

Department of Public Enterprises

Annual Report

2018/19



public enterprises

Department
Public Enterprises
REPUBLIC OF SOUTH AFRICA



public enterprises

Department
Public Enterprises
REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF PUBLIC ENTERPRISES

DPE

VOTE NO. 9

ANNUAL REPORT 2018/19 FINANCIAL YEAR

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Part A

General Information



1. DEPARTMENT'S GENERAL INFORMATION

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2. GLOSSARY OF ACRONYMS

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

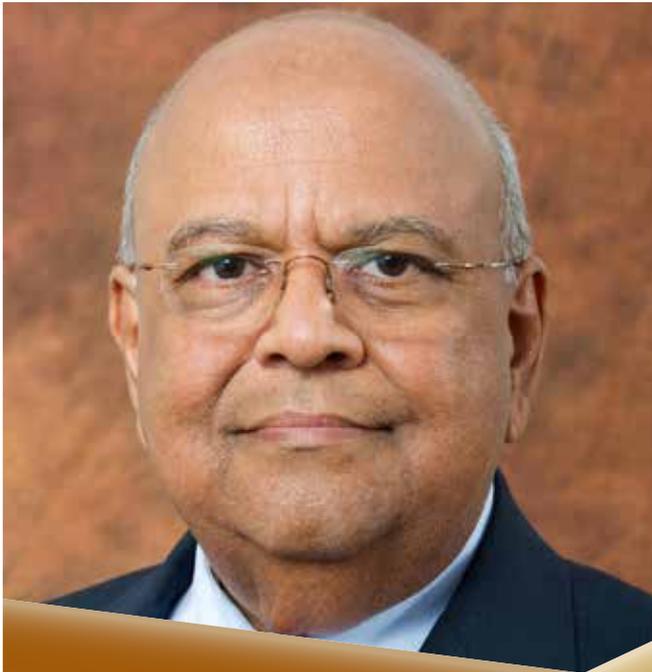
ACSA	Airports Company of South Africa
AFDB	African Development Bank
AEMFC	African Exploration Mining and Finance Corporation
AGM	Annual General Meeting
AGSA	Auditor General of South Africa
ARC	Audit and Risk Committee
ATNS	Air Traffic Navigation Services
BB-BEE	Broad-Based Black Economic Empowerment
BRICS	Brazil, Russia, India, China, South Africa
CAPEX	Capital Expenditure
CFO	Chief Financial Officer
CIP	Compulsory Induction Programme
CS	Corporate Services
CSI	Corporate Social Investment
CSDP	Competitive Supplier Development Programme
DAFF	Department of Agriculture, Forestry and Fisheries
DEA	Department of Environmental Affairs
DDG	Deputy Director-General
DG	Director-General
DHET	Department of Higher Education and Training
DMR	Department of Mineral Resources
DOD	Department of Defence
DOE	Department of Energy
DOT	Department of Transport
DPE	Department of Public Enterprises
DPW	Department of Public Works
DRDLR	Department of Rural Development and Land Reform
DTI	Department of Trade and Industry
ED	Executive Director
ECD	Early Childhood Development
ERM	Enterprise Risk Management
ESD	Enterprise Supplier Development
EXCO	Executive Committee
FET	Further Education and Training
FY	Financial Year
GCM/H	Gross Crane Moves Per Hour
HDI	Historically Disadvantaged Individual
HOD	Head of Department
HR	Human Resources
HRP	Human Resource Plan

IAA	Internal Audit Activity
ICT	Information and Communication Technology
IFLOMA	Indústrias Florestais de Manica
IGR	Inter-Governmental Relations
IPAP	Industrial Policy Action Plan
IERP	Integrated Energy Resource Plan
JV	Joint Venture
KLF	Komatiland Forests
KPI	Key Performance Indicator
MDS	Market Demand Strategy
MISS	Minimum Information Security Standards
MOU	Memorandum of Understanding
MPAT	Management Performance Assessment Tool
MTEF	Medium-Term Expenditure Framework
MTSF	Medium Term Strategic Framework
NDP	National Development Plan
NED	Non-Executive Director
NERSA	National Energy Regulator of South Africa
NGP	New Growth Path
NIPP	National Industrial Participation Programme
NEMA	National Environmental Management Act
NSDS	National Skills Development Strategy
NSF	National Skills Fund
NSG	National School of Governance
NT	National Treasury
OHS	Occupational Health and Safety
ORW	Outside Remuneration Work
PDP	Personal Development Plans
PFMA	Public Finance Management Act
PMDS	Performance Management & Development System
PRC	Presidential Review Committee
PSJV	Pooling and Sharing Joint Venture
PSCC	Presidential SOC Coordinating Council
PSP	Private Sector Participation
PSR	Public Service Regulations
R&D	Research and Development
RMC	Richtersveld Mining Company
RTMC	Road Traffic Management Corporation
SAA	South African Airways
SAAT	South African Airways Technical
SACAA	South African Civil Aviation Authority
SAFCOL	South African Forestry Company Ltd.

SAX	South African Express Airways
SCM	Supply Chain Management
SCOPA	Standing Committee on Public Enterprises
SDIP	Service Delivery Improvement Plan
SIP	Supply Integrated Programme
SLA	Service Level Agreement
SMME	Small Medium Enterprise
SOC	State-Owned Company
SOE	State-Owned Enterprise
SONA	State of the Nation Address
TNPA	Transnet National Ports Authority
TOR	Terms of Reference
TFR	Transnet Freight Rail
VCT	Voluntary Counselling and Testing (refers to health and wellness)
WSP	Workplace Skills Plan
YTD	Year to Date



3. FOREWORD BY THE MINISTER



Mr Pravin Gordhan, MP
Minister of Public Enterprises

Stabilising State-owned Companies (SOCs) in the portfolio of the Department of Public Enterprises has occupied most of my time since being appointed to this portfolio in February 2018. The dire financial position of SOCs, which has been widely reported and caused Government to provide financial support, has its roots firmly in the State Capture project.

Our country has become familiar with the scale and the depth of such malfeasance through the work of The Commission of Inquiry into Allegations of State Capture, chaired by Deputy Chief Justice Raymond Zondo.

The DPE and its SOCs were central to this project. The boards of these companies were weakened with the appointment of politically-aligned board members who commanded neither the requisite industry or institutional experience, nor the capability to leading such complex and considerable commercial enterprises. These

appointments were followed by the dismissal of executives and the appointment of pliable professionals – often themselves without the required experience or expertise - that were willing to execute the agenda of malfeasance.

In this regard, the first order of business was to review the boards and appoint ethical men and women capable of steering the businesses onto the path of sustainability. We were able to identify a mixture of young and experienced board members of impeccable character and knowhow, to assist us in this effort.

Importantly, inspired by President Cyril Ramaphosa's Thuma Mina call in the 2018 State of the Nation Address (SONA), these professionals came with the spirit of putting in the requisite effort to reposition and decontaminate these SOEs from the corrosive (and costly) effects of State Capture.

The boards of Denel, Transnet, SAFCOL, and SA Express were prioritised. Eskom and South African Airways had their boards appointed prior to my appointment. Alexkor had an interim board appointed while the future of the business is being considered.

The boards were directed to ensure that acts of corruption that had not been attended to (3 000 forensic reports were identified in this regard) receive priority. The result was that some of the executives identified in aiding corruption, were disciplined and dismissed for their transgressions. In other instances people chose to jump ship before they could be held to account.

State Capture has done a lot of harm and destroyed the careers of many black professionals whose career paths had excelled in our new democratic dispensation. Lest we forget that during apartheid, such leadership opportunities were not open to black professionals.

In order to ensure that this sad history in SOE corporate history is not repeated, the Department and SOEs are developing policies and systems to advance integrity in the conduct of executives and employees.

The malfeasance was aided by private businesses, some of which were multinationals and original equipment manufacturers (OEM) that were service providers and business partners to SOEs. The boards have been proactive in pursuing ill-gotten gains by these private entities.

Eskom has recovered close to R1 billion from McKinsey; and the High Court ordered Trillian to repay R600 million emanating from the same contract. Transnet has recovered over R618 million from China CRRC E-Loco for a locomotives maintenance contract that was found to be irregular and unlawful.

President Ramaphosa issued proclamations for the Special Investigative Unit (SIU) to investigate all instances of malfeasance and corruption at the DPE SOCs, to enable appropriate legal action to be taken by law enforcement agencies.

The renewal project has not been confined to the SOEs. The DPE, which was a crucial enabler of capture at SOEs, has had its own clean-up. The Director-General left the Department. Steps are being taken to identify and institute disciplinary actions against implicated officials. I have directed the Acting Director-General to move with urgency in this area to ensure a clean start for the Department.

The stabilisation of SOEs shall take time as we are having to address deeply embedded structural, financial and operational challenges. We are finding that the SOE business models have not evolved with the changing national and international operating environment.

SOEs constitute a key part of our national life and our national assets. They are central to our development and economic agenda. The reform of State-Owned Enterprises is part of a broader agenda of structural reforms in our country.

The Department provides strategic direction to the SOEs to ensure alignment of their business plans with the national growth strategies arising out of the National Development Plan (NDP) and other guiding policies of Government.

We want our SOEs to be fully self-sufficient and be able to fulfil their developmental and economic role.

Where SOEs are not able to raise sufficient financing from banks, capital markets, development finance institutions or the fiscus, we will need to explore other mechanisms, such as strategic equity partnerships or selling of non-strategic assets.

Once SOEs are stable and financially sustainable, they will be able to provide the following to the economy:

- increase investment in the economy;
- explore equity partnership;
- reduce the cost of doing business;
- promote growth of manufacturing linked to local procurement and localisation; and
- create business opportunities for medium and small enterprises and promote skills development.

In giving effect to its renewed efforts to restore SOCs, in the new financial year we will work with the Boards to develop new operating models for their businesses, and develop a financial sustainability plan.

In conclusion, I want to thank the former Acting Director-General, Mr Thuto Shomang, who heeded the President's Thuma Mina call and gave 10 months to steer the Department. With the help of his team, he stabilised the Department. I extend my appreciation to the honest hard working staff in the department and to the tens of thousands of staff in the SOEs for their contribution to the process over the past year.

A lot more needs to be done to achieve optimal stability and performance from the SOEs.

