3.5.4: Promotions by critical occupation for the period 1 April 2022 to 31 March 2023

Salary Band	Employees 1 April 2020	Promotion to another Salary level	Salary level 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
Unskilled	1	0	0%	0	0%
Skilled (level 3-5)	15	0	0%	4	27%

Salary Band	Employees 1 April 2020	Promotion to another Salary level	Salary level 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
Highly skilled Production (levels 6-8)	43	0	0%	34	79%
Highly skilled Supervision (level 9-12)	61	0	0%	34	56%
Senior Management (level 13-16)	44	0	0%	24	55%
Other occupati0ns	2	0	0%	0	0%
Total	**166**	**0**	**0%**	**96**	**59%**

Table 3.5.5: Promotions by Salary Band for the period 1 April 2022 to 31 March 2023

3.6 Employment Equity

Occupational category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, Senior Officials and Managers, permanent	24	2	1	0	16	1	1	1	46
Professionals, permanent	18	0	1	0	14	2	0	2	37
Technicians and associate professionals, permanent	0	0	0	0	0	0	0	0	0
Clerks, permanent	18	0	0	1	41	1	0	3	64
Service and sales workers, permanent	5	1	0	0	12	1	0	0	18
Total	**65**	**3**	**2**	**1**	**83**	**5**	**1**	**6**	**166**

Table 3.6.1: Total number of Employees (including employees with disabilities) in each of the above occupational categories as at 31 March 2022

Occupational Band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	3	0	1	0	1	0	2	0	7
Senior Management	21	3	1	1	11	1	1	1	40
Professionally qualified and experienced specialists and mid-management	14	0	1	0	15	2	0	2	34
Skilled technical and academically qualified workers, Junior Management, Supervisors, Foreman and Superintendents	18	0	0	1	39	2	0	3	63

Occupational Band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Semi-skilled and discretionary decision making	6	1	0	0	16	0	0	0	23
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
Total	**62**	**4**	**3**	**2**	**82**	**5**	**3**	**6**	**167**

Table 3.6.2: Total number of Employees (including employees with disabilities) in each of the above Occupational Bands as at 31 March 2023

Occupational Band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	0	0		0	0	0	1	0	1
Senior Management	2	1	3	1	0	0	1	0	8
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	0	0	0	0	2	0	0	0	2
Semi-skilled and discretionary decision making	1	0	0	0	3	0	0	0	4
Unskilled and defined decision making	0	0	0	0	1	0	0		1
Total	**4**	**1**	**3**	**1**	**6**	**0**	**1**	**0**	**17**
Employees with disabilities	0	0	0	0	0	0	0	0	0

Table 3.6.3: Recruitment for the period 1 April 2022 to 31 March 2023

Occupational Band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	0	0	0	0	0	0	0	0	0
Senior Management	0	0	0	0	0	0	0	0	0
Professionally qualified and experienced specialists and mid-management	0	0	0	0	0	0	0	0	0

Occupational Band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Skilled technical and academically qualified workers, Junior Management, Supervisors, Foreman and Superintendents	0	0	0	0	0	0	0	0	0
Semi-skilled and discretionary decision making	0	0	0	0	0		0	0	0
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Employees with disabilities	0	0	0	0	0	0	0	0	0

Table 3.6.4: Promotions for the period 1 April 2022 to 31 March 2023

Occupational Band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	0	0	0	0	1	0	0	0	1
Senior Management,	2	0	0	0	2	0	0	0	4
Professionally qualified and experienced specialists and mid-management	4	0	0	0	1	0	0	0	5
Skilled technical and academically qualified workers, Junior Management, Supervisors, Foremen	2	0	0	0	2	0	0	0	4
Semi-skilled and discretionary decision making	0	0	0	0	2	0	0	0	2
Total	**8**	**0**	**0**	**0**	**8**	**0**	**0**	**0**	**16**

Table 3.6.5: Terminations for the period 1 April 2022 to 31 March 2023

Disciplinary action	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Unethical conduct	1	0	0	0	0	0	0	0	1
Insubordination	3	0	0	0	0	0	0	0	3
Dereliction of duty	5	0	0	0	1	0	1	0	7
Total	**11**	**0**	**0**	**0**	**1**	**0**	**1**	**0**	**11**

Table 3.6.6: Disciplinary action for the period 1 April 2022 to 31 March 2023

Occupational category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, Senior Officials and Managers	1	0	0	0	1	0	0	0	2
Professionals	4	0	0	0	4	0	0	0	8
Technicians and associate professionals	4	0	0	0	2	0	0	0	6
Clerks	0	0	0	0	3	0	0	0	3
Plant and machine operators and assemblers	0	0	0	0	0	0	0	0	0
Elementary occupations	0	0	0	0	2	0	0	0	2
Total	**9**	**0**	**0**	**0**	**12**	**0**	**0**	**0**	**21**
Employees with disabilities	1	0	0	0	0	0	0	0	1

Table 3.6.7: Skills Development for the period 1 April 2022 to 31 March 2023

3.7 Signing of Performance Agreements by SMS members

SMS level	Total number of funded SMS posts	Total number of SMS members	Total number of signed Performance Agreements	Signed Performance Agreements as a % of total number of SMS members
D/HOD	1	1	1	100%
Salary level 15	9	1	‘-	100%
Salary level 14	20	13	12	92%
Salary level 13	43	25	25	100%
Total	**73**	**40**	**39**	**98%**

Table 3.7.1: Signing of a Performance Agreement by SMS members as at 31 May 2022

Reasons
One SMS member could not conclude the Performance Agreement as the SMS member was transferred to another branch during the period of submission of Performance Agreements.

Table 3.7.2: Reasons for not having concluded a Performance Agreement with all SMS members as at 31 March 2023

Reasons
None.

Table 3.7.3: Disciplinary steps taken against SMS members for not having concluded Performance Agreements as at 31 March 2023

3.8 Performance Rewards

Race and Gender	Beneficiary Profile			Cost	
	Number of beneficiaries	Number of Employees	% Of total within group	Cost R'000	Average cost per Employee
African					
Male	0	65	0%	0	0
Female	0	83	0%	0	0
Indian					
Female	0	1	0%	0	0
Male	0	2	0%	0	0
Coloured					
Female	0	5	0%	0	0
Male	0	3	0%	0	0
White					
Female	0	6	0%	0	0
Male	0	1	0%	0	0
Total	**0**	**166**	**0%**	**0**	**0**

Table 3.8.1: Performance rewards by race, gender and disability for the period 1 April 2021 to 31 March 2022

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 (R'000)	
Semiskilled (1-2)	0	1	0%	0	0	0%
Skilled (Levels 3-5)	0	14	0%	0	0	0%
Highly skilled production (Levels 6-8)	0	45	0%	0	0	0%
Highly skilled supervision (Levels 9-12)	0	61	0%	0	0	0%
Total	**0**	**121**	**0%**	**0**	**0**	**0%**

Table 3.8.2: Performance rewards by Salary Band for personnel below Senior Management level for the period 1 April 2021 to 31 March 2022

Critical occupation	Beneficiary profile			Cost	
	Number of beneficiaries	Number Of Employees	% Of total within Salary Bands	Total cost (R'000)	Average cost per Employee (R'000)
Administrative related	0	29	0%	0	0
Cleaners in offices, workshops, hospitals, etc	0	4	0%	0	0
Client inform Clerks (switchboard, reception, information Clerks)	0	3	0%	0	0
Communication and information related	0	5	0%	0	0
Financial and Economic related	0	9	0%	0	0
Financial and related professionals	0		0%	0	0
Financial Clerks and Credit Controllers	0	6	0%	0	0
Food services aids	0	4	0%	0	0
HOD/CEO	0	1	0%	0	0
Human Resources related	0	10	0%	0	0
Information Technology related	0	5	0%	0	0
Library mail and related Clerks	0	7	0%	0	0
Logistical support personnel	0	6	0%	0	0
Material-recording and transport Clerks	0	0	0%	0	0
Messengers, Porters and Deliverers	1	3	0%	0	0
Secretaries & other keyboard operating Clerks	0	28	0%	0	0
Security officers	0	2	0%	0	0
Senior Managers	0	42	0%	0	0
Other occupations	0	2	0%	0	0
Total	**0**	**166**	**0%**	**0**	**0**

Table 3.8.3: Performance rewards by Critical Occupation for the period 1 April 2021 to 31 March 2022

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 (R'000)	
Band A	0	27	0%	0	0	0%
Band B	0	13	0%	0	0	0%
Band C	0	1	0%	0	0	0%
Band D	0	1	0%	0	0	0%
Total	**0**	**42**	**0%**	**0**	**0**	**0%**

Table 3.8.4: Performance related rewards (cash bonus), by Salary Band at Senior Management level for the period 1 April 2021 to 31 March 2022

3.9 Foreign workers

Salary Band	1 April 2022		31 March 2023		Change	
	Number	% Of total	Number	% Of total	Number	% Change
Lower skilled (3-5)	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%
Senior Management (Level 13-16)	0	0%	0	0%	0	0%
Total	**0**	**0%**	**0**	**0%**	**0**	**0%**

Table 3.9.1: Foreign workers by Salary Band for the period 1 April 2022 to 31 March 2023

Major Occupation	1 April 2020		31 March 2021		Change	
	Number	% Of total	Number	% Of total	Number	% Change
Senior Management	0	0%	0	0%	0	0%
Total	**0**	**0%**	**0**	**0%**	**0**	**0%**

Table 3.9.2: Foreign workers by Major Occupation for the period 1 April 2022 to 31 March 2023

3.10 Leave utilisation

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 skilled (1-2)	4	0,00%	1	0,80%	4	3
Skilled (Levels 3-5)	104	57,70%	9	6.90%	12	79
Highly skilled Production (Levels 6-8)	405	66,70%	41	31,30%	10	671
Highly skilled Supervision (Level 9 – 12)	476	1,70%	51	38,90%	9	23
Top and Senior Management (Levels 13 – 16)	338	7.40%	30	22,90%	11	201
Total	**1327**	**73,90%**	**131**	**100,00%**	**10**	**3 888**

Table 3.10.1: Sick leave for the period 1 January 2022 to December 2022

Salary Band	Total days	% Days with medical certification	Number of Employees using sick leave	% Of total Employees using sick leave	Average days per Employee	Estimated cost (R'000)
Skilled (Levels 3-5)	0	0,00%	0	0,00%	0	0
Highly skilled Production (Levels 6-8)	0	0,00%	0	0,00%	0	0
Highly skilled Supervision (Level 9 – 12)	3	100,00%	1	100,00%	3	100
Top and Senior Management (Levels 13 – 16)	0	0,00%	0	0,00%	0	0
Total	**3**	**100,00%**	**1**	**100%**	**3**	**100**

Table 3.10.2: Disability leave (temporary and permanent) for the period 1 January 2022 to 31 December 2022

Salary Band	Total days taken	Number of Employees using annual leave	Average per Employee
Lower skills (Level 1-2)	22	22	1
Skilled (Levels 3-5)	57	39	16
Highly skilled Production (levels 6-8)	1 175	50	45
Highly skilled Supervision (Levels 9-12)	1 590	45	62
Senior Management (Levels 13-16)	1085	43	45
Total	**4129**	**24**	**169**

Table 3.10.3: Annual leave for the period 1 January 2022 to 31 December 2022

Salary band	Total days of Capped leave taken	Number of Employees using Capped leave	Average numberof days taken per Employee	Average Capped leave per Employee as on 31 March 2021
Skilled (Levels 3-5)	0	0	0	0
Highly skilled production (levels 6-8)	0	0	0	20
Highly skilled supervision (Levels 9-12)	0	0	0	33
Senior Management (Levels 13-16)	0	0	0	47
Total	**0**	**0**	**0**	**32**

Table 3.10.4: Capped leave for the period 1 January 2022 to 31 December 2022

Reason	Total amount (R'000)	Number of Employees	Average per Employee (R'000)
Discounting with resignation (Workdays)	435	9	48 333
Discounting: Unused vacation credits (Workdays)	158	1	158 000
Total	**593**	**10**	

Table 3.10.5: Leave payout for the period 1 April 2022 to 31 December 2023

3.11 HIV/AIDS & Health Promotion Programmes

Units/categories of Employees identified to be at high risk of contracting HIV and related diseases (if any)	Key steps taken to reduce the risk
There are no high-risk categories of Employees identified in the Department. The risk is regarded the equivalent to all Employees.	Quarterly Voluntary Counselling and Testing (VCT), and awareness on treatment available.

Table 3.11.1: Steps taken to reduce the risk of Occupational exposure

	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		Lubabalo Dambuza Acting Director: EHW & ER and Office Management.