With dedication and deep commitment to our national interest, we will tip the scales in the right direction.



Mr Pravin Gordhan, MP
Minister of Public Enterprises

4. REPORT OF THE ACCOUNTING OFFICER



Mr Kgathatso Tlhakudi
Acting Director-General

4.1 OVERVIEW OF THE OPERATIONS OF THE DEPARTMENT

The 2018/19 financial year can be regarded as a watershed year for the Department and its State-Owned Companies (SOCs). President Cyril Ramaphosa became President in 2018 and that heralded the start of the Thuma Mina era, which continued with the election of the country's sixth administration.

In his State of the Nation Address in February 2018, President Ramaphosa said:

“Many of our state-owned enterprises (SOEs) are experiencing severe financial, operational and governance challenges, which have impacted the performance of the economy and placed pressure on the fiscus. We will intervene decisively to stabilise and revitalise SOEs.”

The President again put SOCs at the centre of the incoming administration when he announced in the State of the Nation Address in February 2019, the unbundling of Eskom into three separate entities, i.e. Generation, Transmission, and Distribution under Eskom Holdings, the ownership of which remains with the State. This is critical to the management of an independent state-owned transmission grid, combined with the systems operator, and power planning, procurement and buying functions.

This intervention underlined Government's determination to reposition SOCs as the axis of its effort to revive the country's economy that has seen growth of less than 1%. In order to tackle the triple challenges of poverty, inequality and unemployment, SOCs must become self-sustaining and not to be a drain on the fiscus.

The Department took steps to address specific challenges confronting the SOCs within its portfolio. The Department started this process in 2018/19 by focusing on governance, interrogating and reviewing procurement processes and procedures, assessing financial sustainability, closely monitoring operational performance and putting systems in place to stop and eradicate corruption.

With the exception of Eskom, Alexkor and South African Airways, all SOC Boards were reviewed and changed during the 2018/19 financial year. Eskom's Board was changed in January 2018, while Alexkor's four Non-Executive Directors were re-appointed.

The financial state of SOCs in the DPE portfolio is of concern. Of the seven SOCs, namely Alexkor, Denel, Eskom, Transnet, SA Airways, SA Express and SAFCOL, only Transnet and SAFCOL have sound balance sheets.

Eskom, Denel, SAA and SA Express all had to get Government support during the 2018/19 financial year. Going forward, it is anticipated that these companies along with Alexkor would need support.

In the February 2019 Budget Speech, the Minister of Finance committed to provide financial support of R23 billion per annum over three years to Eskom. He further committed to the appointment of a Chief Reorganising Officer at Eskom to ensure that the unbundling process is handled effectively. Despite the financial support extended to Eskom, the company faced operational challenges which led to stage four load shedding and this had a negative effect on the first quarter growth in 2019.

The company is grappling with aging infrastructure, an outdated business model and structure, poor maintenance, as well as unpaid municipal debt. The Department is monitoring the implementation of Eskom's nine-point plan milestones as it is imperative that we succeed in this task. Eskom is not only critical to the country's sovereignty, but it affects every household in South Africa and is central to the growth and development of our economy.

The companies have also had to grapple with issues around governance and internal controls as evidenced by the increase in irregular, fruitless and wasteful expenditure. It is critical that we stop these fruitless and wasteful expenses incurred by SOCs by strengthening their respective internal controls. Nevertheless, in the 2018/19 financial year there were high levels of irregular expenditure as the SOCs in the portfolio undertook comprehensive reviews of their existing contracts to identify any irregularities, much of which arose from the corruption that was taking place at the entities. It is important to emphasise that although the spending may have been irregular, it does not necessarily mean that it was fruitless, as the SOCs often still received goods or services they required through the irregular contracts, albeit sometimes at an inflated price.

I need to indicate that the steps that have been introduced to address these issues are promising; however, there is still a long road ahead. The Department will need to be vigilant, agile, flexible and ready to adapt to the fluid environment in its oversight function.

The vacancy rate at the end of this financial year was 16% as compared to 13% in 2017/18. This period has thus provided a unique opportunity for the Department to recruit competent and capable people into the organisation in order to close the gaps that have been identified in the sectoral teams.

The structural, financial, operational and governance challenges faced by SOCs require a collective and concerted effort from all stakeholders. The SOCs and the Department will face close scrutiny and will be held to account, not only by the elected representatives but also by the South African public whose very existence and livelihoods depend on the viability and sustainability of these SOCs. It is for this reason that SOCs need to review their business models so that operations are efficient and effective, can deliver on their mandates, and not continue to be a drag on the fiscus. Likewise, the Department must acquire the requisite skills to ensure it provides support to the SOCs and the Shareholder Minister.

4.2 OVERVIEW OF THE FINANCIAL RESULTS OF THE DEPARTMENT

4.2.1 Departmental receipts

Departmental receipts	2018/2019			2017/2018		
	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	60	64	(4)	366	64	302
Transfers received	-	-	-	244	-	244
Interest, dividends and rent on land	1	-	1	11	19	(8)
Sales of capital assets	16	17	(1)	300	95	205
Financial transactions in assets and liabilities	140	285	(145)	240	10	230
TOTAL	217	366	(149)	1 161	188	973

4.2.2 Revenue narrative

The Department of Public Enterprises does not generate revenue as revenue collection is not part of its core function.

4.2.3 Programme expenditure

Programme Name	2018/2019			2017/2018		
	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	151 979	136 032	15 947	151 871	144 042	7 829
State-owned Companies' Governance Assurance and Performance	39 084	33 490	5 594	31 867	27 532	4 335
Business Enhancement, Transformation and Industrialisation	6 331 851	6 305 272	26 579	82 958	78 839	4 119
Total	6 522 914	6 474 794	48 120	266 696	250 413	16 283

4.2.4 Expenditure narrative

The Department has spent 99.3% (R6.4 billion of R6.5 billion) of the total budget. This spending includes a capital injection of R5 billion and R1.249 billion transferred to SAA and SA Express respectively. The R5 billion was tabled in the 2018 Special Appropriation Bill for recapitalisation of SAA and R1.249 billion was earmarked for SA Express in respect of the settlement of government guaranteed debts for both SOCs.

Areas of under-expenditure relate primarily to compensation of employees due to unfilled posts, and to goods and services where there were delays in implementation of projects.

4.2.5 Virements

There were no virements submitted to National Treasury.

4.2.6 Roll-over

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

4.2.7 A description of the reasons for unauthorised, fruitless and wasteful expenditure, the amount involved, and steps taken to address and prevent a recurrence

There was no unauthorised expenditure in the Department in the year under review. There was fruitless and wasteful expenditure of R713 000 of which R532 000 relates to prior year and R181 000 to current year identified during the 2018/19 financial year. An investigation will be conducted to determine the root cause. The department continues to implement control measures in place as well as monitor, detect and deal with fruitless and wasteful expenditure to ensure compliance with the Public Finance Management Act (PFMA).

4.2.8 Future plans of the Department

During the year under review, fundamental measures were carried out to inculcate proper governance within the SOCs in the DPE Portfolio, as well as to address SOC liquidity problems and ensure their operational stability. Significant progress was made in appointing new SOC Boards during the 2018/19 financial year.

In the next financial year, the Department will continue to:

- Review the funding models of all SOCs and engage with relevant stakeholders to identify solutions towards the long-term financial sustainability of SOCs.
- Monitor SOC board performance and strategic intent statements to achieve better coordination, oversight and sustainability of the SOCs.
- Explore resources and capabilities of SOCs that can be used to promote inclusive growth, investment and the creation of jobs.
- Refocus SOCs on their core mandates to ensure that they have viable business and operating models.
- Develop the Green Paper that will serve as the foundation for the development of the SOE Bill.

4.2.9 Public Private Partnerships

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

4.2.10 Discontinued activities/activities to be discontinued

The Department has neither discontinued any activities nor will it discontinue any planned activities.

4.2.11 New proposed activities

None

4.2.12 Supply chain management

The Department did not receive or consider any unsolicited bid proposals during the 2018/19 financial year. Three bid committees, namely the Bid Specification Committee, the Bid Evaluation Committee and the Bid Adjudication Committee have been established to ensure compliance throughout the bidding process and the implementation of the departmental financial and supply-chain management policies and delegations help to manage and prevent irregular expenditure.

4.2.13 Gift donations received in kind from non-related parties

There were no goods and services received by the Department from non-related parties in the year under review.

4.2.14 Exemptions and deviations received from National Treasury

The Department received no exemptions from National Treasury except for deviations from the bidding process, which are in accordance with Treasury Regulations and Treasury Instruction number 3 of 2016/17.

4.2.15 Events after the reporting date

There are no events planned after the reporting date.

4.2.16 Other

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

5. CONCLUSION

I would like to express my gratitude to Minister Gordhan and the DPE staff complement for their support received during the year under review.



Mr Kgathatso Tlhakudi
Acting Director-General

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

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

All information and amounts disclosed throughout the annual report are consistent.

The annual report is complete, accurate and free from any omissions.

The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.

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

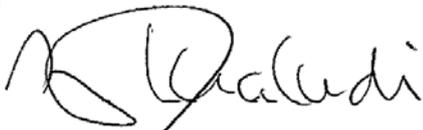
The Accounting Officer is responsible for the preparation of the annual financial statements and for the judgements made on this information.

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

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

In my opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the Department for the financial year ended 31 March 2019.

Yours faithfully



Mr Kgathatso Tlhakudi
Acting Director-General

7. STRATEGIC OVERVIEW

7.1 Vision

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

7.2 Mission

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

7.3 Values

Bold - We must dare to be brave.

Professional - We must deliver work that reflects a professional level of care and skill.

Caring - This must be expressed in how we watch over and support the Department's people.

Integrity - We must do the right thing irrespective of implications.

Fun - Create an environment where people look forward to coming to work.

Passion - We are out to make the South African economy competitive; this requires high passion.