	Question	Yes	No	Details, if yes
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		Two employees are dedicated to the Unit: The Annual budget allocated is R 450 000.
3.	Has the Department introduced an Employee Assistance or Health Promotion Programme for your employees? If so, indicate the key elements/services of this programme.	X		The Department through the Employee Wellness Programme has put the following in place: • The 24 hrs Counselling Service focusses on: • Emotional and Personal difficulties, • HIV/AIDS, • General Health issues, • Bereavement, and loss, • Family and Relationships, • Psycho-social Counselling, • Change management, • Financial matters, • Legal concerns, • Career counselling, and • Violence, and Trauma.
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	There is no Committee established, matters related to EHW are referred to Chief Director: SHR & OM.
5.	Has the Department reviewed its Employment Policies and practices to ensure that these do not unfairly discriminate against employees on the basis of their HIV status? If so, list the employment policies/practices reviewed.	x		HIV & AIDS and TB Policy. • Employee Health and Wellness (EHW) Policy. • Recruitment Policy. • Leave Policy. • Performance Development and Management System (PMDS).
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		Employees in the Department are not obliged to disclose their HIV status. The Department is not recording names.
7.	Does the Department encourage its employees to undergo VCT? If so, list the results that you have you achieved.	X		52 employees have done VCT in the 2022/23 financial year through our Stakeholder GEMS.
8.	Has the Department developed measures/indicators to monitor & evaluate the impact of its health promotion programme? If so, list these measures/ indicators.	X		The Department reports quarterly on the number of employees participating in wellness activities including employees undergoing EHW Counselling services.

Table 3.11.2: Details of Health promotion and HIV/AIDS programmes

3.12 Labour Relations

Subject matter	Date
Total number of Collective agreements	0

Table 3.12.1: Collective agreements for the period 1 April 2022 to 31 March 2023

Outcomes of Disciplinary hearings	Number	% Of total
Correctional counselling	0	0%
Verbal warning	6	55%
Written warning	4	36%
Final written warning	1	9%
Suspended without pay	0	0%
Fine	0	0%
Demotion	0	0%
Dismissal	0	0%
Not guilty	0	0%
Case withdrawn	0	0%
Total	**11**	**100%**
Total number of Disciplinary hearings finalised		0

Table 3.12.2: Misconduct and disciplinary hearings finalised for the period 1 April 2022 to 31 March 2023

Type of misconduct	Number	% Of total
Unethical conduct	1	25%
Dereliction of duty	3	75%
Total	**4**	**100%**

Table 3.12.3: Types of Misconduct addressed at disciplinary hearings for the period 1 April 2022 to 31 March 2023

Grievances	Number	% Of total
Number of grievances resolved	1	25%
Number of grievances not resolved	3	75%
Total number of grievances logged	**4**	**100%**

Table 3.12.4: Grievances logged for the period 1 April 2022 to 31 March 2023

Disputes	Number	% Of total
Number of disputes upheld	0	0%
Number of disputes withdrawn	2	50%
Number of disputes pending	2	50%
Total number of disputes logged	**4**	**100%**

Table 3.12.5: Disputes logged with Councils for the period 1 April 2022 to 31 March 2023

Number of people suspended	1
Number of people whose suspension exceeded 30 days	1
Average number of days suspended	190
Cost of suspension(R'000)	**R1 109 279**

Table 3.12.6: Precautionary suspensions for the period 1 April 2022 to 31 March 2023

3.13 Skills Development

Occupational category	Gender	Number of Employees as on 1 April 2022	Training needs identified at start of the Reporting period			
			Internship	Skills programmes & other short courses	Other forms of training	Total
Legislators, Senior Officials and Managers	Female	22	0	0	1	4
	Male	25	0	0		
Professionals	Female	20	0	25		30
	Male	17	0			
Technicians and associate professionals	Female	14	0	0	1	15
	Male	10	0			
Administration/Clerks	Female	34	0	5		8
	Male	12	0			
Elementary occupations	Female	11	0	0		
	Male	5	0			
Sub-total	Female	101	0	0	0	0
	Male	69	0			
Total		**170**	**0**	**37**	**10**	**49**

Table 3.13.1: Training needs identified for the period 1 April 2022 to 31 March 2023

Occupational category	Gender	Number of Employees as on 1 April 2022	Training needs identified at start of the Reporting period			
			Internship	Skills programmes & other short courses	Other forms of training	Total
Legislators, Senior Officials and Managers	Female	22	0	32	25	57
	Male	25	0			
Professionals	Female	20	0	38	15	53
	Male	17	0			
Technicians and associate professionals	Female	14	0	42	32	74
	Male	10	0			
Clerks	Female	34	0	44	16	60
	Male	12	0			
Elementary occupations	Female	11	0	8	6	14
	Male	5	0			
Sub-total	Female	101	0	0	0	0
	Male	69	0			
Total		**170**	**0**	**164**	**94**	**258**

Table 3.13.2: Training provided for the period 1 April 2022 to 31 March 2023

Nature of injury on duty	Number	% Of total
Required basic medical attention only	0	0%
Temporary total disablement	0	0%
Permanent disablement	0	0%
Fatal	0	0%
Total	**0**	**0%**

Table 3.13.3: Injury on duty for the period 1 April 2022 to 31 March 2023

3.14 Utilisation of Consultants

Project Title	Total number of Consultants that worked on the project	Duration (workdays)	Contract value in Rand
Forensic investigation for alleged corruption	3	12	85 250.08
Forensic investigation for alleged corruption/ nepotism	3	18	184 469.20
Corporate Governance handbook review	4	60	992 772.52
Public Protector Subpoenas	4	22	1 323 327.71
Evaluation of the effectiveness and impact of State-Owned Companies (SOCs) Skills Development programmes	6	190	490 614.00
Assist in determination optimal operating model for SOC's diamond asset for the approximately duration of 12 months	7	210	233 683.68
Minority Shareholder oversight	9	60	776 250.00
Project Bhabha: SEP transaction for SAA	29	365	6 773 149.50
Hosting and maintenance of DPE website and intranet	2	365	150 420.00
Crisis communication, strategic media and communication support	3	365	150 420.00
Information and Communication technology (ICT) Forensic investigation services	3	35	801 894.66
Managed ICT security services	4	365	582 750.00
On demand support	3	365	280 853.00
Teammate migration to latest Teammate + version	2	18	434 700.00
ICT audit review	5	182	420 000.00
Quality assurance review of the internal audit function	5	90	181 989.00
Maintenance and support of the open text eDOCS DM and RM System	3	60	578.899.98
Total	**95**	**2 782**	**14 761 285.48**

Table 3.14.1: Report on Consultant appointments using Appropriated funds

Project title	Percentage ownership HDI groups	Percentage Management by HDI group	Number of Consultants from HDI groups that worked on the project
Forensic investigation for alleged corruption	72%	60%	1
Forensic investigation for alleged corruption/ nepotism	74.4%	74.4%	2
Corporate Governance handbook review	100%	100%	4
Public Proctor Subpoenas	70%	70%	4
Evaluation of the effectiveness and impact of SOC's Skills Development programmes	100%	100%	4
Assist in determination optimal operating model for SOC's diamond asset for the approximately duration of 12 months	100%	67%	4
Minority Shareholder oversight	100%	100%	7
Project Bhabha: SEP transaction for SAA	25%	177.93%	12
Hosting and maintenance of DPE website and intranet	100%	100%	2
Crisis communication, strategic media and communication support	100%	100%	3
ICT Forensic investigation services	88%	84%	1
Managed ICT security services	100%	100%	4
On demand support	100%	100%	3
Teammate migration to latest Teammate +version	0%	0%	0
ICT audit review	100%	100%	5
Quality assurance review of the internal audit function	48.48%	90%	4
Maintenance and support of the open text e DOCS DM and RM System	51%	51%	1

Table 3.14.2: Analysis of Consultant appointments using appropriated funds, in terms of Historically Disadvantaged Individuals (HDIs) for the period 1 April 2022 and March 2023

3.15 Consultants appointments

Note 3.15.1 Report on Consultant appointments using Donor funds for the period 1 April 2022 and 31 March 2023

None.

Note 3.15.2 Analysis of Consultant appointments using Donor funds, in terms of HDIs for the period 1 April 2022 and March 2023

None.

3.16 Severance packages

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
Skilled (Levels 3-5)	0	0	0	0
Highly skilled production (Level. 6-8)	0	0	0	0
Highly skilled supervision (Levels 9-12)	0	0	0	0
Senior management (Level 13-16)	0	0	0	0
Total	**0**	**0**	**0**	**0**

Table 3.16.1: Granting of employee-initiated severance packages for the period 1 April 2022 to 31 March 2023

PART E:

PFMA COMPLIANCE REPORT

1. IRREGULAR, FRUITLESS AND WASTEFUL AND UNAUTHORISED EXPENDITURE

1.1 Irregular expenditure

a) Reconciliation of Irregular expenditure

Description	2022/2023	2021/2022
	R'000	R'000
Opening balance	35 624	32 588
Prior Period Error	-	-
As Restated	-	32 588
Add: Irregular expenditure	3 098	3 037
Less: Irregular expenditure condoned	-	-
Less: Irregular expenditure transferred to receivables for recovery	-	-
Less: Irregular expenditure written off	-	(1)
Less: Irregular expenditure not condoned and removed	-	-
	-	-
Closing balance	**38 722**	**35 624**

Irregular expenditure identified during 2021/22 was investigated and referred to Labour Relations to institute disciplinary actions against responsible officials.

Irregular expenditure in the 2022/23 relates to deficiencies in the appointment of a Service Provider and is a cumulative figure which forms part of the 2021/22 financial year irregular expenditure. The matter will be recommended for condonation as the Department did not suffer any loss as a result of this transaction.

b) Details of current and previous year irregular expenditure (under assessment, determination, and investigation)

Disciplinary steps taken
Disciplinary steps were taken. All officials concerned were issued with final written warnings.

1.2 Fruitless and wasteful expenditure

a) Reconciliation of Fruitless and wasteful expenditure

Description	2022/2023	2021/2022
	R'000	R'000
Opening balance	5	14
Prior Period Error	-	-
As Restated	5	-
Add: Fruitless and wasteful under assessment	-	-
Less: Fruitless and wasteful transferred to receivables for recovery	-	-
Less: Fruitless and wasteful expenditure written off	-	(9)
Closing balance	**5**	**5**

An amount of R5 000 relates to no show.

b) **Details of current and previous year Fruitless and wasteful expenditure (under assessment, determination, and investigation)**

Disciplinary steps taken
Disciplinary steps were taken.

1.3 Unauthorised expenditure

a) **Reconciliation of Unauthorised expenditure[1]**

Description	2022/2023	2021/2022
	R'000	R'000
Opening balance	15 160	-
Add: Unauthorised expenditure under assessment, determination, or investigation	-	-
Less: Unauthorised expenditure approved with funding	-	-
Less: Unauthorised expenditure approved without funding	-	15 160
Less: Unauthorised expenditure transferred to receivables for recovery	-	-
Less: Unauthorised expenditure recovered	15 160	
Less: Unauthorised not recovered and written off[1]	-	-
Closing balance	**-**	**15 160**

Unauthorised expenditure incurred in the 2021/22 financial year relates to payment made prior to obtaining approval. These funds have since been recovered and paid over to the National Revenue Fund (NRF).

b) **Details of current and previous year Unauthorised expenditure (under assessment, determination, and investigation)**

Disciplinary steps taken
Disciplinary steps were taken. All officials concerned were issued with warning letters.

2. LATE AND/OR NON-PAYMENT OF SUPPLIERS

Description	Number of invoices	Consolidated Value
		R'000
Valid invoices received	3 248	75 958
Invoices paid within 30 days or agreed period	3 241	73 465
Invoices paid after 30 days or agreed period	7	2 478
Invoices older than 30 days or agreed period (unpaid and without dispute)	-	-
Invoices older than 30 days or agreed period (unpaid and in dispute)	-	-

Late payment of invoices was caused by late verification of invoices, system unavailability and/or late finalisation of Service Level Agreements (SLAs).

1 This amount may only be written off against available savings.

PART F

FINANCIAL INFORMATION

Table of Contents

Report of the auditor-general to Parliament on vote no. 10: the Department of Public Enterprises

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Department of Public Enterprises set out on pages 175 to 215, which comprise the appropriation statement, statement of financial position as at 31 March 2023, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department of Public Enterprises as at 31 March 2023, and its financial performance and cash flows for the year then ended in accordance with the Modified Cash Standard (MCS) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.

4. I am independent of the department in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

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

Investments

7. As disclosed in note 13.1 to the financial statements, the department has impairments of investments of R76,592 billion (R70,5 billion), these are a reflection of changes in the net asset positions of State-Owned Companies (SOCs).

Contingent Liabilities

8. As disclosed in note 19.1 to the financial statements the department has contingent liabilities of R371,24 billion (2022: R326,2 billion). This includes funds guaranteed by government, which would be a direct charge against the National Revenue Fund as well as Governments' commitments to settle state owned companies' liabilities as a result of their continued financial constraints.

Other matters

9. I draw attention to the matters below. My opinion is not modified in respect of these matters.

National Treasury Instruction No. 4 of 2022/2023: PFMA Compliance and Reporting Framework

10. On 23 December 2022 National Treasury issued Instruction Note No. 4: PFMA

Compliance and Reporting Framework of 2022-23 in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA, which came into effect on 3 January 2023. The PFMA Compliance and Reporting Framework also addresses the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure. Among the effects of this framework is that irregular and fruitless and wasteful expenditure incurred in previous financial years and not addressed is no longer disclosed in the disclosure notes of the annual financial statements, only the current year and prior year figures are disclosed in note 24 to the financial statements. The movements in respect of irregular expenditure and fruitless and wasteful expenditure are no longer disclosed in the notes to the annual financial statements of the Department of Public Enterprises. The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under assessment, under determination and under investigation) are now required to be included as part of other information in the annual report of the auditees. I do not express an opinion on the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure in the annual report.