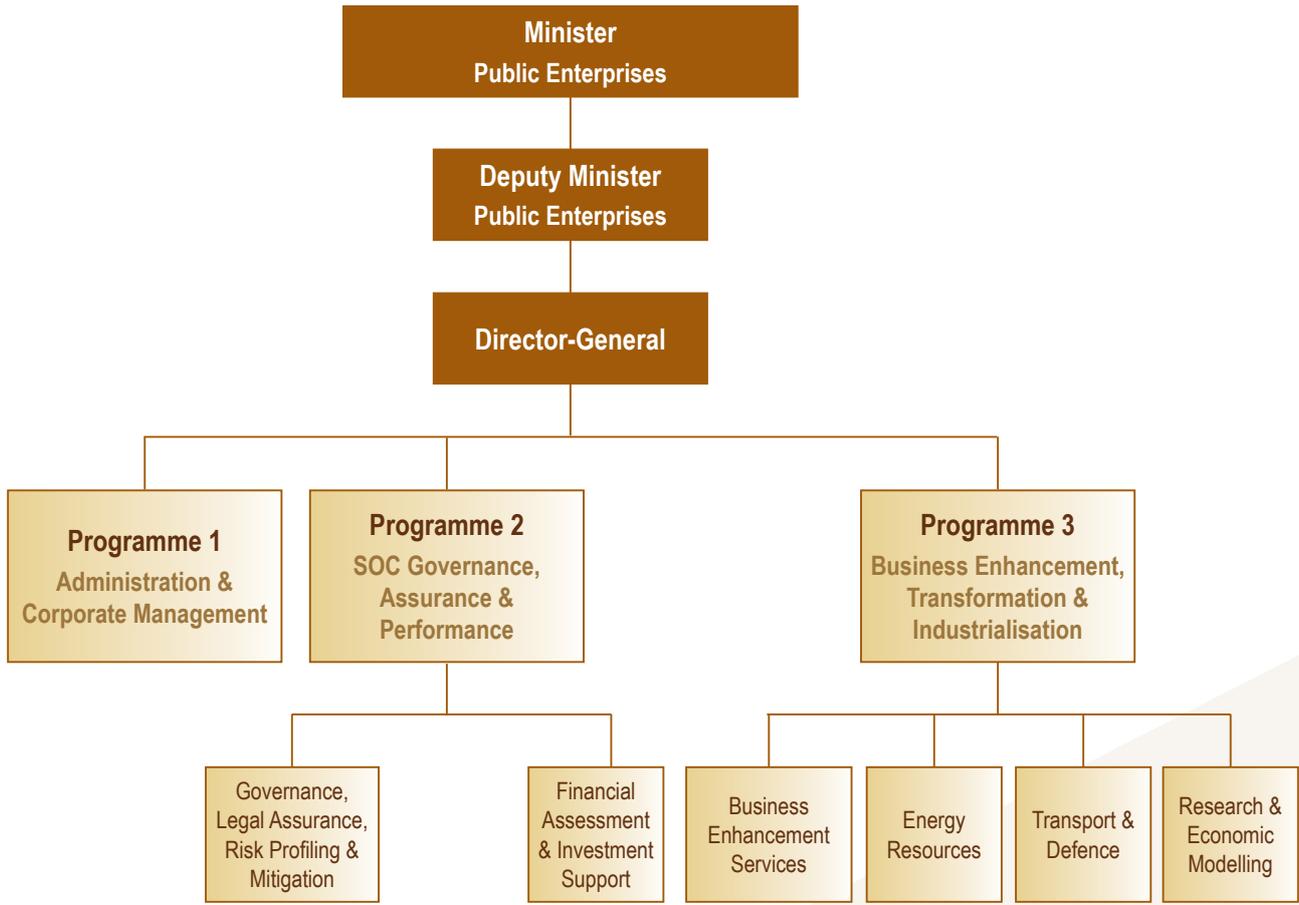
Batho Pele - The principles that guide our engagement.

8. LEGISLATIVE AND OTHER MANDATES

The Department exercises shareholder oversight of seven SOCs. All the SOCs are incorporated as companies in accordance with the provisions of the Companies Act, 2008. Except for Denel, all the SOCs are established in terms of their own enabling legislation which sets out the purpose, mandate and objectives for which they were founded. The Department is the administrator and custodian of all legislation in relation to the establishment of SOCs.

In terms of section 63(2) of the Public Finance Management Act (PFMA) 1 of 1999 as amended, the Minister of Public Enterprises has, inter alia, the responsibility of ensuring that the SOCs comply with the PFMA.

9. ORGANISATIONAL STRUCTURE



10. ENTITIES REPORTING TO THE MINISTER

The table below indicates the entities that report to the Minister:

Name of Entity	Legislative Mandate	Financial Relationship	Nature of Operations
Alexkor	Alexkor Limited Act (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 Airways (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	SAA is the South African national airline.
South African Forestry Company Ltd. (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.

Part B

Performance Information



1. AUDITOR GENERAL'S REPORT: PREDETERMINED OBJECTIVES

The AGSA currently performs audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management.

Refer to page 85 for the Report of the Auditor-General, published as Part E: Financial Information.

2. OVERVIEW OF DEPARTMENTAL PERFORMANCE

2.1 Service Delivery Environment

The Department of Public Enterprises (DPE) is mandated to perform shareholder oversight on behalf of Government over seven SOCs that play a key role in enabling economic growth, creating jobs and promoting the industrialisation and transformation of the economy.

The Department has been tasked with developing an overarching act governing the SOCs. However, there are other 19 commercial SOCs (see Schedule 2) that are allocated to policy departments. For instance, the Department of Transport has oversight over ACSA, ATNS, SACAA, RTMC, etc. The appropriate institutional arrangements for overseeing the SOCs will be one of the key areas of focus in developing the draft bill.

In performing the shareholder oversight role, the Department has to ensure that the SOCs' strategies and business plans are aligned to their mandates and Government priorities. Furthermore, the implementation of agreed plans is overseen through the submission by SOCs of monthly, quarterly and annual performance reports to the Department for analysis and advice to the Minister.

Government sets out its priorities in the Medium-Term Strategic Framework (MTSF), the duration of which coincides with the term of an Administration. For instance, the 2018/19 financial year marked the end of the Fifth Administration. The MTSF outlines priorities that Government requires in line with the National Development Plan 2030 (NDP). The DPE SOCs, Eskom and Transnet were tasked with modernisation of electricity and logistics infrastructure respectively as well as improving the performance of the freight transportation system in the MTSF 2014-19 in support of the economy.

Both Eskom and Transnet's performance lags the MTSF targets. The other SOCs in the Department and across government have also fallen short of meeting their agreed deliverables. This was due to the tough economic conditions in the country and widespread corruption amongst our trading partners, which was the result of a failure of governance. The Department has thus placed particular focus on ensuring that proper governance systems are in place.

2.2 Service Delivery Improvement Plan

With the challenges that the DPE SOCs have faced, the Department had to relook at the ways in which it oversees the SOCs to ensure that the challenges they are experiencing are adequately addressed. The Department is refining its existing standard operating procedures and introducing new ones to speak to these challenges. The draft Service Delivery Improvement Plan (SDIP) for the coming financial year 2019/20 is being finalised.

2.3 Organisational Environment

During the year under review, the Department intended to implement the approved realigned structure with effect from 1 April 2018. However, due to changes in leadership the realigned structure was only holistically implemented with effect from 1 January 2019. The realigned structure seeks to drive the operational efficiency of the Department, such that it will contribute to improving the Department's ability to oversee the SOCs. The current establishment for the 2018/19 financial year has a staff complement of 209 posts (excluding the Minister and Deputy Minister). Existing human resources and posts have been re-organised for optimal utilisation.

The delay in the filling of vacancies resulted in some employees having to carry an additional workload. The Department conducted various change management interventions and consultations with employees during the realignment process. An Employee Climate Survey will be conducted to identify gaps and further address staff morale in the next financial year.

2.4 Key Policy Developments and Legislative Changes

None

3. STRATEGIC OUTCOME ORIENTED GOALS

The SOCs under the Department's portfolio contribute to a number of outcomes including improving the productivity of the economy, accelerating investment, promoting industrialisation and advanced manufacturing, and uplifting the communities in which these SOCs operate. The Department, through its oversight function, ensures that the SOCs' investments and operational activities contribute to these outcomes.

STRATEGIC OUTCOME GOAL	ACHIEVEMENT TOWARDS THE STRATEGIC OBJECTIVES
<p>Strategic Goal: Strengthening the role of the Shareholder</p> <p>Sub-Programme 2: Governance, Legal Assurance, Risk Profiling and Mitigation</p>	<p>In line with the recommendations of the Presidential Review Commission, the Department will be developing overarching legislation governing SOCs. This is intended to strengthen the governance framework within which SOCs operate. The Department intends to follow a phased approach to developing the Bill, first by developing a Green Paper, then a White Paper which will ultimately inform the Bill.</p> <p>The Department has established a hotline for the public and SOC employees to 'blow the whistle' anonymously on fraud and corruption at SOCs. The hotline compliments the whistleblowing mechanisms established by SOC Boards.</p> <p>The Department, through any whistleblowing reports that come directly to the Minister monitors the quality of SOCs' responses to reported incidents, and whether sanctions are implemented where warranted.</p> <p>The SOC Risk and Integrity Framework requires further work going forward and the Department has prioritised this effort for the 2019/20 financial year.</p> <p>In the year under review the boards of the following SOCs were reviewed and strengthened: Transnet, SAFCOL, Denel and SA Express through the appointment of credible and capable people to improve oversight over the executive. The Eskom, SAA and Alexkor boards will be receiving attention in the 2019/20 financial year.</p> <p>The support required for ensuring operational effectiveness of the Presidential SOC Coordinating Council (PSCC) will occupy the sub-programme in the 2019/20 financial year. In the year under review, Cabinet approved the Terms of Reference for establishment of the PSCC with the DPE, through the sub-programme, providing secretarial services to the programme.</p> <p>Further guidance will be provided by the PSCC on the scope of SOCs that the Department will have oversight of. In this regard, the PSCC is also expected to play a greater role in the review of mandates of SOCs, approval of strategy, determination of appropriate operating models and appointment of leadership at board and executive levels.</p>