Unaudited supplementary schedules

11. The supplementary information set out on pages 216 to 228 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion on them.

Responsibilities of the accounting officer for the financial statements

12. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Modified Cash Standards and the requirements of the Public Finance Management Act 1 of 1999, 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.

13. In preparing the financial statements, the accounting officer is responsible for assessing the department's ability to continue as a going concern, disclosing, as applicable, matters relating to the going concern, and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the department, or to cease operations or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the financial statements

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

15. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

16. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported

performance against pre-determined objectives for selected programmes presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

17. I selected the following programmes presented in the annual performance report for the year ended 31 March 2023 for auditing. I selected programmes that measures the department's performance on its primary mandated functions and that are of significant national, community or public interest.

Programme	Page numbers	Purpose
Programme 2: SOC Governance Assurance and Performance	41	Provide and enforce SOCs Governance, legal assurance, financial and non-financial performance monitoring, evaluation, and reporting systems, in support of the Shareholder to ensure alignment with Government's priorities.
Programme 3: Business Enhancement and Industrialisation	46	Provide sector oversight of SOCs by advancing industrialisation, transformation, Inter-Governmental relations and International collaboration services, and support the Shareholder to strategically position and enhance the operations of SOCs.

18. I evaluated the reported performance information for the selected programmes against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the department's planning and delivery on its mandate and objectives.

19. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the department's mandate and the achievement of its planned objectives,
- the indicators are well defined and verifiable to ensure that they are easy to understand and applied consistently, and that I can confirm the methods and processes to be used for measuring achievements,
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated,
- the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents,
- the reported performance information is presented in the annual performance report in the prescribed manner, and
- there are adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

20. I performed the procedures for the purpose of reporting material findings only, and not to express an assurance opinion.

21. The material findings on the performance information of the selected programmes are as follows:

Programme 2 SOC Governance Assurance and Performance

Various indicators

The indicators were included in the approved annual performance plan and strategic plan, but then not clearly defined during planning processes. It was also not determined how the related targets would be measured and what evidence would be needed to support the achievements. Consequently, the information might be less useful for measuring performance.

Indicator	Planned Target
Report on activities and recommendations of PSEC.	Annual PSEC Report on activities and recommendations.
Centre of Excellence on Governance established.	Governance Centre of Excellence on Governance established.
Number of SOCs restructuring unit business plan developed and unit established.	SOCs restructuring unit business plan developed and unit established.
% on SOCs compliance reporting (i.e., Corporate Plans (CP), Quarterly reports, PFMA section 66 applications).	100% assessment compliance reports received.

Various indicators

There was no link between the indicators and targets listed in the table below, and the achievement of planned objectives and strategic goals, as they did not measure actual service delivery.

Indicator	Planned Target	Misstatement
Report on activities and recommendations of PSEC.	Annual PSEC Report on activities and recommendations.	The indicator and target measured the number of reports prepared, instead of the number of PSEC activities performed and recommendations given.
% on SOCs compliance reporting (i.e., Corporate Plans (CP), Quarterly reports, PFMA section 66 applications).	100% assessment compliance reports received.	The indicator and target measured the number of reports prepared instead of reporting on the status of compliance of the SOC's.

Programme 3 - Business Enhancement and Industrialisation

Various indicators

Two targets included in the approved annual performance plan and strategic plan were changed without the necessary approval.

Indicator	Initial target (APP)	Reported target
Number of signed Shareholder Compacts per year (Eskom).	Three 2023/24 Shareholder compacts signed (Eskom).	One 2023/24 Shareholder Compact signed (Eskom).
Number of Assessment Reports on increased electricity reserve margin.	Four Assessments Reports on Eskom's intervention to increase electricity reserve margin by 15% by 2024.	15% reserve margin achieved.

Various indicators

The indicators were included in the approved annual performance plan and strategic plan, but then not clearly defined during planning processes. It was also not determined how the related targets would be measured and what evidence would be needed to support the achievements. Consequently, the information might be less useful for measuring performance.

Indicator	Planned Target
% On SOC public procurement spent on Women- Owned Business.	12% on public procurement spent on Women- Owned Business.
SOCs Local content verification framework developed and tested.	Local content verification framework developed and tested with two capital programmes in partnership with SABS.
Increased energy availability factor to above 80% by 2024.	Monitor implementation of Eskom's interventions to increase energy availability to above 70% by 2022/23.
Number of Assessment Reports on Increased electricity reserve margin.	Four Assessments Reports on Eskom's intervention to increase electricity reserve margin by 15% by 2024.
Number of Progress Reports on Additional 1000 MW commissioned by 2024 produced.	Four Progress Reports on additional embedded generation capacity added.
Number of PSP transactions in ports and rail identified.	Private Sector Participation (PSP) in ports and freight rail on 13 transactions identified.

Number of Reports on the maintenance of the energy levels.

I could not determine whether the achievement of 15% reserve margin not achieved reported against a target of Four Assessments Reports on Eskom's intervention to increase electricity reserve margin by 15% by 2024.was correct, as there were no processes to consistently measure and report on achievements against planned indicators. Adequate supporting evidence was also not provided for auditing. Consequently, the reported achievement might be more or less than reported and was not reliable for determining if the target had been achieved

Various indicators

There was no link between the indicators and targets listed in the table below and the achievement of planned objectives and strategic goals, as they did not measure actual service delivery.

Indicator	Planned Target	Misstatement
Number of Assessment Reports on Increased electricity reserve margin.	Four Assessments Reports on Eskom's intervention to increase electricity reserve margin by 15% by 2024.	The indicator and target measured the number of reports prepared instead of the actual increase in the electricity margin reserve.
Number of Progress Reports on Additional 1000 MW commissioned by 2024 produced.	Four Progress Reports on additional embedded generation capacity added.	The indicator and target measured the number of reports prepared, instead of the actual number additional MW commissioned/ added.
Number of Progress Reports on the implementation of "Just" Energy Transition Framework.	Four Monitoring Reports on the implementation of "Just" Energy Transition Framework.	The indicator measured monitoring reports instead of tracking whether there is fair, equitable, inclusive energy transition to a low carbon economy.

Other matters

22. I draw attention to the matters below.

Achievement of planned targets

23. The annual performance report includes information on reported achievements against planned targets and provides explanations for over and under achievements. This information should be considered in the context of the material findings on the reported performance information.

Material misstatements

24. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of programme 2 SOC Governance assurance and performance, and programme 3 Business Enhancement and Industrialisation. Management did not correct all of the misstatements and I reported material findings in this regard.

Report on compliance with legislation

25. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting officer is responsible for the department's compliance with legislation.

26. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

27. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the department, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

28. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Procurement and supply chain management

29. IT related goods and services, classified as mandatory, were not procured through SITA as required by Treasury Regulation 16A6.3(e) and section 7(3) of the SITA Act.

Strategic planning

30. Specific information systems were not implemented to enable the monitoring of progress made towards achieving targets, core objectives and service delivery as required by public service regulation 25(1)(e)(i) and (iii).

Other information in the annual report

31. The accounting officer is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report, and those selected programmes presented in the annual performance report that have been specifically reported on in this auditor's report.

32. My opinion on the financial statements, the report on the audit of the annual performance report ,and the report on compliance with legislation, do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

33. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

34. If, based on the work I have performed on the other information that I obtained prior to the date of this auditor's report, I conclude that there is a material inconsistency of this other information, I am required to report that fact. I have not identified any material inconsistencies with regard to the other information obtained.

35. When I do receive and read the Foreword by the Minister and Deputy Minister's Statement, if I conclude that there is a material inconsistency therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

36. I considered internal control relevant to my audit of the financial statements, annual performance report, and compliance with applicable legislation, however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the opinion, the material findings on the annual performance report, and the material findings on compliance with legislation included in this report.

37. Management did not implement effective controls over the procurement of IT goods, as these were not procured through SITA.

38. Management has not effectively prepared and monitored the preparation and reporting of performance indicators, which has led to material findings on this report.

Auditor-General

Pretoria

31 July 2023

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

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

Financial statements

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made

- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the department to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a department to cease operating as a going concern

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Compliance with Legislation - selected Legislative requirements

The selected Legislative requirements are as follows:

Legislation	Sections or Regulations
Public Finance Management Act 1 1999 (PFMA)	PFMA 38(1)(d) PFMA 43(4) PFMA 39(2)(a) PFMA 39(1)(a) PFMA 38(1)(h)(iii) PFMA 38(1)(c)(ii) PFMA 38(1)(c)(i) PFMA 38(1)(b) PFMA 45(b) PFMA 57(b) PFMA Instruction Note 3 of 2021/22 par. 4.3 and 4.4 PFMA instruction note no.3 of 2021/22 par. 4.2 (b) PFMA section 44 PFMA instruction note no.3 of 2021/22 par. 4.4.(d) PFMA instruction note no.3 of 2021/22 par. 4.3 PFMA SCM Instruction No. 3 of 2021/22 par. 7.2 (tenders advertised on or after 1 April 2022) PFMA SCM instruction note 03 of 2021/22 par 4.1 PFMA instruction note no.3 of 2021/22 definition PFMA instruction note no.3 of 2021/22 par. 4.2 (b) PFMA SCM instruction note 03 of 2021/22 par 4.1 PFMA instruction note no.3 of 2021/22 definition PFMA instruction note no.3 of 2021/22 par. 4.4 (c)
Preferential Procurement reg 2017	Reg 2017 5(7) Reg 2017 5(6) Reg (2017) 5(1) & 5(3) 8(5) Reg 8(2) 6(8), 7(8), 10(1)&(2) & 11(1)
Treasury Regulations	Treasury reg.16A6.4 Treasury reg R16A6.3 (a) and (b) Treasury reg 8.2.1 and 8.2.2 Treasury reg 16A9.1(d) Treasury reg 16A6.4 Treasury reg 16A8.3

Legislation	Sections or Regulations
	Treasury red 16A6. 3Ie)
	Treasury reg 16A6.3(c)
	Treasury reg 16A6 3(b)
	"Treasury reg 16A6.3(a) (i)
	NT Instruction note 4 of 2015/16 par. 3.4
	SBD 6.2 issued in 2015/16
	Treasury reg 16A6.3(a) (i)
	Treasury reg 16A6.1
	Treasury reg 1oA3.2(a)
	Treasury reg 16A3.2 (fairness)
	Treasury reg 16A3.2 (fairness)
	Treasury reg 16A3.2 (fairness)
	TR16A6.6
	TR 9.1.4
	TR 9.1.1
	TR 8.4.1
	TR 8.2.3
	TR 8.2.1
	TR 8.1.1
	TR 7.2.1
	TR 6.4.1(b)
	TR 6.3.1(c)
	TR 6.3.1(b) & (d)
	TR 6.3.1(a) & (d)
	TR 5.3.1
	TR 5.2.3(d)
	TR 5.2.3(a)
	TR 5.2.1
	TR 5.1.1
	TR 4.1.3
	TR 4.1.1
	TR 19.6.1 TR 16A9.1(f)
	TR 16A9.1(e)
	TR 16A9.1(e)

Legislation	Sections or Regulations
	TR 16A6.1(d) TR 16A9.1(b)(ii) TR 16AA.4 TR 16A6.5 TR I 6A6.3fc) TR 16A6.2(b) TR 16A6.2(a) TR 16A.7.7 TR 16A.7.6 TR 16A.7.3 TR 16A.7.1 TR 15.10.1.2(c) Trs 12.5.1 TR 10.1.1(a) TR 10.1.1(a) NT Instruction note 4 of 2015/16 par. 3.4 NT Instruction 4A of 2016/17 par 6 NT Instruction 07 of 2017/18 par 4.3 Treasury reg 16A0.1(e) Treasury reg 16A9.2(a)(ii) Treasury reg 16A8.4 Public Service reg 18(1),(2) Treasury reg 16A8.4 Treasury reg 16A8.4 Treasury reg 16A6.4; SCM Instruction 3 of 2016
PSR	PSR 25(1)(e)(i) PSR 25(1)(e)(iii)

APPROPRIATION STATEMENT

for the year ended 31 March 2023

Appropriation per programme									
	2022/23							2021/22	
	Approved Budget	Shifting of Funds	Virement	Final Budget	Actual Expenditure	Variance	Expenditure as a % of final budget	Final Budget	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Programme									
1. Administration	168 010	-	-	168 010	129 505	38 505	77.1%	138 777	121 078
2. State-Owned Companies (SOCs) Governance Assurance and Performance	60 591	-	-	60 591	42 048	18 543	69.4%	54 900	47 434
3. Business Enhancement, Transformation and Industrialisation	33 916 797	-	-	33 916 797	33 716 904	199 893	99.4%	36 081 142	35 858 677
Programme sub- total	34 145 398	-	-	34 145 398	33 888 457	256 941	99.2%	36 274 819	36 027 190
Statutory Appropriation									
1. Denel	204 700	-	-	204 700	204 700	-	100.0%	3 035 500	3 030 886
TOTAL	**34 350 098**	**-**	**-**	**34 350 098**	**34 093 157**	**256 941**	**99.3%**	**39 310 319**	**39 058 076**