STRATEGIC OUTCOME GOAL	ACHIEVEMENT TOWARDS THE STRATEGIC OBJECTIVES
<p>Strategic Goal: Ensure SOCs' financial sustainability</p> <p>Sub-Programme 2: Financial Assessment and Investment Support</p>	<p>Government has provided financial support in the form of guarantees and equity injections to several SOCs to address the liquidity challenges that many of the DPE SOCs face. This involves support to the execution of their borrowing plans.</p> <p>Within its existing R350 billion guarantee facility, Eskom raised the following guaranteed debt in the 2018/19 financial year: R15 billion in respect of syndicate loans from local banks, US\$180 million (approximately R2.47 billion at the date of the application) from the BRICS' New Development Bank loan, US\$25 million (approximately R351 million) from the African Development Bank loan, US\$2.5 billion (approximately R33.4 billion) from the China Development Bank loan and €100 million (approximately R1.5 billion) from the French Development Bank loan. An equity injection of R69 billion over three years was also announced for the 2019/20 to 2021/2022 financial years.</p> <p>SAA received funding of a R5 billion loan and SA Express received funding of R1.249 billion, which was used to repay guaranteed debt. The guarantee facility for SA Express was increased by R1.74 billion and Denel's guarantee facility was increased by R1 billion; bringing it to R3.43 billion and extended for a five-year period.</p>
<p>Strategic Goal: Ensure SOCs maintain commercially viable operations</p> <p>Sub-Programme 3: Energy Resources</p>	<p>ESKOM</p> <p>The 2018/19 financial year has been a difficult year for Eskom as the company continues to experience extensive operational and financial challenges. The year under review saw the country experience load shedding due to inadequate capacity to meet demand. This was the result of deterioration in the performance of the generation fleet, which needed extensive maintenance that was previously not done prudently.</p> <p>In the SONA 2019 the President announced that Eskom will be restructured to increase transparency in financial management and to bring the company's structure in line with international best practices. In addition, the Minister of Finance in the 2019 budget speech expanded on one of the critical elements affecting the restructuring, i.e. the appointment of the Chief Restructuring Officer. The DPE is working with National Treasury (NT) on implementing these pronouncements; this work should be completed in the first half of the 2019/20 financial year. The restructuring of Eskom should take shape in the coming three to five years.</p> <p>SAFCOL</p> <p>SAFCOL had a difficult trading year. The business will be restructured in 2019/20 to ensure better management of costs and to improve the relationship with its customers: sawmills in the Limpopo, Mpumalanga and Kwa-Zulu Natal provinces.</p> <p>The upgrade of Timbadola sawmill has become critical and the SOC should prioritise this investment to improve production costs and product diversification in the Northern region.</p> <p>The business has pending claims on the land on which it operates. The land is owned by the Department of Public Works (DPW) and leased from the Department of Agriculture, Forestry and Fisheries (DAFF). Government is expediting the settlement of the claims and some of these are expected to be concluded in the 2019/20 financial year.</p> <p>ALEXKOR</p> <p>The sole operating asset, the Alexkor RMC Pooling and Sharing Joint Venture (PSJV) has encountered financial challenges in the year under review with diamond production dropping significantly and the mine unable to sustain its cost base. The mine is the sole alluvial diamond mining operation left in Namaqualand with DeBeers and Transhex having closed operations.</p> <p>The Department will be intervening to restructure the operations to ensure the recovery of operations in the 2019/20 financial year.</p>
<p>Strategic Goal: Delivery of Capital Projects</p> <p>Sub-Programme 3: Energy Resources</p>	<p>Review of Eskom's operational performance and efficiency was undertaken to assess the performance of the Eskom generation fleet, identifying root causes and mitigation strategies to address the deterioration of fleet performance in the past months. This is a contributing factor to attaining an adequate electricity reserve margin.</p> <p>Eskom is currently constructing Medupi and Kusile coal-fired power stations in order to increase the generation capacity. No new units were commercialised during the reporting period. Eskom has installed 378.7 km of transmission lines and 540 MVA transmission transformer capacity was commissioned and installed.</p>

STRATEGIC OUTCOME GOAL	ACHIEVEMENT TOWARDS THE STRATEGIC OBJECTIVES
<p>Strategic Goal: Ensure SOCs maintain commercially viable operations</p> <p>Sub-Programme 3: Transport and Defence</p>	<p>TRANSNET</p> <p>Transnet seeks to improve the efficiency, reliability and cost-effectiveness of freight transportation in the country, which will improve the productivity and competitiveness of exports. The company is also focused on shifting freight from road to rail to reduce congestion, carbon emissions and improve the safety of the nation's roads. Interventions are being put in place to close the gaps where performance lags behind the targets that were set. Since the inception of the entity's market demand strategy in 2012, more than R165.6 billion has been spent on infrastructure and maintenance projects. Over the five-year period ending 2022/23, Transnet plans to invest R163.7 billion in capital expenditure, particularly in rail, port and pipeline infrastructure across its operating divisions, to sustain and expand capacity.</p> <p>SOUTH AFRICAN EXPRESS AIRWAYS (SA EXPRESS)</p> <p>Following SA Express' return to operations, the airline revised its turnaround strategy to focus on stabilising its financial and operational performance. A number of initiatives were identified to implement the strategy, including optimising the airline's route network; revenue and yield management; filling key positions; enhancing organisational culture and values; and improving schedule and aircraft reliability. The strategy is currently being implemented by the airline.</p> <p>SOUTH AFRICAN AIRWAYS (SAA)</p> <p>SAA has in place a long-term turnaround strategy, which was refined in 2018/19. The strategy anticipates that the airline will return to profitability in 2020/21. The company's 2018/19 performance was better than had been budgeted. The company is focusing on optimising its route network; improving the utilisation of its aircraft; enhancing maintenance efficiency and cost effectiveness; driving down procurement costs and boosting employee productivity and accountability.</p> <p>DENEL</p> <p>Denel has developed and is implementing its restructuring plans, which entail optimising its cost structure and reviewing its business model to improve its global competitiveness and financial sustainability. The company has made progress in implementation of the strategy, which will continue into the 2019/20 financial year.</p>

STRATEGIC OUTCOME GOAL	ACHIEVEMENT TOWARDS THE STRATEGIC OBJECTIVES																																																												
<p>Strategic Goal: Supporting the acceleration of transformation of the South African economy</p> <p>Sub-Programme 3: Business Enhancement and Industrialisation</p>	<p>Education and skills development remains the foundation upon which the NDP seeks to address the triple challenges of poverty, inequality and unemployment. Within the DPE portfolio, SOCs contributed to the supply of scarce and critical skills to address shortages in occupations in demand in support of the national skills agenda as encapsulated in Outcome 5 of the 2014-2019 MTSF period. The focus of the skills development programme is on long-term learning interventions that indirectly contribute to job creation as learners participate in meaningful productive work, whilst simultaneously earning stipends and acquiring much needed work experience and practical skills.</p> <p>Over the 2014-2019 MTSF period, SOCs in DPE's portfolio achieved the following:</p> <ul style="list-style-type: none"> 12 974 learners were enrolled in scarce and critical skills programmes, namely artisans (6 514); engineers (3 009); technicians (3 322); and Cadet Pilots (129) as per the table below: <table border="1" data-bbox="387 566 1417 813"> <thead> <tr> <th>Scarce and Critical Skills</th> <th>2014/15</th> <th>2015/16</th> <th>2016/17</th> <th>2017/18</th> <th>2018/19</th> <th>Total 2014-19</th> </tr> </thead> <tbody> <tr> <td>Artisans</td> <td>2 524</td> <td>2 216</td> <td>1 034</td> <td>495</td> <td>245</td> <td>6 514</td> </tr> <tr> <td>Technicians</td> <td>731</td> <td>876</td> <td>1 142</td> <td>329</td> <td>214</td> <td>3 322</td> </tr> <tr> <td>Engineers</td> <td>893</td> <td>523</td> <td>1 171</td> <td>325</td> <td>97</td> <td>3 009</td> </tr> <tr> <td>Cadet Pilots</td> <td>73</td> <td>56</td> <td>-</td> <td>-</td> <td>-</td> <td>129</td> </tr> <tr> <td>Total</td> <td>4 221</td> <td>3 671</td> <td>3 347</td> <td>1 149</td> <td>556</td> <td>12 974</td> </tr> </tbody> </table> <p>Of the 6 514 artisan learners, 2 396 were funded by the National Skills Fund (NSF) through collaboration established with the Department of Higher Education and Training (DHET) as a drive to achieve the National Skills Accord commitment of optimising SOC training facilities.</p> <p>In the 2018/19 financial year, a total of 1 032 learners were enrolled comprising:</p> <ul style="list-style-type: none"> 245 artisan trainees 97 engineering trainees 214 technician trainees 476 sector specific trainees <p>Furthermore, 2 332 students were supported through bursaries and 460 successfully completed learning.</p> <p>SOCs in DPE's portfolio have spent in excess of R212 million at YTD on Corporate Social Investment (CSI), as a contribution in favour of beneficiaries in rural communities and other designated groups. Operations covered various sectors including Education, Skills and Training, Health, Supplier Development, Community Development, Sports, Employee Voluntarism and Tourism.</p> <p>Information on SOC spend per sector</p> <table border="1" data-bbox="387 1422 1417 1780"> <thead> <tr> <th>Employees with a disability Employees with a disability Employees with a disability Sector</th> <th>Spend in ZAR 0000</th> </tr> </thead> <tbody> <tr> <td>Education, Skills and Training</td> <td>50,678,018.25</td> </tr> <tr> <td>Health</td> <td>83,225,073.10</td> </tr> <tr> <td>Supplier Development</td> <td>26,381,719.25</td> </tr> <tr> <td>Community Development</td> <td>24,823,302.69</td> </tr> <tr> <td>Sports</td> <td>27,485,940.00</td> </tr> <tr> <td>Employee volunteerism</td> <td>46,989.13</td> </tr> <tr> <td>Tourism</td> <td>30,000.00</td> </tr> <tr> <td>TOTAL</td> <td>212,671,042.40</td> </tr> </tbody> </table> <p>The contribution to support health sector operations accounted for 39.1% of the total contribution provided by the SOCs for CSI. This included projects such as sanitary pad donations and the Transnet Phelophepa Health Care Train to deliver primary healthcare services to communities and implement community outreach services to learners and adults. Support for operations in Education, skills and training accounted for 23.8% and included projects such as Maths and Science Outreach Programmes, a Career Expo, Schools Support and Construction of Early Childhood Development (ECD) Centres. Projects for Tourism and Employee Voluntarism included support for museums during the Mandela Day Celebrations.</p>	Scarce and Critical Skills	2014/15	2015/16	2016/17	2017/18	2018/19	Total 2014-19	Artisans	2 524	2 216	1 034	495	245	6 514	Technicians	731	876	1 142	329	214	3 322	Engineers	893	523	1 171	325	97	3 009	Cadet Pilots	73	56	-	-	-	129	Total	4 221	3 671	3 347	1 149	556	12 974	Employees with a disability Employees with a disability Employees with a disability Sector	Spend in ZAR 0000	Education, Skills and Training	50,678,018.25	Health	83,225,073.10	Supplier Development	26,381,719.25	Community Development	24,823,302.69	Sports	27,485,940.00	Employee volunteerism	46,989.13	Tourism	30,000.00	TOTAL	212,671,042.40
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STRATEGIC OUTCOME GOAL	ACHIEVEMENT TOWARDS THE STRATEGIC OBJECTIVES
<p>Strategic Goal: Advancing the re-industrialisation of the South African economy</p> <p>Sub-Programme 3: Business Enhancement and Industrialisation</p>	<p>Ensure the support of SMMEs development, transformation, localisation, reduce the trade imbalance and create jobs. Increased local content on procurement of goods and services by the SOCs.</p> <p>The Department in collaboration with the Department of Trade and Industry (DTI) developed the procurement leverage programmes, i.e. Competitive Supplier Development Programme (CSDP) and the National Industrial Participation Programme (NIPP) to use government and SOCs' procurement to leverage industrial development, investment, exports and technology development. The Department is currently assessing and evaluating the efficiency and effectiveness of these programmes in achieving the intended objective. The findings will assist the Department to determine whether these programmes should be redesigned in their current form. This exercise will be completed in the 2019/20 financial year.</p>