	2022/23				2021/22	
	Final Budget	Actual Expenditure			Final Budget	Actual Expenditure
	R'000	R'000			R'000	R'000
TOTAL (brought forward)	**34 350 098**	**34 093 157**			**39 310 319**	**39 058 076**
Reconciliation with Statement of Financial Performance						
ADD						
Departmental receipts	**1 514**				**619**	
Actual amounts per Statement of Financial Performance (total revenue)	**34 351 612**				**39 310 938**	
Actual amounts per Statement of Financial Performance (total expenditure)		**34 093 157**				**39 058 076**

APPROPRIATION STATEMENT

for the year ended 31 March 2023

Appropriation per economic classification										
	2022/23							2021/22	
	Approved Budget	Shifting of Funds	Virement	Final Budget	Actual Expenditure	Variance	Expenditure as a % of final budget	Final Budget	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Economic classification									
Current payments	291 825	(278)	-	291 547	214 468	77 079	73.6%	245 558	216 848
Compensation of employees	178 741	-	-	178 741	142 027	36 714	79.5%	158 954	140 048
Goods and services	113 084	(278)	-	112 806	72 441	40 365	64.2%	86 604	76 800
Transfers and subsidies	211	278	-	489	468	21	95.7%	756	736
Provinces and Municipalities	19	-	-	19	3	16	15.8%	18	15
Households	192	278	-	470	465	5	98.9%	739	721
Payments for capital assets	3 876	-	-	3 876	3 503	373	90.4%	3 671	775
Machinery and equipment	3 876	-	-	3 876	3 503	373	90.4%	3 671	775
Payments for financial assets	34 054 186	-	-	34 054 186	33 874 719	179 467	99.5%	39 060 333	38 839 717
Total	**34 350 098**	**-**	**-**	**34 350 098**	**34 093 157**	**256 941**	**99.3%**	**39 310 319**	**39 058 076**

APPROPRIATION STATEMENT

for the year ended 31 March 2023

Programme 1: ADMINISTRATION									
	2022/23							2021/22	
	Approved Budget	Shifting of Funds	Virement	Final Budget	Actual Expenditure	Variance	Expenditure as a % of final Budget	Final Budget	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Sub- programme									
1. Ministry	30 885	16	-	30 901	24 710	6 191	80.0%	24 486	23 316
2. Management	14 079	(125)	-	13 954	8 099	5 855	58.0%	9 410	7 482
3. Communication	39 805	(121)	-	39 684	34 753	4 931	87.6%	34 500	29 230
4. Chief Financial Officer (CFO)	22 506	20	-	22 526	17 131	5 395	76.0%	20 876	19 490
5. Human Resources (HR)	33 219	85	-	33 304	21 663	11 641	65.0%	24 299	18 703
6. Internal Audit	7 686	-	-	7 686	4 542	3 144	59.1%	5 184	3 908
7. Corporate Services	5 258	-	-	5 258	3 918	1 340	74.5%	3 734	2 392
8. Office accommodation	14 572	125	-	14 697	14 689	8	99.9%	16 558	16 557
Total for Sub- programmes	**168 010**	**-**	**-**	**168 010**	**129 505**	**38 505**	**77.1%**	**138 777**	**121 078**
Economic classification									
Current payments	163 923	(232)	-	163 691	125 581	38 110	76.7%	134 753	119 956
Compensation of employees	98 657	-	-	98 657	74 552	24 105	75.6%	79 875	71 868
Goods and services	65 266	(232)	-	65 034	51 029	14 005	78.5%	54 878	48 088
Transfers and subsidies	211	232	-	443	422	21	95.3%	331	326
Provinces and Municipalities	19	-	-	19	3	16	15.8%	18	15
Households	192	232	-	424	419	5	98.8%	313	311
Payments for capital assets	3 876	-	-	3 876	3 503	373	90.4%	3 671	775
Machinery and equipment	3 876	-	-	3 876	3 503	373	90.4%	3 671	775
Payments for financial assets	-	-	-	-	-	-	-	22	21
Total	**168 010**	**-**	**-**	**168 010**	**129 505**	**38 505**	**77.1%**	**138 777**	**121 078**

APPROPRIATION STATEMENT

for the year ended 31 March 2023

Programme 2: State-Owned Companies Governance Assurance and Performance	2022/23							2021/22	
	Approved Budget	Shifting of Funds	Virement	Final Budget	Actual Expenditure	Variance	Expenditure as a % of final budget	Final Budget	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Sub- programme									
1. Management	3 004	417	-	3 421	3 311	110	96.8%	2 474	1 940
2. Legal	24 895	(417)	-	24 478	15 944	8 534	65.1%	24 835	23 756
3. Governance	20 713	-	-	20 713	11 986	8 727	57.9%	13 710	11 913
4. Financial Assessment & Investment Support	11 979	-	-	11 979	10 807	1 172	90.2%	13 881	9 826
Total for Sub- programmes	**60 591**	**-**	**-**	**60 591**	**42 048**	**18 543**	**69.4%**	**54 900**	**47 434**
Economic classification									
Current payments	60 591	-	-	60 591	42 048	18 543	69.4%	54 742	47 277
Compensation of employees	31 613	-	-	31 613	28 245	3 368	89.3%	31 813	26 846
Goods and services	28 978	-	-	28 978	13 803	15 175	47.6%	22 929	20 431
Transfers and subsidies	-	-	-	-	-	-	-	158	158
Households	-	-	-	-	-	-	-	158	158
Total	**60 591**	**-**	**-**	**60 591**	**42 048**	**18 543**	**69.4%**	**54 900**	**47 434**

APPROPRIATION STATEMENT

for the year ended 31 March 2023

Programme 3: Business Enhancement, Transformation and Industrialisation									
	2022/23							2021/22	
	Approved Budget	Shifting of Funds	Virement	Final Budget	Actual Expenditure	Variance	Expenditure as a % of final budget	Final Budget	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Sub- programme									
1. Energy Resources	21 873 192	-	-	21 873 192	21 867 280	5 912	100.0%	31 704 668	31 702 956
2. Research and Economic Modelling	5 059	-	-	5 059	3 479	1 580	68.8%	7 191	4 276
3. Transport and Defence	12 008 222	-	-	12 008 222	11 825 130	183 092	98.5%	4 347 521	4 130 188
4. Business Enhancement Service	30 324	-	-	30 324	21 015	9 309	69.3%	21 762	21 257
Total for Sub- programmes	**33 916 797**	**-**	**-**	**33 916 797**	**33 716 904**	**199 893**	**99.4%**	**36 081 142**	**35 858 677**
Economic classification									
Current payments	67 311	(46)	-	67 265	46 839	20 426	69.6%	56 063	49 616
Compensation of employees	48 471	-	-	48 471	39 230	9 242	80.9%	47 266	41 335
Goods and services	18 840	(46)	-	18 794	7 609	11 185	40.5%	8 797	8 281
Transfers and subsidies	-	46	-	46	46	-	100.0%	268	253
Households	-	46	-	46	46	-	100.0%	268	253
Payment for financial assets	33 849 486	-	-	33 849 486	33 670 019	179 467	99.5%	36 024 811	35 808 809
Total	**33 916 797**	**-**	**-**	**33 916 797**	**33 716 904**	**199 893**	**99.4%**	**36 081 142**	**35 858 677**

APPROPRIATION STATEMENT

for the year ended 31 March 2023

Programme 4: Direct Charges									
	2022/23							2021/22	
	Approved Budget	Shifting of Funds	Virement	Final Budget	Actual Expenditure	Variance	Expenditure as a % of final budget	Final Budget	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Sub- programme									
1. Denel	204 700	-	-	204 700	204 700	-	100.0%	3 035 500	3 030 886
Total for Sub- programmes	**204 700**	**-**	**-**	**204 700**	**204 700**	**-**	**100.0%**	**3 035 500**	**3 030 886**
Economic classification									
Payment for financial assets	204 700	-	-	204 700	204 700	-	100.0%	3 035 500	3 030 886
Total	**204 700**	**-**	**-**	**204 700**	**204 700**	**-**	**100.0%**	**3 035 500**	**3 030 886**

NOTES TO THE APPROPRIATION STATEMENT

for the year ended 31 March 2023

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, and Annexure 1A-H of the Annual Financial Statements (AFS).

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

Detail of these transactions can be viewed in the Note on Annual Appropriation to the Annual Financial Statements.

3. Detail on payments for financial assets

Detail of these transactions 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

Programme	Final Budget	Actual Expenditure	Variance	Variance as a % of Final Budget
	R'000	R'000	R'000	%
Administration	168 010	129 505	38 505	22.92%
State-Owned Companies Governance Assurance and Performance	60 591	42 048	18 543	30.60%
Business Enhancement, Transformation and Industrialisation	33 916 797	33 716 904	199 893	0.59%
Direct Charges	204 700	204 700	-	-
Total	**34 350 098**	**34 093 157**	**256 941**	**0.75%**

4.2 Per Economic classification

Economic classification	Final Budget	Actual Expenditure	Variance	Variance as a % of Final Budget
	R'000	R'000	R'000	%
Current payments	**291 547**	**241 468**	**77 079**	**26.44%**
Compensation of employees	178 741	142 027	36 717	20.54%
Goods and services	112 806	72 441	40 362	35.78%
Transfers and subsidies	**489**	**468**	**21**	**4.29%**
Provinces and Municipalities	19	3	16	84.21%
Households	470	465	5	1.06%
Payments for capital assets	**3 876**	**3 503**	**373**	**9.63%**
Machinery and equipment	3 876	3 503	373	9.63%
Payments for financial assets	**34 054 186**	**33 874 719**	**179 467**	**0.53%**
Total	**34 350 098**	**34 093 157**	**256 941**	**0.75%**

The under expenditure primarily relates to compensation of employees due to vacant posts and goods and services due to delays in implementing certain projects and payments for financial assets due to savings realised as a result of early settlement of guaranteed debt for one of the State-Owned Companies.

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2023

	Note	2022/23 R'000	2021/22 R'000
REVENUE			
Annual appropriation	1	34 145 398	36 274 819
Statutory appropriation	2	204 700	3 035 500
Departmental revenue	3	1 514	619
TOTAL REVENUE		**34 351 612**	**39 310 938**
EXPENDITURE			
Current expenditure			
Compensation of Employees	5	142 027	140 047
Goods and services	6	72 440	76 800
		214 467	216 847
Transfers and subsidies			
Transfers and subsidies	8	468	737
		468	**737**
Expenditure for capital assets			
Tangible assets	9	3 503	775
		3 503	**775**
Payments for financial assets	7	33 874 719	38 839 717
TOTAL EXPENDITURE		**34 093 157**	**39 058 076**
SURPLUS/(DEFICIT) FOR THE YEAR		**258 455**	**252 862**
Reconciliation of Net Surplus/(Deficit) for the year			
Voted funds		256 941	252 243
Annual Appropriation		256 941	247 629
Statutory Appropriation		-	4 614
Departmental revenue and NRF receipts	15	1 514	619
SURPLUS/(DEFICIT) FOR THE YEAR		**258 455**	**252 862**

STATEMENT OF FINANCIAL POSITION

as at 31 March 2023

	Note	2022/23 R'000	2021/22 R'000
ASSETS			
Current assets		**452 012**	**323 471**
Cash and cash equivalents	10	451 846	323 342
Pre-payments and advances	11	154	109
Receivables	12	12	20
Non-current assets		**339 392 566**	**305 533 135**
Investments	13	339 391 733	305 532 174
Receivables	12	833	961
TOTAL ASSETS		**339 844 579**	**305 856 606**
Current liabilities		**452 109**	**338 723**
Voted funds to be surrendered to the Revenue Fund	14	256 941	154 902
Departmental revenue and NRF Receipts to be surrendered to the Revenue Fund	15	3	3
Payables	16	195 164	183 818
TOTAL LIABILITIES		**452 109**	**338 723**
NET ASSETS		**339 392 470**	**305 517 883**

	Note	2022/23 R'000	2021/22 R'000
Represented by:			
Capitalisation reserve		339 391 733	305 532 174
Recoverable revenue		737	869
Unauthorised expenditure		-	(15 160)
TOTAL		**339 392 470**	**305 517 883**

STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 March 2023

	Note	2022/23 R'000	2021/22 R'000
Capitalisation reserves			
Opening balance		305 532 175	266 692 479
Transfers			
Movement in Equity		33 859 559	38 839 696
Closing balance		**339 391 734**	**305 532 175**
Recoverable revenue			
Opening balance		868	671
Transfers:		(132)	197
Debts recovered (included in Departmental revenue)		(132)	-
Debts raised		-	197
Closing balance		**736**	**868**
Unauthorised expenditure			
Opening balance		(15 160)	-
Unauthorised expenditure - current year		-	(15 160
Less: Amounts recoverable		15 160	-
Closing Balance		-	(15 160)
TOTAL		**339 392 470**	**305 517 883**

Movement in Equity includes amounts of R21.9 billion paid to Eskom, R5.8 billion paid to Transnet, R3.4 billion paid to Denel, and R2.8 billion paid to South African Airways (SAA).

- Eskom and SAA, the allocations were earmarked for payment of guaranteed debt.
- Transnet was allocated R2.9 billion to repair infrastructure damaged by floods and R2.94 billion to accelerate repair and maintenance of long standing out of service locomotives, and
- Denel, the allocation is for implementing the Turnaround Plan.
- Recoverable revenue of R736 000.00 is for debts owed to the Department.

CASH FLOW STATEMENT

for the year ended 31 March 2023

	Note	2022/23 R'000	2021/22 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		**34 350 325**	**39 205 234**
Annual appropriation funds received	1.1	34 145 398	36 274 819
Statutory appropriated funds received	2	204 700	2 923 000
Departmental revenue received	3	227	619
Aid assistance received	4	-	6 796
Net (increase)/decrease in Net working capital		11 310	(2 711 273)
Surrendered to Revenue Fund		(156 416)	162 750
Current payments		(214 467)	(201 687)
Payments for financial assets		(33 874 719)	(38 839 717)
Transfers and subsidies paid		(468)	(737)
Net cash flow available from operating activities	**17**	**115 565**	**(2 385 430)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		800	-
Payments for capital assets	9	(3 503)	(775)
Proceeds from sale of capital assets	3.2	487	-
(Increase)/decrease in investments		(33 859 559)	(38 839 695)
(Increase)/decrease in non-current receivables	12	128	(192)
Net cash flow available from investing activities		**(33 861 647)**	**(38 840 662)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(decrease) in Net assets		33 874 587	38 839 893
Increase/(decrease) in non-current payables		-	(371)
Net cash flows from financing activities		**33 874 587**	**38 839 522**
Net increase/(decrease) in cash and cash equivalents		128 505	(2 386 570)
Cash and cash equivalents at beginning of period		323 342	2 709 912
Cash and cash equivalents at end of period	**10**	**451 847**	**323 342**

PART A: ACCOUNTING POLICIES

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. Management has concluded that the Financial Statements present fairly the Department's primary and secondary information.

The historical cost convention has been used, except where otherwise indicated. Management has used assessments and estimates in preparing the Annual Financial Statements. These are based on the best information available at the time of preparation.

Where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the Financial Statements and to comply with the statutory requirements of the Public Finance Management Act (PFMA), Act 1 of 1999 (as amended by Act 29 of 1999), and the Treasury Regulations issued in terms of the PFMA and the annual Division of Revenue Act.

1.	**Basis of preparation** The Financial Statements have been prepared in accordance with the Modified Cash Standard.
2.	**Going concern** The Financial Statements have been 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 spot exchange rates prevailing at the date of payment / receipt.
6.	**Comparative information**
6.1	**Prior period comparative information** Prior period comparative information has been presented in the current year's Financial Statements. Where necessary, figures included in the prior periods Financial Statements have been reclassified to ensure that the format in which the information is presented is consistent with the format of the current year's Financial Statements.
6.2	**Current year comparison with budget** A comparison between the approved final budget and actual amounts for each programme and economic classification is included in the Appropriation Statement.
7.	**Revenue**

7.1	**Appropriated funds** Appropriated funds 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. Appropriated funds are measured at the amounts receivable. 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** Departmental revenue is recognised in the Statement of Financial Performance when received, and is subsequently paid into the relevant Revenue Fund, unless stated otherwise. Departmental revenue is measured at the cash amount received. In-kind donations received are recorded in the Notes to the Financial Statements on the date of receipt and are measured at fair value. 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. Write-offs are made according to the Department’s debt write-off policy.
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. Donations made in kind are recorded in the Notes to the Financial Statements on the date of transfer and are measured at cost or fair value.
8.3	**Accruals and payables not recognised** Accruals and payables not recognised are recorded in the Notes to the Financial Statements at cost or fair value at the reporting date.
8.4	**Leases**
8.4.1	**Operating leases** Operating lease payments made during the reporting period are recognised as current expenditure in the Statement of Financial Performance on the date of payment. Operating lease payments received are recognised as Departmental revenue. The operating lease commitments are recorded in the Notes to the Financial Statements.
8.4.2	**Finance leases** Finance lease payments made during the reporting period are recognised as Capital expenditure in the Statement of Financial Performance on the date of payment. Finance lease payments received are recognised as Departmental revenue. The finance lease commitments are recorded in the Notes to the Financial Statements and are not apportioned between the capital and interest portions. Finance lease assets acquired at the end of the lease term are recorded and measured at the lower of: • cost, being the fair value of the asset, or • the sum of the minimum lease payments made, including any payments made to acquire ownership at the end of the lease term, excluding interest.
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. CARA Funds are recognised when receivable and measured at the amounts receivable. Aid assistance not spent for the intended purpose and any unutilised funds from aid assistance that are required to be refunded to the donor, are recognised as a payable in the Statement of Financial Position.
9.2	**Aid assistance paid** Aid assistance paid is recognised in the Statement of Financial Performance on the date of payment. Aid assistance payments made prior to the receipt of funds are recognised as a receivable in the Statement of Financial Position.

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 as a current liability. 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.	**Pre-payments and advances** Pre-payments and advances are recognised in the Statement of Financial Position when the Department receives or disburses the cash. Pre-payments 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. Write-offs are made according to the Department's write-off policy.
13.	**Investments** Investments are recognised in the Statement of Financial Position at cost.
14.	**Financial assets**
14.1	**Financial assets (not covered elsewhere)** A financial asset is recognised initially at its cost, plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. At the reporting date, a Department shall measure its financial assets at cost, less amounts already settled or written-off, except for recognised loans and receivables, which are measured at cost plus accrued interest, and where interest is charged, less amounts already settled or written-off.
14.2	**Impairment of financial assets** Where there is an indication of impairment of a financial asset, an estimation of the reduction in the recorded carrying value, to reflect the best estimate of the amount of the future economic benefits expected to be received from that asset, is recorded in the Notes to the Financial Statements.
15.	**Payables** Payables recognised in the Statement of Financial Position are recognised at cost.
16.	**Capital assets**

16.1	**Intangible capital 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 reliably, the intangible capital assets are measured at fair value and where fair value cannot be determined, the intangible assets are measured at R1. All assets acquired prior to 1 April 2002 (or a later date as approved by the OAG) may be recorded at R1. Intangible assets are subsequently carried at cost and are not subject to depreciation or impairment. Subsequent expenditure of a capital nature forms part of the cost of the existing asset when ready for use.
16.2	**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 reliably, the movable capital assets are measured at fair value and where fair value cannot be determined, the movable assets are measured at R1. All assets acquired prior to 1 April 2002 (or a later date as approved by the OAG) may be recorded at R1. Movable capital assets are subsequently carried at cost and are not subject to depreciation or impairment. Subsequent expenditure that is of a capital nature forms part of the cost of the existing asset when ready for use.
17.	**Contingents**
17.1	**Contingent liabilities** Contingent liabilities are recorded in the Notes to the Financial Statements when there is a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one, or more uncertain future events not within the control of the Department or when there is a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation, or the amount of the obligation cannot be measured reliably.
17.2	**Capital commitments** Capital commitments are recorded at cost in the Notes to the Financial Statements.

18.	**Unauthorised expenditure** Unauthorised expenditure is measured at the amount of the confirmed unauthorised expenditure. Unauthorised expenditure is recognised in the Statement of Changes in Net assets until such time as the expenditure is either: • approved by Parliament or the Provincial Legislature with funding and the related funds are received, or • approved by Parliament or the Provincial Legislature without funding and is written off against the appropriation in the Statement of Financial Performance, or • transferred to receivables for recovery. Unauthorised expenditure recorded in the Notes to the Financial Statements comprise of: • unauthorised expenditure that was under assessment in the previous financial year, • unauthorised expenditure relating to the previous financial year and identified in the current year, and • unauthorised expenditure incurred in the current year.
19.	**Fruitless and wasteful expenditure** Fruitless and wasteful expenditure receivables are recognised in the Statement of Financial Position when recoverable. The receivable is measured at the amount that is expected to be recovered, and is de-recognised when settled or subsequently written-off as irrecoverable. Fruitless and wasteful expenditure is recorded in the Notes to the Financial Statements when, and at amounts confirmed, and comprises of: • fruitless and wasteful expenditure that was under assessment in the previous financial year, • fruitless and wasteful expenditure relating to the previous financial year and identified in the current year, and • fruitless and wasteful expenditure incurred in the current year.
20.	**Irregular expenditure** Losses emanating from irregular expenditure are recognised as a receivable in the Statement of Financial Position when recoverable. The receivable is measured at the amount that is expected to be recovered and is de-recognised when settled or subsequently written-off as irrecoverable. Irregular expenditure is recorded in the Notes to the Financial Statements when, and at amounts confirmed and comprises of: • irregular expenditure that was under assessment in the previous financial year, • irregular expenditure relating to the previous financial year and identified in the current year, and • irregular expenditure incurred in the current year.
21.	**Changes in accounting estimates and errors** Changes in accounting estimates are applied prospectively in accordance with MCS requirements. Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with MCS requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the Department shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

22.	**Events after the Reporting date** Events after the Reporting date that are classified as adjusting events have been accounted for in the Financial Statements. The events after the Reporting date that are classified as non-adjusting events after the Reporting date have been disclosed in the Notes to the Financial Statements.
23.	**Capitalisation reserve** The Capitalisation reserve comprises of financial assets and/or liabilities originating in a prior reporting period, but which are recognised in the Statement of Financial Position for the first time in the current reporting period. Amounts are recognised in the Capitalisation reserves when identified in the current period and are transferred to the National/Provincial Revenue Fund when the underlying asset is disposed and the related funds are received.
24.	**Recoverable revenue** Amounts are recognised as recoverable revenue when a payment made in a previous financial year becomes recoverable from a debtor in the current financial year. Amounts are either transferred to the National/Provincial Revenue Fund when recovered, or are transferred to the Statement of Financial Performance when written-off.
25.	**Related party transactions** Related party transactions within the Minister/MEC's portfolio are recorded in the Notes to the Financial Statements when the transaction is not at arm's length. The number of individuals, and the full compensation of key Management personnel is recorded in the Notes to the Financial Statements.
26.	**Employee benefits** The value of each major class of employee benefit obligation (accruals, payables not recognised and provisions) is recorded in the Employee benefits note. Accruals and payables not recognised for employee benefits are measured at cost or fair value at the reporting date. The provision for employee benefits is measured as the best estimate of the funds required to settle the present obligation at the Reporting date.

PART B: EXPLANATORY NOTES

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:

	2022/23			2021/22		
	Final Budget	Actual Funds Received	Funds not requested / not received	Final Budget	Appropriation Received	Funds not requested / not received
Programmes	R'000	R'000	R'000	R'000	R'000	R'000
Administration	168 010	168 010	-	138 777	138 777	-
State-Owned Companies Governance Assurance and Performance	60 591	60 591	-	54 900	54 900	-
Business Enhancement, Transformation and Industrialisation	33 916 797	33 916 797	-	36 081 142	36 081 142	-
Total	**34 145 398**	**34 145 398**	**-**	**36 274 819**	**36 274 819**	**-**

2. Statutory Appropriation

		2022/23	2021/22
	Note	R'000	R'000
Denel		204 700	3 035 500
Total		**204 700**	**3 035 500**
Actual Statutory Appropriation received		204 700	2 923 000

3. Departmental revenue

		2022/23	2021/22
	Note	R'000	R'000
Sales of goods and services other than capital assets	3.1	67	67
Dividends	3.2	800	-
Sales of capital assets	3.3	487	-
Transactions in financial assets and liabilities	3.4	160	552
Total		**1 514**	**619**

3.1 Sales of goods and services other than capital assets

	Note	2022/23 R'000	2021/22 R'000
Sales of goods and services produced by the Department		67	67
Sales by market establishment		38	38
Other sales		29	29
Total		**67**	**67**

3.2 Interest, dividends and rent on land - Dividends

	Note	2022/23 R'000	2021/22 R'000
Dividends		800	-
Total		**800**	**-**

3.3 Sales of capital assets

	Note	2022/23 R'000	2021/22 R'000
Tangible capital assets			
Machinery and equipment		487	-
Total		**487**	**-**

Transactions in financial assets and liabilities

	Note	2022/23 R'000	2021/22 R'000
Receivables		160	129
Other receipts including recoverable revenue		-	423
Total		**160**	**552**

4. Aid assistance

	Note	2022/23 R'000	2021/22 R'000
Opening balance		-	176 907
Prior Period Error		-	(183 703)
As restated		-	(6 796)
Interest on Diabo Trust		-	6 796
Closing balance		**-**	**-**

The audit of aid assistance resulted in a different treatment of funds held by the Department for beneficiaries of the Diabo Trust as a result of different interpretation. Interest earned from the funds held by the Department of R11.401 million in the current period and R6.79 million in the prior period is not included as revenue earned in the Statements of Performance, but as Payables in the current Liabilities, in the Statement of Financial Position.