4. PERFORMANCE INFORMATION BY PROGRAMME

4.1 PROGRAMME 1 – ADMINISTRATION AND CORPORATE MANAGEMENT

Purpose

Provides strategic leadership management and support services to the Department.

Programme Overview

The programme includes the Ministry, the Office of the Director-General and Support Services. The programme is currently made up of the following sub-programmes: Ministry; Management; Corporate Services; Chief Financial Officer; Human Resources; Communications; Strategic Planning, Monitoring and Evaluation; Internal Audit and Office Accommodation.

Corporate Services is responsible for:

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

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

Office of the Chief Financial Officer responsible for Financial Management Services to ensure compliance with various pieces of legislation including the PFMA, the Public Audit Act, (Act 25 of 2004 and Treasury Regulations, and efficient and effective supply chain management services).

Human Resources assists with the 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, provides impactful media relations and media communication, and improves employee engagement.

Strategic Planning, Monitoring and Evaluation coordinates, manages and oversees outcome-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, consulting, and 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.

Strategic objectives, performance indicators planned targets and actual achievements

Strategic Objective

- Provide strategic leadership, management and support services to the Department.

Programme Strategic Objective

Programme 1: Administration and Corporate Management					
Strategic objective	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
Provide strategic leadership, management and support services to the department	None	Develop a three-year HR Plan and submit to DPSA by 30 June 2018	Achieved Three-year HR Plan developed	None	None
	None	22 training interventions provided in line with the Workplace Skills Plan (WSP)	Achieved 22 training interventions provided	None	None

Programme Performance Indicators

Programme 1: Administration and Corporate Management					
Performance Indicator	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
HR Plan developed and approved	None	Develop a three-year HR Plan and submit to DPSA by 30 June 2018	Achieved Three-year HR Plan developed	None	None
Number of training interventions provided	None	22 training interventions provided in line with the Workplace Skills Plan (WSP)	Achieved 22 training interventions provided	None	None

2018/19 Key Achievements

During the year under review, skills gaps were addressed through training interventions as identified in the training plan. The Department remains committed to the development and upskilling of the existing workforce by implementing the Workplace Skills Plan (WSP). The Department continuously empowers its employees through the implementation of the Compulsory Induction Programme (CIP), SMS' Compulsory training through the National School of Governance (NSG) and Specialised training emanating from Personal Development Plans (PDP), e.g. OHS, Advanced Project Management and Anti-Corruption. The Department also has 50 bursary holders, nine of which are MBA candidates, five Masters candidates and two PhD candidates.

Part of the Human Resource Plan (HRP) was to align the structure to enable the Department to reach its strategic objectives as set out in the strategic plan. The realignment of the structure ensured the centralisation of crosscutting functions, e.g. Financial Analysis and Funding, which will enhance performance with effective and efficient service delivery.

Strategy to overcome areas of underperformance

None

Changes to Planned Targets

None

Programme Expenditure

Programme Administration	2018/19			2017/18		
	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	29 052	22 265	6 786	35 252	34 985	267
Management	14 197	11 894	2 303	9 412	8 757	655
Communications	36 803	33 627	3 176	39 339	36 301	3 038
Chief Financial Officer	17 649	17 166	483	16 173	16 142	31
Human Resources	29 124	27 547	1 577	29 089	27 700	1 389
Internal Audit	4 624	3 586	1 038	4 701	3 579	1 122
Corporate Services	3 799	3 218	581	4 696	3 380	1 316
Office Accommodation	16 731	16 728	3	13 209	13 198	11
Total	151 979	136 031	15 948	151 871	144 042	7 829

Expenditure narrative

Expenditure on the programme amounts to R136 million or 89.5% of the total budget in 2018/19, while expenditure for the 2017/18 financial year is R144 million or 94.84% of the total budget of R151.9 million. The relative decrease in expenditure is as a result of vacant posts within the programme. The primary cost drivers under goods and services include travel and subsistence, operating lease, property payments, computer services and audit fees.

4.2 PROGRAMME 2: SOC GOVERNANCE ASSURANCE AND PERFORMANCE

Purpose of the programme

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.

The sub-programmes in this programme are as follows:

- **Management** comprises the office of the Deputy Director-General, which provides strategic leadership and management of the programmes' personnel.
- **Legal** provides external legal services and support, including transaction and contract management to sector teams and the commercial activities of SOCs within their respective portfolios.
- **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 restructuring proposals and advises on appropriate action.

Strategic 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.

Detailed information on the two sub-programmes are as follows:

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

Sub-Programme Strategic Objective

Sub-programme: Governance, Legal Assurance, Risk Profiling and Mitigation					
Strategic objective	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
Promote the development of a strong shareholder	Develop a draft Bill on Shareholder Management Policy	Shareholder Management Policy developed and submitted to Cabinet	Not Achieved Shareholder Management Policy developed but not yet submitted to Cabinet	The policy should first be considered by the Presidential SOE Council and supporting technical structures before going to Cabinet under the new administration	The policy should first be considered by the Presidential SOE Council and supporting technical structures before going to Cabinet under the new administration
	None	Shareholder Anti-Fraud and Corruption Hotline established and maintained	Achieved Shareholder Anti-Fraud and Corruption Hotline established and maintained	None	None
	None	Two progress reports on lifestyle audits of prescribed SOC officials produced	Achieved Two progress reports on lifestyle audits of prescribed SOC officials produced	None	None
	None	50 forensic audit reviews conducted	Achieved 65 forensic audit reviews conducted	None	None
	None	Report on review of governance and risk practices produced	Achieved Report on review of governance and risk practices produced	None	None
	None	Review five existing Boards and appoint five new Boards	Achieved Five existing Boards reviewed, and five new Boards appointed	None	None

Sub-Programme Performance Indicators

Sub-programme: Governance, Legal Assurance, Risk Profiling and Mitigation					
Performance Indicators	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
SOC Reform Policy developed	Develop draft Bill on Shareholder Management Policy	Shareholder Management Policy developed and submitted to Cabinet	Not Achieved Shareholder Management Policy developed but not yet submitted to Cabinet	The policy should first be considered by the Presidential SOE Council and supporting technical structures before going to Cabinet under the new administration	The policy should first be considered by the Presidential SOE Council and supporting technical structures before going to Cabinet under the new administration
Shareholder Anti-Fraud and Corruption Hotline established and maintained	None	Shareholder Anti-Fraud and Corruption Hotline established and maintained	Achieved Shareholder Anti-Fraud and Corruption Hotline established and maintained	None	None
Number of progress reports on lifestyle audits of prescribed SOC officials produced	None	Two progress reports on lifestyle audits of prescribed SOC officials produced	Achieved Two progress reports on lifestyle audits of prescribed SOC officials produced	None	None
Number of forensic audit reviews conducted	None	50 forensic audit reviews conducted	Achieved 65 forensic audit reviews conducted	None	None
Report on review of governance and risk produced	None	Report on review of governance and risk practices produced	Achieved Report on review of governance and risk practices produced	None	None
Review Boards and appoint new Boards	None	Review five existing Boards and appoint five new Boards	Achieved Five existing Boards reviewed, and five new Boards appointed	None	None

2018/19 Key Achievements

During 2018/19, Cabinet approved the establishment of the Presidential SOE Council which has been tasked with providing political and strategic oversight in order to reposition the SOCs as effective instruments of economic development. The Department was appointed to serve as secretariat to the Council and has begun preparations for the first meeting. A Shareholder Management Policy is in development and is ready for consideration by the Presidential SOE Council.

In line with pronouncements of the 2018 SONA on eradicating fraud and corruption, the Boards in the portfolio were reviewed. Cabinet approved the appointment of new Boards for Transnet, Denel, SA Express and SAFCOL. In November 2018, the four existing Non-Executive Directors (NEDs) on the Alexkor Board were reappointed to the Board.

The Department held ongoing consultations with SOCs in the portfolio to implement the Cabinet-approved Guide for SOCs' Remuneration and Incentives for Executive Directors, Prescribed Officers and non-Executive Directors. The Guide for SOCs intends to standardise remuneration practices for Boards and Executives in the portfolio and Government. In 2019/20 the SOCs will continue aligning their remuneration policies to the Guide to ensure consistency in remuneration practices within the portfolio.

The Overvaal Resort Act 127 of 1993 is Aventura's foundation Legislation. In 2001 Government took a decision to dispose of all Aventura Resorts. Due to disposal process challenges in 2013 a Shareholder's Resolution was passed to wind up Aventura through liquidation. The liquidation of Aventura was subsequently finalised in 2017. As part of completing the winding up of Aventura, its founding Legislation was repealed. During the 2018/19 financial year the process to repeal Aventura's founding legislation was finalised.