4.1 Prior Period Error:

Relating to 2021/22

	Note	2022/23 R'000	2021/22 R'000
Opening balance		-	176 907
Interest on Diabo Trust		-	6 796
Closing balance		**-**	**183 703**

5. Compensation of employees

5.1 Analysis of balance

	Note	2022/23 R'000	2021/22 R'000
Basic salary		92 825	92 275
Service based		535	594
Compensative/circumstantial		4 601	3 428
Periodic payments		309	-
Other non-pensionable allowances		30 283	30 390
Total		**128 553**	**126 687**

5.2 Social contributions

Employer contributions	Note	2022/23 R'000	2021/22 R'000
Pension		10 531	10 482
Medical		2 924	2 860
Bargaining Council		19	18
Total		**13 474**	**13 360**
Total compensation of employees		**142 027**	**140 047**
Average number of employees		**164**	**165**

6. Goods and services

	Note	2022/23 R'000	2021/22 R'000
Administrative fees		485	168
Advertising		108	521
Minor assets	6.1	476	115
Bursaries (employees)		520	427
Catering		143	37
Communication		2 537	2 416
Computer services	6.2	9 298	8 266
Consultants: Business and advisory services	6.9	12 315	10 216
Legal services		10 126	19 624
Contractors		1 603	289
Agency and support / outsourced services		60	65
Entertainment		-	1
Audit cost - external	6.3	4 292	5 970
Fleet services		1 197	713
Consumables	6.5	941	590
Operating leases		12 833	14 515
Property payments	6.6	6 255	5 731
Rental and hiring		30	51
Travel and subsistence	6.7	7 232	5 131
Venues and facilities		353	195
Training and development		593	490
Other operating expenditure	6.8	1 043	1 269
Total		**72 440**	**76 800**

6.1 Minor assets

	Note	2022/23 R'000	2021/22 R'000
Tangible capital assets			
Machinery and equipment		471	115
Intangible capital assets			
Software		5	-
Total	**6**	**476**	**115**

6.2 Computer services

	Note	2022/23 R'000	2021/22 R'000
SITA computer services		3 054	3 098
External computer service providers		6 244	5 168
Total		**9 298**	**8 266**

6.3 Audit cost - external

	Note	2022/23 R'000	2021/22 R'000
Regularity audits		4 292	5 970
Total		**4 292**	**5 970**

6.4 Consumables

	Note	2022/23 R'000	2021/22 R'000
Consumable supplies		366	351
Household supplies		285	74
Communication accessories		-	3
IT consumables		16	94
Other consumables		65	180
Stationery, printing and office supplies		575	239
Total	6	**941**	**590**

6.5 Property payments

	Note	2022/23 R'000	2021/22 R'000
Municipal services		2 352	2 465
Property Management fees		-	98
Other		3 903	3 168
Total	6	**6 255**	**5 731**

6.6 Travel and subsistence

	Note	2022/23 R'000	2021/22 R'000
Local		6 898	4 628
Foreign		334	503
Total	6	**7 232**	**5 131**

6.7 Other operating expenditure

	Note	2022/23 R'000	2021/22 R'000
Professional bodies, membership and subscription fees		321	734
Other		722	535
Total	6	**1 043**	**1 269**

6.8 Remuneration of Members of a Committee (Included in Consultants: Business and advisory services)

Name of Committee	Note 6	2022/23 R'000	2021/22 R'000
Audit and Risk Committee (ARC)		868	872
Total		**868**	**872**

7. Payments for financial assets

	Note	2022/23 R'000	2021/22 R'000
Purchase of equity		33 874 719	38 839 696
Debts written off	7.1	-	21
Total		**33 874 719**	**38 839 717**

Purchase of equity includes an amount of R21.8 billion paid to ESKOM, R2.5 billion paid to SAA, R3.5 billion paid to Denel and R5.8 billion paid to Transnet. For Eskom and SAA, the allocations were earmarked for payment of Guaranteed Debt, while Transnet was allocated R2.9 billion to repair infrastructure damaged by floods and R2.94 billion to accelerate repair and maintenance of long standing out of service locomotives. For Denel, the allocation was for implementing the Turnaround Plan.

7.1 Debts written off

Nature of debts written off	Note	2022/23 R'000	2021/22 R'000
Departmental debts written off		-	21
Total debt written off	7	**-**	**21**

8. Transfers and subsidies

	Note	2022/23 R'000	2021/22 R'000
Provinces and Municipalities	Annex 1A	3	15
Households	Annex 1G	465	722
Total		**468**	**737**

8.1 Donations made in kind (not included in the main note)

	Note	2022/23 R'000	2021/22 R'000
	Annex 1J		
Secondment of employee to National School of Government (NSG)		103	1 339
Total		**103**	**1 339**

The Department seconded an official to the NSG, to perform duties and functions associated with the post of Chief Director: Communications.

9. Expenditure for capital assets

	Note	2022/23 R'000	2021/22 R'000
Tangible capital assets		3 503	775
Machinery and equipment	27	3 503	775
Total		**3 503**	**775**

9.1 Analysis of funds utilised to acquire capital assets - Current year

	2022/23		
	Voted funds R'000	Aid assistance R'000	Total R'000
Tangible capital assets			
Machinery and equipment	3 503	-	3 503
Total	**3 503**	**-**	**3 503**

9.2 Analysis of funds utilised to acquire capital assets - Prior year

	2021/22		
	Voted funds R'000	Aid assistance R'000	Total R'000
Tangible capital assets			
Machinery and equipment	775	-	775
Total	**775**	**-**	**775**

10. Cash and cash equivalents

	Note	2022/23 R'000	2021/22 R'000
Consolidated Paymaster General Account		256 688	139 584
Cash on hand		55	55
Investments (Domestic)*		195 103	183 703
Total		**451 846**	**323 342**

An amount of R 195 million was ring fenced against the disbursement of funds to beneficiaries of Telkom Shares, after Telkom was acquired by Government.

11. Pre-payments and advances

	Note	2022/23 R'000	2021/22 R'000
Advances paid (not expensed)	11.1	154	109
Total		**154**	**109**

Analysis of Total pre-payments and advances		
Current pre-payments and advances	154	109
Total	**154**	**109**

11.1 Advances paid (Not expensed)

		2022/23				
	Note	Amount as at 1 April 2022 R'000	Less: Amounts expensed in current year R'000	Add / Less: Other R'000	Add Current year advances R'000	Amount as at 31 March 2023 R'000
National Departments		109	(135)	-	180	154
Total		**109**	**(135)**	**-**	**180**	**154**

		2021/22				
	Note	Amount as at 1 April 2022 R'000	Less: Amounts expensed in current year R'000	Add / Less: Other R'000	Add Current year advances R'000	Amount as at 31 March 2023 R'000
National Departments		28	(91)	(28)	200	109
Total	13	**28**	**(91)**	**(28)**	**200**	**109**

12. Receivables

		2022/23			2021/22		
		Current	Non-current	Total	Current	Non-current	Total
	Note	R'000	R'000	R'000	R'000	R'000	R'000
Staff debt	12.1	7	58	65	12	189	201
Other receivables	12.2	5	775	780	8	772	780
Total		**12**	**833**	**845**	**20**	**961**	**981**

12.1 Staff debt

		2022/23	2021/22
	Note	R'000	R'000
Other		65	201
Total	12	**65**	**201**

12.2 Other receivables

		2022/23	2021/22
	Note	R'000	R'000
Suppliers		676	671
Ex-employees		104	109
Total	12	**780**	**780**

13. Investments

		2022/23	2021/22
Non-current	Note	R'000	R'000
Shares and other equity			
Alexkor SOC Ltd			400 000
Denel SOC Ltd			11 621 262
Eskom SOC Ltd			219 692 945
Safcol SOC Ltd		318 013	318 013
Transnet SOC Ltd		18 497 986	12 660 986
South African Express SOC Ltd		2 277 395	2 277 395
South African Airways SOC Ltd		61 144 102	58 561 573
Total non-current investments		**339 391 733**	**305 532 174**

A court order for the final liquidation of SA EXPRESS was issued on 14 September 2022. The Office of the Master of High Court will issue a summons for a meeting of the creditors to lodge their claims against the Company. This will be followed by the liquidator winding down the Company' affairs. However, the timing is uncertain because there may be litigation or Section 417 enquiries which might extend for several years. Concurrent to this process, will be the repealing of the SA EXPRESS Act. For that reason the assets continues to be disclosed under non- current assets as opposed to current assets.

Analysis of non-current investments	Note	2022/23 R'000	2021/22 R'000
Opening balance		305 532 174	266 692 479
Additions in cash		33 859 559	38 839 695
Closing balance		**339 391 733**	**305 532 174**

13.1 Impairment of investments

	Note	2022/23 R'000	2021/22 R'000
Estimate of impairment of investments			
Alexkor SOC Ltd		96 109	129 089
Denel SOC Ltd		12 802 962	11 621 262
Eskom SOC Ltd		2 652 276	-
South African Express SOC Ltd		2 277 395	2 277 395
South African Airways SOC Ltd		58 764 102	56 913 573
Total		**76 592 844**	**70 941 319**

To estimate the reduction in the recorded carrying value (cost of investment), the impairment of investment is calculated by determining the difference between the cost of investment and net asset value, as recorded in the books of the SOCs at the Reporting date.

The amounts for Net asset value of investments and profit/loss for the year ended 31 March 2023 are based on unaudited provisional amounts which are submit by SOC's after year end, these are still subject to oversight reviews and SOCs external audit processes and therefore subject to change. Each SOC publishes its own audited statements, as such an updated Net asset value can be viewed on the published financials.

The total impairment for the current financial year amounts to R76.6 billion which is in respect of Alexkor, Denel, Eskom, SAA and SA Express.

The total cost of investment in SA Express have been impaired fully as the future economic benefits of this investment is reflected at negative asset values.

The other two SOCs have not been impaired since the cost of investment of Transnet and SAFCOL are lower than their Net asset value.

14. Voted funds to be surrendered to the Revenue Fund

	Note	2022/23 R'000	2021/22 R'000
Opening balance		154 902	(163 397)
Transferred from Statement of Financial Performance (as restated)		256 941	247 629
Add: Unauthorised expenditure for the current year		-	15 160
Voted funds not requested/not received	1.1	-	(107 886)
Paid during the year		(154 902)	163 396
Closing balance		**256 941**	**154 902**

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

	Note	2022/23 R'000	2021/22 R'000
Opening balance		3	30
Transferred from Statement of Financial Performance (as restated)		1 514	619
Paid during the year		(1 514)	(646)
Closing balance		**3**	**3**

16. Payables - current

	Note	2022/23 R'000	2021/22 R'000
Clearing Accounts		61	115
Other payables	16.2	195 104	183 703
Total		**195 165**	**183 818**

16.1 Clearing accounts

Description	Note	2022/23 R'000	2021/22 R'000
Identify major categories, but list material items			
SARS		61	115
Total		**61**	**115**

16.2 Other Payables

Description	Note	2022/23 R'000	2021/22 R'000
Diabo Trust			
Opening Balance		183 703	176 907
Interest		11 401	6 796
Total		**195 104**	**183 703**

The audit of aid assistance resulted in a different treatment of funds held by the Department for beneficiaries of the Diabo Trust as a result of different interpretation. Interest earned from the funds held by the Department of R11.401 million in the current period and R6.79 million in the prior period is not included as revenue earned in the Statements of Performance, but as Payables in the current Liabilities, in the Statement of Financial Position.

17. Net cash flow available from operating activities

	Note	2022/23 R'000	2021/22 R'000
Net surplus as per Statement of Financial Performance		258 455	259 658
Add back non-cash/cash movements not deemed operating activities		(142 891)	(2 645 088)
(Increase)/decrease in receivables		8	49
(Increase)/decrease in pre-payments and advances		(45)	(81)
(Increase)/decrease in payables - current		(11 346)	(2 700 695)
Proceeds from sale of capital assets		(487)	-
Expenditure on capital assets		3 503	775
Surrenders to Revenue Fund		(156 416)	162 750
Voted funds not requested/not received		-	(107 886)
Other non-cash items		(800)	-
Net cash flow generating		**115 564**	**(2 385 430)**

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

	Note	2022/23 R'000	2021/22 R'000
Consolidated Paymaster General account		256 688	139 584
Cash on hand		55	55
Cash with Commercial banks (Local)		195 103	183 703
Total		**451 846**	**323 342**

19. Contingent liabilities and contingent assets

19.1 Contingent liabilities

Liable to	Nature	Note	2022/23 R'000	2021/22 R'000
Other guarantees		Annex 3A	369 649 132	323 096 437
Claims against the Department		Annex 3B	28 542	29 844
Other		Annex 3B	1 566 000	3 079 000
Total			**371 243 674**	**326 205 281**

According to section 70 of the PFMA, Act 1 of 1999 (as amended by Act 29 of 1999), the Department is responsible for reporting all guarantees that were issued to Public Entities under its control. Any payment under a guarantee will be a direct charge against the National Revenue fund via the Department.

The guarantee exposure is equal to the sum of the closing balances, accrued interest and revaluation adjustments on inflation linked bonds due to changes to the inflation rates.

An amount of R28.5 million for claims against the State relates to claims by ex-employees for alleged constructive dismissal, discrimination and unfair treatment by the Department.

The other contingent liability relates to funds required by SAA to complete implementing the Business Rescue (BR) plan.

20. Capital commitments

	Note	2022/23 R'000	2021/22 R'000
Machinery and equipment		-	2 048
Total		**-**	**2 048**

21. Accruals and payables not recognised

21.1 Accruals

		2022/23			2021/22
		30 Days	30+ Days	Total	Total
Listed by economic classification	Note	R'000	R'000	R'000	R'000
Goods and services		2 903	-	2 903	1 086
Capital assets		-	-	-	107
Total		**2 903**	**-**	**2 903**	**1 193**

		2022/23	2021/22
Listed by programme level	Note	R'000	R'000
Administration		1 959	1 137
SOC Governance Assurance & Performance		924	52
Business Enhancement & Industrialisation		20	4
Total		**2 903**	**1 193**

21.2 Payables not recognised

		2022/23			2021/22
		30 Days	30+ Days	Total	Total
Listed by economic classification	Note	R'000	R'000	R'000	R'000
Goods and services		15	-	15	126
Total		**15**	**-**	**15**	**126**

		2022/23	2021/22
Listed by programme level	Note	R'000	R'000
Administration		15	125
Business Enhancement & Industrialisation		-	1
Total		**15**	**126**

22. Employee benefits

	Note	2022/23 R'000	2021/22 R'000
Leave entitlement		7 937	8 007
Service bonus		3 003	2 875
Capped leave		1 497	1 446
Total		**12 437**	**12 328**

At this stage the Department is not able to reliably measure the long-term portion of long service awards. Leave entitlement contains negative balances to the value of R75 000.00 which is as a result of the financial year and leave cycle not being aligned, and leave taken that was approved after the financial year end.

23. Lease commitments

23.1 Operating leases

	2022/23				
	Specialised Military equipment	Land	Buildings and other fixed structures	Machinery and equipment	Total
	R'000	R'000	R'000	R'000	R'000
Not later than 1 year	-	-	-	527	527
Later than 1 year and not later than 5 years	-	-	-	668	668
Total lease commitments	**-**	**-**	**-**	**1 195**	**1 195**

	2021/22				
	Specialised Military equipment	Land	Buildings and other fixed structures	Machinery and equipment	Total
	R'000	R'000	R'000	R'000	R'000
Not later than 1 year	-	-	12 339	261	12 600
Later than 1 year and not later than 5 years	-	-	-	182	182
Total lease commitments	**-**	**-**	**12 339**	**443**	**12 782**

The lease commitments relate to operating leases for photo copier machines.

23.2 Finance leases **

	2022/23				
	Specialised Military equipment	Land	Buildings and other fixed structures	Machinery and equipment	Total
	R'000	R'000	R'000	R'000	R'000
Not later than 1 year	-	-	-	73	73
Later than 1 year and not later than 5 years	-	-	-	-	-
Total lease commitments	**-**	**-**	**-**	**73**	**73**

	2021/22				
	Specialised Military equipment	Land	Buildings and other fixed structures	Machinery and equipment	Total
	R'000	R'000	R'000	R'000	R'000
Not later than 1 year	-	-	-	213	213
Later than 1 year and not later than 5 years	-	-	-	70	70
Total lease commitments	**-**	**-**	**-**	**283**	**283**

The finance leases relate to cell phone contracts.

24. Unauthorised, Irregular and fruitless and wasteful expenditure

		2022/23	2021/22
	Note	R'000	R'000
Unauthorised expenditure - current year		-	15 160
Irregular expenditure - current year		3 098	35 624
Fruitless and wasteful expenditure - current year		-	5
Total		**3 098**	**50 789**

25. Related party transactions

		2022/23	2021/22
Revenue received	**Note**	**R'000**	**R'000**
Dividends		800	-
Total		**800**	**-**

		2022/23	2021/22
Payments made	**Note**	**R'000**	**R'000**
Payments for financial assets		33 874 719	38 839 696
Total		**33 874 719**	**38 839 696**

		2022/23	2021/22
Other	**Note**	**R'000**	**R'000**
Guarantees issued/received		60 924 313	34 333 691
Total		**60 924 313**	**34 333 691**

Related party relationship and the nature thereof

Name of Entity	Relationship	Nature of Operations
Alexkor	Shareholder Representative	A diamond mining Company that operates primarily in Alexander Bay and the greater Namaqualand area.
Denel		Denel is responsible for manufacturing defence equipment and maintains sovereign and strategic defence capabilities on behalf of the State.
South African Express Airways		SA Express is a Domestic and Regional air carrier.
South African Airways		South African Airways is the South African National airline.
South African Forestry Company		SAFCOL is Government's forestry Company which conducts timber harvesting, timber processing and related activities both Domestically and Regionally.
Eskom		Eskom generates, transmits and distributes electricity to industrial, mining, commercial, agricultural and residential customers and redistributors.
Transnet		Transnet is a freight and logistics Company responsible for pipelines, ports, and rail transport infrastructure and operations in South Africa.

26. Key Management personnel

		2022/23	2021/22
	Note	**R'000**	**R'000**
Political office bearers	2	4 642	4 423
Officials:			
Level 15 to 16		10 214	8 601
Level 14 (including CFO)		20 463	24 504
Total		**35 319**	**37 527**

27. Movable Tangible Capital Assets

MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2023

	2022/23				
	Opening balance	Value adjustments	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000	R'000
MACHINERY AND EQUIPMENT	46 221	-	3 503	(2 437)	47 287
Transport assets	8 724	-	-	(1 623)	7 101
Computer equipment	23 055	-	2 506	(687)	24 874
Furniture and office equipment	5 415	-	147	(45)	5 517
Other machinery and equipment	9 026	-	850	(82)	9 794
TOTAL MOVABLE TANGIBLE CAPITAL ASSETS	**46 221**	**-**	**3 503**	**(2 437)**	**47 287**

Movable Tangible Capital Assets under investigation

	Note	Number	Value
			R'000
Included in the above total of the movable tangible Capital assets per the Asset register that are under investigation:			
Machinery and equipment		19	422
Total		**19**	**422**

The investigation is still in progress. As soon as the investigation is finalised, the loss will be presented to the Loss Control Committee for resolution.

27.1 MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2022

	2021/22				
	Opening balance	Prior period error	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000	R'000
MACHINERY AND EQUIPMENT	**45 459**	**(13)**	**775**	**-**	**46 221**
Transport assets	8 270	-	454	-	8 724
Computer equipment	23 012	-	43	-	23 055
Furniture and office equipment	5 354	-	61	-	5 415
Other machinery and equipment	8 823	(13)	216	-	9 026
TOTAL MOVABLE TANGIBLE CAPITAL ASSETS	**45 459**	**(13)**	**775**	**-**	**46 221**

27.1.1 Prior period error

Nature of Prior period error	Note		2021/22 R'000
Relating to 2021/22 [affecting the opening balance]			(13)
Total Prior period errors			**(13)**

The prior year error relates to cash payments made in the 2022/23 financial year for assets received in the prior financial year.

27.2 Minor assets

MOVEMENT IN MINOR CAPITAL ASSETS PER THE ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2023

	2022/23					
	Specialised Military assets	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Opening balance	-	62	-	5 859	-	5 921
Value adjustments		-	-		-	-
Additions		5	-	470	-	475
Disposals		(31)	-	(253)	-	(284)
Total Minor assets		**36**	**-**	**6 076**	**-**	**6 112**

	Specialised Military assets	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Total
Number of R1 minor assets	-	-	-	283	-	283
Number of minor assets at cost	-	11	-	3 935	-	3 946
Total number of Minor assets	**-**	**11**	**-**	**4 218**	**-**	**4 229**

Minor Capital assets under investigation	Note	Number	Value R'000
Included in the above total of the Minor capital assets per the Asset register that are under investigation:			
Machinery and equipment		2	2

The investigation is still in progress and as soon as the investigation is completed, these lost/stolen assets cases will be presented to the Loss Control Committee for resolution.

MOVEMENT IN MINOR ASSETS PER THE ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2022

	2021/22					
	Specialised Military assets	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Opening balance	-	62	-	5 744	-	5 806
Additions	-	-	-	115	-	115
Total Minor assets	**-**	**62**	**-**	**5 859**	**-**	**5 921**

	Specialised Military assets	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Total
Number of R1 minor assets	-	-	-	239	-	239
Number of minor assets at cost	-	-	-	3 802	-	3 802
Total number of Minor assets	**-**	**-**	**-**	**4 041**	**-**	**4 041**

27.2.1 Prior Period Error

Nature of Prior Period Error	Note		2021/22 R'000
Relating to 2021/22			
Difference in opening balance			324
Total Prior period errors			**324**

28. Intangible Capital Assets

MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2023

	2022/23			
	Opening balance	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000
SOFTWARE	3 684	-	(2 268)	1 416
TOTAL INTANGIBLE CAPITAL ASSETS	**3 684**	**-**	**(2 268)**	**1 416**

28.1 MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2022

	2021/22				
	Opening balance	Prior period error	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000	R'000
SOFTWARE	3 684	-	-	-	3 684
TOTAL INTANGIBLE CAPITAL ASSETS	**3 684**	**-**	**-**	**-**	**3 684**

29. Prior Period Errors

29.1 Correction of Prior Period Errors

	Note	Amount before error correction	Prior period error	Restated amount
		2021/22	2021/22	2020/21
		R'000	R'000	R'000
Revenue				
Interest on Diabo Trust Account (Aid Assistance)	4	6 790	-6 790	-
Net effect		6 790	-6 790	-
Liabilities:				
Aid assistance unutilised		183 703	-183 703	-
Payables current		-	183 703	183 703
Net effect		**183 703**	**-**	**183 703**

The audit of aid assistance resulted in a different treatment of funds held by the Department for beneficiaries of the Diabo Trust as a result of different interpretation. Interest earned from the funds held by the Department of R11.401 million in the current period and R6.79 million in the prior period is not included as revenue earned in the Statements of Performance, but as Payables in the current Liabilities, in the Statement of Financial Position.

30. Broad- Based Black Economic Empowerment (B-BBEE) performance

Information on compliance with the B-BBEE Act is included in the Annual Report (AR) under the section titled B-BBEE Compliance Performance Information.

Has the Department applied any relevant Code of Good Practice (B-BBEE Certificate Level 1 – 8) with regards to the following:

Criteria	Response Yes/No	Discussion
The process of establishing the DPE B-BBEE level is underway, and is assigned to Honeycomb BEE Ratings.	Yes	The consultant has been appointed and is currently busy with the assessment.

31. COVID- 19 Response expenditure

	Note	2022/23 R'000	2021/22 R'000
Goods and services		58	220
Total	**Annex 11**	**58**	**220**

The Department spent R58 000.00 in relation to the Covid-19 pandemic. This was for sanitisation of office building and purchases of protective items for officials e.g., masks, sanitisers, temperature scanners, etc.

ANNEXURE 1A

STATEMENT OF CONDITIONAL GRANTS AND OTHER TRANSFERS PAID TO MUNICIPALITIES

	2022/23											2021/22	
	GRANT ALLOCATION				TRANSFER			SPENT					
Name of Municipality	DoRA and other transfers	Roll overs	Adjustments	Total available	Actual transfer	Funds withheld	Re-allocations by National Treasury or National Department	Amount received by Department	Amount spent by Department	Unspent funds	% Of available funds spent by Department	DORA and other transfers	Actual transfers
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000	%	R'000	R'000
City of Tshwane Metropolitan Municipality	-	-	-	-	3	-	-	-	-	-	-	-	15
TOTAL	**-**	**-**			**3**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**15**

ANNEXURE 1G

STATEMENT OF TRANSFERS TO HOUSEHOLDS

	2022/23						2021/22	
	TRANSFER ALLOCATION				EXPENDITURE			
Household	Adjusted Budget	Roll overs	Adjustments	Total available	Actual transfer	% Of available funds transferred	Final Budget	Actual transfer
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Transfers								
Leave gratuity	461	-	-	461	457	99%		544
Settlement payment	-	-	-	-	-	-		166
Donations & gifts	9	-	-	9	8	89%		12
TOTAL	**470**	**-**	**-**	**470**	**465**	**98.9%**		**722**

ANNEXURE 1J

STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS MADE

Nature of gift, donation or sponsorship (Group major categories, but list material items including name of organisation)	2022/23	2021/22
	R'000	R'000
Made in kind		
Secondment of Employee	103	1 339
TOTAL	**103**	**1 339**

ANNEXURE 2A

STATEMENT OF INVESTMENTS IN AND AMOUNTS OWING BY/TO NATIONAL/PROVINCIAL PUBLIC ENTITIES

Name of Public Entity	State Entities' PFMA Schedule type (state year-end if not 31 March)	% Held 2022/23	% Held 2021/22	Number of shares held		Cost of investments R'000		Net asset value of investments R'000		Profit/(Loss) for the year R'000		Losses guaranteed
				2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	Yes/No
National / Provincial Public Entity												
Alexkor	2	100	100	400 000 000	400 000 000	400 000	400 000	303 891	270 911	42 768	127 539	No
Denel (Pty) Ltd	2	100	100	1 225 129 931	1 225 094 106	15 203 962	11 621 262	2 401 000	(756 000)	(267 000)	(1 076 000)	No
Eskom Limited	2	100	100	2 41 550 276 001	219 692 945 001	241 550 276	219 692 945	238 898 000	235 314 000	(21 187 000)	(12 330 000)	No
SAFCOL Limited	2	100	100	318 013 254	318 013 254	318 013	318 013	3 138 843	3 156 980	(18 137)	100 673	No
Transnet Limited	2	100	100	18 497 986 310	12 660 986 310	18 497 986	12 660 986	163 521 000	143 778 000	(5 974 000)	5 048 000	No
South African Express Airways	2	100	100	1 692 395 002	1 692 395 002	2 277 395	2 277 395	-	-	-	-	-
South African Airways	2	99	99	13 270 701 343	13 270 029 619	61 144 102	58 561 573	2 380 000	1 648 000	1 001 000	(3 096 000)	No
TOTAL				**276 954 501 841**	**249 259 463 292**	**339 391 734**	**305 532 174**	**410 642 734**	**383 411 891**	**(26 402 369)**	**(11 225 788)**	

SAA has not issued Share Certificates for a R2.582 billion investment paid in the 2022/23 financial year.