Strategy to overcome underperformance

Consultations through the Director-General's Technical Task Team that has been convened to support the work of the Presidential SOE Council will take place in the 2019/20 FY in preparation for enabling the Shareholder Management Policy to be considered by the Presidential SOE Council and Cabinet under the new administration. To support the Department in developing an overarching Bill governing the SOCs, the appointment of a service provider is being finalised.

Changes to Planned Targets

Targets were refined to align to SMART principles.

4.2.2 Sub-Programme: Financial Assessment and Investment Support

Sub-Programme Strategic Objective

Sub-Programme: Financial Assessment and Investment Support					
Strategic Objective	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
Promote independent financial sustainability of SOCs	None	26 SOC financial review reports produced	Achieved 27 SOC quarterly financial review reports produced	None	None
	None	Seven SOC corporate plans reviewed	Achieved Seven SOC corporate plans reviewed	None	None
	None	Draft DPE accounting and financial framework developed	Achieved Draft DPE accounting and financial framework developed	None	None
	None	Draft of DPE Investment Monitoring Framework developed	Achieved Draft of DPE Investment Monitoring Framework developed	None	None
	None	Optimal capital structure proposal for three SOCs developed	Achieved Optimal Capital Structure proposal for three SOCs developed	None	None
	None	Develop standardised operating procedures for borrowings, guarantees, assessment and financial reporting	Not Achieved Standardised operating procedures for borrowings, guarantees, assessment and financial reporting not developed	Standardised Operating Procedures (SOPs) for borrowings and guarantees were not finalised during the year under review	All SOPs will be finalised during the first quarter of the 2019/20 FY

Sub-Programme Performance Indicators

Sub-Programme: Financial Assessment and Investment Support					
Performance Indicators	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
Number of SOC quarterly financial review reports produced	None	26 SOC financial review reports produced	Achieved 27 SOC quarterly financial review reports produced	None	None
Number of corporate plans reviewed	None	Seven SOC corporate plans reviewed	Achieved Seven SOC corporate plans reviewed	None	None
DPE's Financial Analysis Framework developed	None	Draft DPE accounting and financial framework developed	Achieved Draft DPE accounting and financial framework developed	None	None
DPE Investment Monitoring Framework developed	None	Draft of DPE Investment Monitoring Framework developed	Achieved Draft of DPE Investment Monitoring Framework developed	None	None
SOCs' optimal structure developed	None	Optimal capital structure proposal for three SOCs developed	Achieved Optimal Capital Structure proposal for three SOCs developed	None	None
Standardised loans, guarantees and financial reporting processes developed and implemented	None	Develop standardised operating procedures for borrowings, guarantees, assessment and financial reporting	Not Achieved Standardised operating procedures for borrowings, guarantees, assessment and financial reporting not developed	SOPs for borrowings and guarantees were not finalised during the year under review	All SOPs will be finalised during the first quarter of 2019/20 FY

2018/19 Key Achievements

The Department facilitated the approval of Guarantees required by the SOCs to raise funding in line with their approved borrowing plans. Furthermore, the Department spearheaded engagement with National Treasury, which culminated in a R5 billion recapitalisation of SAA and a R1.249 billion recapitalisation of SA Express. SA Express' guarantee facility was increased by R1.74 billion. Denel's guarantee facility was increased by R1 billion and was extended for a further five-year period.

Strategy to overcome areas of underperformance

None

Changes to Planned Targets

Targets were refined to align to SMART principles.

Programme Expenditure

Sub-Programme Legal and Governance	2018/19			2017/18		
	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Management	2 989	2 739	250	3 074	2 825	249
Legal	14 830	12 066	2 764	13 408	11 589	1 819
Governance	9 565	8 782	783	7 761	7 158	603
Financial Assessment and Investment Support	11 700	9 903	1 797	7 624	5 960	1 664
Total	39 084	33 490	5 594	31 867	27 532	4 335

Expenditure narrative

Expenditure on the programme amounts to R33.5 million in the 2018/2019 financial year, as compared to R27.5 million in the 2017/18 financial year. The increase in expenditure is due to legal costs in respect of litigation matters. The underspending on compensation of employees is due to delays in filling vacant posts.

4.3 Programme 3: Business Enhancement, Transformation and Industrialisation

Purpose of the programme

To provide sector oversight to enhance the business of SOCs by advancing industrialisation, transformation, intergovernmental relations and international collaboration services; and to support the Shareholder to strategically position and enhance the operations of SOCs.

The sub-programmes in this programme are as follows:

Business Enhancement Services develops and coordinates the implementation of SOCs strategies to leverage localisation programmes; provides intergovernmental coordination 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 youth.

Energy Resources exercises shareholder oversight over Eskom, Alexkor and SAFCOL.

Transport and Defence exercises shareholder oversight over Transnet, South African Express Airways, South African Airways and Denel.

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.

4.3.1 Sub-Programme: Business Enhancement and Industrialisation

Programme Strategic 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.
- Conducting research, modelling job creation, and transforming instruments for SOCs to, inter alia, inform compact alignment imperatives.

Sub-Programme Strategic Objectives

Sub-Programme: Business Enhancement and Industrialisation					
Strategic Objectives	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
Accelerate development of skills to support the needs of the economy	None	Four quarterly reports on SOCs' contribution to the development of scarce and critical skills	Not Achieved Four quarterly reports on SOCs' contribution to the development of scarce and critical skills not achieved	Assessments of the reports were carried out. However, the Q4 analysis was finalised after year-end.	Planning will be improved in the next FY
Accelerate transformation of the South African economy	Stakeholder engagement on the criteria for the selection of seven high impact CSI projects	Annual Report on CSI strategic and high impact projects implemented produced	Achieved Annual Report on CSI strategic and high impact projects implemented produced	None	None
Position SOCs to support re-industrialisation of the South African economy	Monitoring and implementation of SOCs' allocated projects from the Top 40 strategic and priority projects	Four Integrated Assessment Reports of the allocated strategic priority projects produced	Not Achieved 3 Reports on monitoring the implementation of SOCs' allocated projects from the Top 40 strategic and priority projects were produced and one report was not completed due to human resource shortage.	Report not finalised due to lack of resources	Report not finalised due to lack of resources
	None	DPE Localisation Strategic Framework developed	Not Achieved DPE Localisation Strategic Framework not developed	The project was initially intended to be concluded by the end of the financial year. Challenges with the service provider obtaining data from SOCs and the Department demand that the service provider improve the quality of the work, which has led to the end date drifting to the end of Q1 of the 2019/20 FY.	Project will be finalised in the 2019/20 FY
	None	One DPE ESD Strategy developed	Achieved One DPE ESD Strategy developed	None	None

Sub-Programme Performance Indicators

Sub-Programme: Business Enhancement and Industrialisation					
Performance Indicators	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
Number of reports on SOCs' contribution to the development of scarce and critical skills	None	Four quarterly reports on SOCs' contribution to the development of scarce and critical skills	Not Achieved Four quarterly reports on SOCs' contribution to the development of scarce and critical skills not achieved	Assessments of the reports were carried out. However, the Q4 analysis was finalised after year-end.	The planning will be improved in the next FY
Report on CSI strategic and high impact projects implemented by DPE and SOCs	Stakeholder engagement on the criteria for the selection of seven high impact CSI projects	Annual Report on CSI strategic and high impact projects implemented produced	Achieved Annual Report on strategic and high impact projects implemented produced	None	None
Report on monitoring and implementation of SOCs' allocated projects from the Top 40 strategic and priority projects produced	Monitoring and implementation of SOCs' allocated projects from the Top 40 strategic and priority projects	Four Integrated Assessment Reports of the allocated strategic priority projects produced	Not Achieved 3 Reports on monitoring the implementation of SOCs' allocated projects from the Top 40 strategic and priority projects were produced and one report was not completed due to human resource shortage.	Report not finalised due to lack of resources	Report not finalised due to lack of resources
Localisation Strategic Framework developed	None	DPE Localisation Strategic Framework developed	Not Achieved DPE Localisation Strategic Framework not developed	The project was initially intended to be concluded by the end of the 2018/19 FY. Challenges with the service provider obtaining data from SOCs and the Department demand that the service provider improve the quality of work, which has led to the end date drifting to end of Q1 in the 2019/20 FY.	Project will be finalised in the 2019/20 FY
ESD Strategy developed	None	One DPE ESD Strategy developed	Achieved One DPE ESD Strategy developed	None	None

2018/19 Key Achievements

Skills Development

During the 2018/19 financial year, DPE facilitated SOCs' contributions to the development of scarce and critical skills towards achievement of government's skills development objectives with enrolment of new learners for occupations such as artisans, technicians and engineers, as well as enrolment and training of learners in sector specific occupations. SOC contributions to development of scarce and critical skills is facilitated to address skills gaps for SOCs' operational requirements, including training of additional artisans for the national pool as defined in Shareholder Compacts towards achievement of objectives of the National Skills Development Strategy (NSDS) III and for the 2014-19 MTSF Outcome 5: A skilled and capable workforce to support an inclusive growth path as well as support other related policy frameworks.

However, a number of DPE SOCs have had to decrease their investment in skills development due to their current financial constraints which affect the optimisation of training facilities to a certain level in SOCs such as Transnet, Eskom and Denel.

Industrialisation and Localisation

The sub-programme came into effect in Quarter 4 with the implementation of the new structure. It took over the project that had been initiated in Manufacturing Enterprises to review the Competitive Supplier Development Programme (CSDP) and develop a strategy to leverage SOC capital spend for the industrialisation and localisation objectives. Work on the Industrialisation and Localisation Strategy will be completed by end of Quarter 1 of the 2019/20 financial year. However, leveraging the effort has resulted in an Enterprise and Supplier Development strategy that will be rolled out in 2019/20 going forward.

Environmental Alignment

The Department, in compliance with the National Environmental Management Act (NEMA) of 2014 and in order to better manage environmental compliance and oversight activities, has developed an environmental implementation plan which is awaiting approval by the Department of Environmental Affairs (DEA). The plan envisages the Department ensuring that each SOC has a compliant environmental plan in place, and that it is implemented. Further, a representative sample of SOC operational areas will be visited on an annual basis to ensure compliance with agreed plans.