ANNEXURE 2B

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

Name of Entity	Nature of business	Cost of investments R'000		Net Asset value of investments R'000		Amounts owing to Entities R'000		Amounts owing by Entities R'000	
		2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
Controlled Entities									
Alexkor Limited	Mining	400 000	400 000	303 891	270 911	-	-	-	-
Denel (Pty) Ltd	Manufacturing of Arms	15 203 962	11 621 262	2 401 000	(756 000)	-	-	-	-
Eskom Limited	Energy	241 550 276	219 692 945	238 898 000	235 314 000	-	-	-	-
SAFCOL Limited	Forestry	318 013	318 013	3 138 843	3 156 980	-	-	-	-
Transnet Limited	Transport	18 497 986	12 660 986	163 521 000	143 778 000	-	-	-	-
South African Express Airways (Pty) Ltd	Transport	2 277 395	2 277 395	-	-	-	-	-	-
South African Airways	Transport	61 144 102	58 561 573	2 380 000	1 648 000	-	-	-	-
TOTAL		**339 391 734**	**305 532 174**	**410 642 734**	**383 411 891**	**-**	**-**	**-**	**-**

The amounts for Net asset value of investments and profit/loss for the year ended 31 March 2023 are based on unaudited provisional amount s which are submit by SOC's after year end, these are still subject to oversight reviews and SOCs external audit processes and are therefore subject to change. Each SOC publishes its own audited statements, and as such an updated Net asset value can be viewed on the published financials.

ANNEXURE 3A

STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2023 - LOCAL

Guarantor institution	Guarantee in respect of	Original guaranteed Capital amount	Opening balance 1 April 2022	Guarantees draw downs during the year	Guarantees repayments/ cancelled/ reduced during the year	Revaluation due to foreign currency movements	Closing balance 31 March 2023	Revaluations due to inflation rate movements	Accrued guaranteed interest for year ended 31 March 2023
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
	Other								
SAX	Letters of Credit	40 300	19 905	-	(19 905)	-	-	-	-
Sub-total		**40 300**	**19 905**		**(19 905)**	**-**	**-**	**-**	**-**
SAA	SAA Recapitalisation	1 300 000	127 379	-	(127 379)	-	-	-	-
	Going Concern 1	1 600 000	-	-	-	-	-	-	-
	Going Concern 2	5 006 000	580 852	-	(580 852)	-	-	-	-
	Going Concern 3	6 488 000	764 624	-	(764 624)	-	-	-	-
	Going Concern 4	4 720 000	407 000	-	(250 076)	-	156 924	-	-
Sub-total		**19 114 000**	**1 879 855**	**-**	**(1 722 931)**	**-**	**156 924**	**-**	**-**
Denel	Note Programme	3 430 000	3 430 000	-	-	-	3 430 000	-	16 149
Sub-total		**3 430 000**	**3 430 000**	**-**	**-**	**-**	**3 430 000**	**-**	**16 149**

Guarantor institution	Guarantee in respect of	Original guaranteed Capital amount	Opening balance 1 April 2022	Guarantees draw downs during the year	Guarantees repayments/ cancelled/ reduced during the year	Revaluation due to foreign currency movements	Closing balance 31 March 2023	Revaluations due to inflation rate movements	Accrued guaranteed interest for year ended 31 March 2023
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
	Other								
Eskom	Eskom bonds – ES23	-	21 663 854	-	(21 663 854)	-	-	-	-
	Eskom bonds – ES26	-	32 950 140	5 037 000	-	-	37 987 140	-	1 483 197
	Eskom bonds – ES33	-	34 542 410	-	-	-	34 542 410	-	119 678
	Eskom bonds – ES42	-	21 436 641	-	-	-	21 436 641	-	790 918
	Eskom bonds – EL28	-	6 278 241	-	-	-	6 278 241	4 670 617	115 689
	Eskom bonds – EL29	-	5 370 000	-	-	-	5 370 000	3 733 994	63 552
	Eskom bonds – EL30	-	5 135 990	-	-	-	5 135 990	3 154 020	32 656
	Eskom bonds – EL31	-	5 699 329	-	-	-	5 699 329	3 115 583	61 027
	Eskom Bonds - EL36	-	5 594 000	-	-	-	5 594 000	2 773 242	31 204
	Eskom Bonds - EL37	-	5 418 000	18 307 000	-	-	23 725 000	11 761 738	132 287
	Utilised	145 768 752	-	-	-	-	-	-	-
	Unutilised portion	6 231 248	-	-	-	-	-	-	-
Sub-total		**152 000 000**	**144 088 606**	**23 344 000**	**(21 663 854)**	**-**	**145 768 752**	**29 209 194**	**2 830 208**
	TOTAL	**174 584 300**	**149 418 365**	**23 344 000**	**(23 406 690)**	**-**	**149 355 675**	**29 209 194**	**2 846 357**

ANNEXURE 3A (Continued)

STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2023- FOREIGN

Guarantor institution	Guarantee in respect of	Original guaranteed Capital amount	Opening balance 1 April 2022	Guarantees draw downs during the year	Guarantees repayments/ cancelled/ reduced during the year	Revaluation due to foreign currency movements	Closing balance 31 March 2023	Revaluation due to inflation rate movements	Accrued guaranteed interest for year ended 31 March 2023
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
	Other								
Transnet	Euro-Rand medium-term note (Tranche1)#	2 000 000	2 000 000	-	-	-	2 000 000	-	256 685
	Euro-Rand medium- term note (Tranche2) #	1 500 000	1 500 000	-	-	-	1 500 000	-	411
Sub-total		**3 500 000**	**3 500 000**	**-**	**-**	**-**	**3 500 000**	**-**	**257 096**
Eskom	AfDB (ZAR)	10 630 000	5 355 905	-	(714 121)	-	4 641 784	-	60 776
	AfDB (EUR)	10 262 457	7 626 228	-	(1 121 926)	1 393 285	7 897 587	-	51 166
	World Bank (IBRD) USD	23 398 498	29 062 562	-	(1 765 730)	-	27 296 832	-	1 088 605
	AfDB -SERE USD	73 649	84 004	-	(10 231)	17 871	91 644	-	853
	Afdb -CTF USD	809 510	610 956	-	(14 280)	133 211	729 887	-	295
	World Bank (IBRD) CTF (USD250m)	1 992 925	473 103	1 439 259	(84 863)	69 602	1 897 101	-	979
	AFDB ZAR (Private Sector)	1 800 000	866 667	-	(133 333)	-	733 334	-	10 431
	AFDB USD (Private Sector)	2 581 034	1 836 414	-	(326 877)	385 114	1 894 651	-	19 381
	AFD (ZAR) - Sere	980 840	582 373	-	(61 303)	-	521 070	-	15 153

Guarantor institution	Guarantee in respect of	Original guaranteed Capital amount	Opening balance 1 April 2022	Guarantees draw downs during the year	Guarantees repayments/ cancelled/ reduced during the year	Revaluation due to foreign currency movements	Closing balance 31 March 2023	Revaluation due to inflation rate movements	Accrued guaranteed interest for year ended 31 March 2023
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
	AFD (ZAR)	2 273 055	2 159 402	-	(113 653)	-	2 045 749	-	77 018
	KFW DFI (ZAR)	3 934 500	2 950 875	-	(393 450)	-	2 557 425	-	1 415
	KFW (USD)	1 353 380	82 859	-	-	18 171	101 030	-	10
	MIGA	8 463 525	6 517 413	-	(804 169)	1 209 134	6 922 378	-	41 600
Eskom	AfDB A loan (USD)	148 250	113 394	-	(9 371)	24 362	128 385	-	1 682
	AfDB Senior Unsecured ZAR	5 292 354	4 116 275	-	(294 020)	-	3 822 255	-	70 743
	CDB Short-Term (USD)-Medupi	20 131 950	21 869 025	-	(1 542 055)	4 826 848	25 153 818	-	103 017
	CDB Long-Term (USD)-Kusile	32 998 500	25 703 395	3 472 338	-	5 719 636	34 895 369	-	152 053
	USD 1bn bond	14 115 000	14 579 350	-	-	3 197 200	17 776 550	-	155 913
	AFDB ZAR (Public Sector)	2 886 000	791 172	-	-	-	791 172	-	21 040
	AFDB USD (Public Sector)	346 000	12 556	-	-	2 753	15 309	-	217
	AFD Tranche 1	1 441 305	90 215	515 539	-	-	605 754	-	18 514
	New Development Bank (NDB)	2 534 184	590 355	1 109 439	-	116 512	1 816 306	-	659
	USD 500m bond	7 374 350	7 289 675	-	-	1 598 600	8 888 275	-	72 027
	Syndicate Loan-Credit Facility Agreement	15 000 000	14 390 000	15 000 000	(14 390 000)		15 000 000	-	241 485

Guarantor institution	Guarantee in respect of	Original guaranteed Capital amount	Opening balance 1 April 2022	Guarantees draw downs during the year	Guarantees repayments/ cancelled/ reduced during the year	Revaluation due to foreign currency movements	Closing balance 31 March 2023	Revaluation due to inflation rate movements	Accrued guaranteed interest for year ended 31 March 2023
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
	DB Club Facility (USD)	13 290 938	-	13 290 938	-		13 290 938	-	4 047
	Standard Bank (USD)	2 752 800	-	2 752 800	-		2 752 800	-	4 328
Sub-total		**186 865 004**	**147 754 173**	**37 580 313**	**(21 779 382)**	**18 712 229**	**182 267 403**	**-**	**2 213 407**
	TOTAL	**190 365 004**	**151 254 173**	**37 580 313**	**(21 779 382)**	**18 712 299**	**185 767 403**	**-**	**2 470 503**

SA Express has been in provisional liquidation since April 2020. All guaranteed obligations have been settled and the balance of R19 million of guarantees exposure to SA Express that remained in the 2021/22 financial year has been cancelled.

SAA had R1.880 billion of guarantees available to the airline at the beginning of the 2022/23 financial year. A total of R1.5 billion of guarantees were settled during the year from Government funding. The closing balance of guarantees in use at year end is R333 million.

Denel has over R3 billion unutilised guarantees as a result of Government settling Guaranteed Debt and interest obligations over the 2021/22 and 2022/23 financial year. In 2022/23, Government settled Guaranteed Debt and interest obligations of R204 million. Utilised guarantees are currently R190 million. Denel's current guarantees will expire at the end of September 2023. Utilised guarantees are currently R100 million expiring at the end of September 2023 with plans to not rollover and retire the facility.

Eskom is borrowing under the R350 billion Guarantee Framework Agreement (GFA). Eskom's Guarantee Framework expired on 31 March 2023, therefore they cannot utilise anymore, as a new Framework must be agreed upon to enable further borrowing.

Transnet- The guarantees for Transnet for R3.5 billion are for long- term loans that mature by the 2028/29 financial year. There is no additions or repayments until the financial year.

ANNEXURE 3B

STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2023

Nature of liability	Opening balance 1 April 2022	Liabilities incurred during the year	Liabilities paid / cancelled / reduced during the year	Liabilities recoverable (Provide details hereunder)	Closing balance 31 March 2023
	R'000	R'000	R'000	R'000	R'000
Claims against the Department					
Labour disputes	29 844	-	(1 302)	-	28 542
Sub-total	29 844	-	(1 302)	-	28 542
Other					
Funds required by SAA to complete Business Rescue	3 079 000	-	(1 513 000)	-	1 566 000
Sub-total	3 079 000	-	(1 513 000)	-	1 566 000
TOTAL	**3 108 844**	**-**	**(1 514 302)**	**-**	**1 594 542**

ANNEXURE 8A

INTERENTITY ADVANCES PAID (Note 13)

ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		TOTAL	
	31/3/2023	31/03/2022	31/3/2023	31/03/2022	31/3/2023	31/03/2022
	R'000	R'000	R'000	R'000	R'000	R'000
NATIONAL DEPARTMENTS						
Department of International Relations and Cooperation (DIRCO)	154	109	-	-	154	109
TOTAL	**154**	**109**	**-**	**-**	**154**	**109**

ANNEXURE 11

COVID- 19 RESPONSE EXPENDITURE

Per quarter and in total

Expenditure per economic classification	2022/23					2021/22
	Q1	Q2	Q3	Q4	Total	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Goods and services						
Minor assets	-	-	2	-	2	1
Consumables	-	27	-	-	27	165
Property payments	10	10	-	9	29	54
TOTAL Covid- 19 RESPONSE EXPENDITURE	**10**	**37**	**2**	**9**	**58**	**220**

NOTES

NOTES

NOTES

NOTES

DEPARTMENTAL INFORMATION

Physical address: 80 Hamilton Street, Arcadia, Pretoria
Postal address: Private Bag X15, Hatfield, 0028
Telephone: +27 12 431 1000

Fax: +27 086 501 2624
E-mail: info@dpe.gov.za
Website: www.dpe.gov.za

RP290/2023
ISBN: 978-0-621-51463-6

Title of Publication: Department of Public Enterprises Annual Report 2022/2023