Strategy to overcome areas of under performance

The plan to finalise the attainment of the non-achieved targets has been put in place and execution will commence in the first quarter of the 2019/20 financial year.

Changes to Planned Targets

Targets were refined to align to SMART principles.

4.3.2 Sub-programme: Energy Resources

The sub-programme is responsible for the following SOCs:

Eskom SOC Limited

Supports the security of supply by:

- Examining Eskom maintenance plans, operational practices, electricity generation and distribution efficiency, and its reserve margin on an ongoing basis.
- Ensuring that Eskom supplies electricity by monitoring, evaluating and engaging Eskom on system security and the New Build Programme to alleviate constraints on an ongoing basis.
- Facilitates engagement between Eskom and other spheres of government to address municipal debt on an ongoing basis.
- Monitors the roll out of the capital investment programme to ensure that it is delivered on time, is of appropriate quality, and within budget on an ongoing basis.

Alexkor SOC Limited

- Ensures increased diamond production and promotes the financial stability of the joint venture by monitoring the implementation of Alexkor's strategy to promote financial sustainability and monitoring the pooling and sharing joint venture turnaround strategy on a quarterly basis.
- Ensures collaboration and alignment of the two SOCs to provide a clear indication to market by developing a collaborative model with the African Exploration Mining and Finance Corporation (AEMFC) over the medium term.
- Contributes to developing sustainable economic activities linked to the agricultural sector by continually supporting and coordinating the joint efforts of the DPE with the Department of Mineral Resources (DMR) and the Department of Rural Development and Land Reform (DRDLR), to stabilise the Richtersveld region and make use of its revenues.

SAFCOL SOC Limited

- Oversees 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.
- Oversees the implementation of SAFCOL's corporate strategy over the medium-term.
- Engages with the DRDLR, the Department of Agriculture, Forestry and Fisheries (DAFF) and the Department of Trade and Industry (DTI) to ensure the warehousing of the shares held by SAFCOL and shares in the four privatised forestry companies.
- Reduces reliance on the saw-log market by supporting the development of the new business strategy over the medium-term.

Sub-Programme Strategic Objective

Sub-Programme: Energy Resources					
Strategic Objectives	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
Promote commercial viability of SOCs' operations	Monitor Eskom's operational performance	Review report of Eskom's generation fleet and life of plants	Achieved Report of Eskom's generation fleet and life of plants reviewed	None	None
	None	Three Shareholder Compacts (2019/20) signed annually (Eskom, Alexkor and SAFCOL)	Not Achieved Three Shareholder Compacts not signed	Negotiations took longer than anticipated	Compacts will be finalised during Quarter 1 of the 2019/20 FY
	Assessment of Alexkor's Investment (Diversification Plan)	Study on the future state of Alexkor and optimisation of state-owned mining assets	Achieved A study on state-owned mining assets to propose an optimum structure completed	None	None
	Recommendation of SAFCOL's saw-log allocation model developed	Conduct the feasibility study into the processing capacity in Mpumalanga and Limpopo	Achieved Feasibility study into the processing capacity in Mpumalanga and Limpopo conducted	None	None
	None	Assessment report on SAFCOL's Strategic Plan for IFLOMA produced	Achieved Assessment report on SAFCOL's Strategic Plan for IFLOMA produced	None	None
Accelerate capital project delivery	None	Assessment report on the electricity generation reserve margin to evaluate whether 19% is sustained and produced	Achieved Assessment report on the electricity generation reserve margin to evaluate whether 19% is sustained and produced	None	None
	Monitor the delivery of Eskom's Build Programme (Medupi and Kusile)	Four quarterly assessment reports on delivery of Eskom's Build Programme (Medupi and Kusile)	Achieved Four quarterly reports on delivery of Eskom's Build Programme (Medupi and Kusile) assessed	None	None
Promote independent financial sustainability of SOCs	Review report on Eskom's operating model	Draft review report on Eskom's future operating model	Achieved Draft report on Eskom's future operating model reviewed	None	None

Sub-Programme Performance Indicators

Sub-Programme: Energy Resources					
Performance Indicators	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
Review reports on monitoring of Eskom's operational performance and efficiency produced	Monitor Eskom's operational performance	Review report of Eskom's generation fleet and life of plants	Achieved Report of Eskom's generation fleet and life of plants reviewed	None	None
Number of Shareholder Compacts signed annually (Eskom, Alexkor and SAFCOL)	None	Three Shareholder Compacts (2019/20) signed annually (Eskom, Alexkor and SAFCOL)	Not Achieved Three Shareholder Compacts not signed	Negotiations took longer than anticipated	Compacts will be finalised during Quarter 1 of the 2019/20 FY
Alexkor's future state and the optimisation of state-owned mining assets	Assessment of Alexkor's Investment (Diversification Plan)	Study on the future state of Alexkor and the optimisation of State mining assets	Achieved A study on State Owned Mining Assets to propose an optimum structure completed	None	None
Number of feasibility studies on SAFCOL processing capacity conducted	Recommendation of SAFCOL's saw-log allocation model developed	Conduct the feasibility study into the processing capacity in Mpumalanga and Limpopo	Achieved Feasibility study into the processing capacity in Mpumalanga and Limpopo conducted	None	None
Assessment report on SAFCOL's Strategic Plan for IFLOMA produced	None	Assessment report on SAFCOL's Strategic Plan for IFLOMA produced	Achieved Assessment report on SAFCOL's Strategic Plan for IFLOMA produced	None	None
Assessment report on the electricity generation reserve margin to evaluate whether 19% is sustained and produced	None	Assessment report on the electricity generation reserve margin to evaluate whether 19% is sustained and produced	Achieved Assessment report on the electricity generation reserve margin to evaluate whether 19% is sustained and produced	None	None
Number of assessment reports on the delivery of Eskom's Build Programme produced	Monitor the delivery of Eskom's Build Programme (Medupi and Kusile)	Four quarterly assessment reports on delivery of Eskom's Build Programme (Medupi and Kusile)	Achieved Four quarterly reports on delivery of Eskom's Build Programme (Medupi and Kusile) assessed	None	None
Review report on Eskom's future operating model produced	Review report on Eskom's operating model produced	Draft review report on Eskom's future operating model	Achieved Draft report on Eskom's future operating model reviewed	None	None

2018/19 Key Achievements

ESKOM

During the financial year, the Department successfully directed Eskom to focus on developing short-term plans to stabilise the power system to avert load shedding. These plans also seek to address the long-term sustainability of the generation fleet. The appointment of the Ministerial Technical Task Team assisted the Department in working with Eskom to stress-test the Generation Recovery Plan including the nine-point plan, and to assess its robustness in dealing with the energy shortages due to unavailability of plants caused by breakdowns.

The Department has also ceased with the assessment and the finalisation of the optimal capital structure of Eskom considering the financial difficulties and the debt burden the company is currently facing. This work will support Eskom's Strategic Turnaround plan.

SAFCOL

IFLOMA has submitted a strategy and Business Plan. This was a key milestone for the entity after a few years of the company not being operational. IFLOMA has full support of the local and district leadership post visits by the DPE and SAFCOL. It is anticipated that IFLOMA will break even in the 2019/20 FY. SAFCOL continues to contribute to local communities through social infrastructure while awaiting settlement of land claims by the Department of Rural Development and Land Reform (DRDLR).

ALEXKOR

Alexkor's financial position continued to deteriorate during the 2018/19 FY. The joint venture also experienced a challenging year despite a 15% improvement in carat production compared to the previous year (48 000 carat in the 2018/19 FY vs 41 000 carat in the 2017/18 FY). The operations did not achieve the expected revenues due to an increased volume of poor-quality diamonds. Turnaround strategies will be explored in the coming FY in an attempt to improve carat production. The handover of properties to various institutions has commenced with the first property to be transferred by the 1st of July 2019.

Strategy to overcome areas of underperformance

None

Changes to Planned Targets

None

4.3.3 Sub-programme: Transport and Defence

The sub-programme is responsible for the following SOCs:

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 and to assess any significant deviations from corporate plans, 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.
- Facilitates 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

- Oversees the development of a long-term growth strategy to achieve financial stability and the growth of manufacturing export products on an ongoing basis.
- Leverages 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.
- Ensures Denel's ongoing sustainability by monitoring the implementation of the multi-year turnaround plan over the medium-term.
- Ensures 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 armament companies in the context of high development costs and the importance of having access to selected markets on an ongoing basis.

Sub-Programme Strategic Objectives

Sub-Programme: Transport and Defence					
Strategic Objectives	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
Promote commercial viability of SOC operations	None	Assess increase in tonnage moved on rail to 330 mtpa by 2019	Achieved Assessed increase in tonnage moved on rail to 330 mtpa by 2019	None	None
	None	Assess improvement of operational performance of sea ports and inland terminals from 28 to 35 average GCM/H by 2019	Achieved Assessed Improvement of operational performance of sea ports and inland terminals from 28 to 35 average GCM/H by 2019	None	None
	None	Four Shareholder Compacts (2019/20) signed annually (Transnet, SA Express, SAA and Denel)	Not Achieved Four Shareholder Compacts not signed	Negotiations took longer than anticipated	Compacts will be finalised during Quarter 1 of the 2019/20 FY
	None	Review report on implementation of Denel's restructuring plan	Achieved Report on implementation of Denel's restructuring plan reviewed	None	None
	Review of developed optimal group corporate structure for State owned airlines	Report on implementation of aviation optimal group corporate structure produced	Achieved Report on implementation of aviation optimal group corporate structure produced	None	None

Sub-Programme Performance Indicators

Sub-Programme: Transport and Defence					
Performance Indicators	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
Assess increase in tonnage moved on rail to 330 mtpa by 2019	None	Assess increase in tonnage moved on rail to 330 mtpa by 2019	Achieved Assessed increase in tonnage moved on rail to 330 mtpa by 2019	None	None
Assess improvement of operational performance of sea ports and inland terminals from 28 to 35 average GCM/H by 2019	None	Assess improvement of operational performance of sea ports and inland terminals from 28 to 35 average GCM/H by 2019	Achieved Assessed Improvement of operational performance of sea ports and inland terminals from 28 to 35 average GCM/H by 2019	None	None
Number of Shareholder Compacts signed annually (Transnet, SA Express, SAA and Denel)	None	Four Shareholder Compacts (2019/20) signed annually (Transnet, SA Express, SAA and Denel)	Not Achieved Four Shareholder Compacts not signed	Negotiations took longer than anticipated	Compacts will be finalised during Quarter 1 of the 2019/20 FY
Review reports on Denel operating model produced	None	Review report on implementation of Denel's restructuring plan	Achieved Report on implementation of Denel's restructuring plan reviewed	None	None
Number of reports on implementation of aviation optimal group corporate structure produced	Review of developed optimal group corporate structure for State owned airlines	Report on implementation of aviation optimal group corporate structure produced	Achieved Report on implementation of aviation optimal group corporate structure produced	None	None

2018/19 Key Achievements

During the 2018/19 FY the Department took over the Executive Authority responsibility for SAA. The Department oversaw the transfer of the R5 billion of funding allocated to SAA, negotiating financing with banks and submitting guarantee and funding applications on behalf of SAA, amongst others. The company made good progress in implementing its long-term turnaround strategy, finishing the year in a better position than budgeted. The company has been optimising its route network, with almost all of its local and regional routes now profitable. The airline concluded a Memorandum of Understanding with Emirates and Mauritius Airlines, which will assist in improving the performance of the international routes. Procurement processes were strengthened to eliminate corruption and achieve cost savings. The airline reduced employee costs by seconding pilots to other airlines and offering voluntary severance packages to other staff members. The airline has a continued focus on enhancing performance and driving down costs at South African Airways Technical (SAAT).

With the support of the Department, SA Express successfully returned to service after it was grounded in 2018 by the South African Civil Aviation Authority (SACAA). Following its return to service the company put in place its turnaround plan aimed at addressing its operational and financial challenges; this is currently in implementation. The airline has gradually reintroduced routes as aircraft were brought back into operation; it has also filled a number of key leadership positions. During the 2018/19 financial year, SA Express received a recapitalisation of R1.249 billion.

A Cabinet Memorandum outlining strategic options for SAA and recommending an optimal corporate structure for the state-owned aviation assets was submitted for Cabinet's consideration.

Although it took time for Denel to gain traction in implementing its turnaround strategy, there was a marked improvement following the appointment of the new Executive Management. The plan seeks to strengthen governance, improve programme management and restructure the business to improve efficiency. Non-core businesses will be excised, and the property portfolio monetised.

In September 2018, Denel was given an additional R1 billion Government Guarantee which took the total guaranteed debt to R3.43 billion. The guarantee facility was extended for a further five-year period, expiring in September 2023. The Department has been supporting the company through inter alia, engaging with the Department of Defence (DOD), Armscor and National Treasury, to ensure alignment with the key strategic initiatives as well as assisting the company in engaging with lenders to rollover and refinance its existing debt; and to raise additional financing.

Transnet, and in particular its general freight business, has an important role to play in improving the cost-effectiveness, efficiency and reliability of the country's freight transportation system and achieving a shift from road to rail. This will reduce the damage, pollution, congestion and accidents on the country's roads. Over the last five years, the amount of freight transported by rail has remained stagnant. The Department is working with Transnet to develop plans for addressing the challenges preventing more freight from being transported by rail. Similarly, the port performance lagged the MTSF targets that had been set, and interventions to improve the performance of the ports are also being developed.

Due to the slow-down in the economy, Transnet scaled back on its capital expenditure programme in order to more closely match the slower growth in demand. This also resulted in a reduction in its borrowings. The company maintained a sound financial position and is not reliant on fiscal support for funding.

Strategy to overcome areas of underperformance

None

Changes to Planned Targets

None

4.3.4 Sub-Programme: Research and Economic Modelling

The sub-programme is responsible for the following:

- **Economic modelling** conducts appropriate macroeconomic modelling and research to enhance links between industrial policy, macroeconomic policy and the role of SOCs in economic development. To conduct socio-economic impact assessments resulting from SOCs' economic activities.
- **Research modelling** conducts 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 Strategic Objectives

Sub-Programme: Research and Economic Modelling					
Strategic Objective	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
Accelerate transformation of the South African economy	None	One socio-economic impact assessment report of Transnet's selected capital projects produced	Achieved One socio-economic impact assessment report of Transnet's selected capital projects produced	None	None
	None	Two macro-economic and industry specific research processes conducted	Achieved Two macro-economic and industry specific research processes conducted	None	None
	None	SOC environmental research conducted	Achieved SOC environmental research conducted	None	None

Sub-Programme Performance Indicators

Sub-Programme: Research and Economic Modelling					
Performance Indicators	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
Socio-economic impact assessment reports of SOCs' selected capital projects produced	None	One socio-economic impact assessment report of Transnet's selected capital projects produced	Achieved One socio-economic impact assessment report of Transnet's selected capital projects produced	None	None

Sub-Programme: Research and Economic Modelling					
Performance Indicators	Actual Achievement 2017/18	Planned Target 2018/19	Actual Achievement 2018/19	Deviation from planned target to Actual Achievement for 2018/19	Comment on deviations
Macro-economic and industry specific research conducted	None	Two macro-economic and industry specific research processes conducted	Achieved Two macro-economic and industry specific research processes conducted	None	None
SOCs' environmental research conducted	None	Conduct SOC's environmental research	Achieved SOCs' environmental research conducted	None	None

2018/19 Key Achievements

Overall, the research output helped the Department to engage in evidence-based policy discussions and make informed decisions with the various stakeholders. For example, the Department's research showed that Transnet's projects can create both temporary and permanent employment opportunities through capital investment and this is now contributing to accelerating transformation of the South African economy. Furthermore, the findings of the research indicated that Transnet and SOC's in general should not continue to reduce their capital investments as this could have significant socio-economic implications and impact negatively on economic arrangements. Rather, the existing capital investment should at the least be maintained. However, consultation with stakeholders is necessary to establish full impact. Research on the determinants of aggregate demand in South Africa helped to inform the various discussions and deliberations on electricity supply and demand, including inputs into the Integrated Energy Resource Plan discussions (IERP).

Strategy to overcome areas of underperformance

None

Changes to Planned Targets

None

Programme Expenditure

Sub-Programme: Business Enhancement Transformation and Industrialisation	2018/19			2017/18		
	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	35 706	26 737	8 969	25 535	24 266	1 269
Energy Resources	13 658	9 504	4 154	15 803	14 450	1 353
Research and Economic Modelling	13 481	6 926	6 555	25 540	25 150	390
Transport and Defence	6 269 006	6 262 105	6 901	16 080	14 973	1 107
Total	6 331 851	6 305 272	26 579	82 958	78 839	4 119

Expenditure Narrative

Expenditure on the programme amounts to R6.3 billion in the 2018/19 financial year in comparison to R78.8 million in the 2017/18 financial year. The significant increase in expenditure is due to disbursement of funds (R5 billion and R1.249 billion) to SAA and SA Express for settlement of government guaranteed debts.

5. TRANSFER PAYMENTS

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

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

5.1 Transfer payments for Public Entities

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

5.2 Transfer payments to all organisations other than Public Entities

None

6. CONDITIONAL GRANTS

6.1 Conditional Grants and Earmarked Funds Paid

None

6.2 Conditional Grants and Earmarked Funds Received

None

7. DONOR FUNDS RECEIVED

None

8. CAPITAL INVESTMENT

None

Part C

Governance



1. INTRODUCTION

The Department recognises that effective risk management and governance practices are integral to harnessing opportunities and addressing risks relating to the SOCs' programme delivery. In this regard, short- and long-term plans are being instituted to facilitate improvements and more responsive recommendations issued by internal and external assurance providers.

2. RISK MANAGEMENT

Enterprise Risk Management Architecture

The Enterprise Risk Management (ERM) architecture Framework, its supporting tools, people and processes are aligned to the Department's strategy in order to address uncertainties associated with the objectives and goals outlined in the APP.

As part of the short- and long-term plans, the efforts are being instituted to:

- Identify and mitigate risks
- Address gaps that were identified by assurance providers
- Ensure that the executive authority exercised sufficient oversight on matters of risk management as well as anti-fraud and corruption initiatives.

The Department continued to roll-out the Enterprise Risk Management (ERM) architecture that aims to ensure that sound risk management practices that support the implementation of the organisational strategy are maintained and aligned to Government's planning cycle, the Medium Term Expenditure Framework (MTEF) and the National Development Plan. The ERM Architecture provides a synopsis of the inputs, policies, processes and structures that inform the overall risk management activities of the Department.

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

ERM PROCESS



ERM PERFORMANCE 2018/19

The 2018/19 financial year proved to be among the most difficult in the five years of the MTSF period. The loss of critical resources during the period under review culminated in the inability to maintain the level of risk management maturity registered in the four years since the commencement of the MTSF period.

While the strategic risk profile was not timely adopted before the financial year end, the Audit and Risk Management Committee continued to oversee that the control environment remains stable and does not regress to a point where targets for the year are not met. In this regard, operational risks, which are linked to annual performance indicators of the department, were formally approved and managed by various functionaries. Adequacy and effectiveness of controls was also assessed by internal audit on a sample basis. The Department is fully committed to ensure that in the 2019/20 financial year: additional risk management capacity is brought in consistent to the department's organisational structure; programme managers (risk owners) are held accountable for managing risks within their span of control by ensuring that they directly account and report to the ARC on their respective risk and performance management related matters.

3. FRAUD AND CORRUPTION

The Department conducted a fraud risk assessment in line with its commitments on zero tolerance against fraud and corruption. The Department launched an anonymous whistle-blowing platform that is meant to enhance efforts to prevent, detect and respond to matters of fraud and corruption concerning the department and its SOCs. Twenty incidents have been registered since the launch of the hotline and all have been referred to relevant authorities for assessment and/or investigation. The Department will continue to raise awareness of the hotline during the 2019/20 financial year. In addition, a panel of forensic investigators will be appointed to ensure that matters that warrant investigation by the department are responded to speedily in order to inspire stakeholders to continue blowing the whistle on elements of malfeasance, fraud and corruption.

4. MINIMISING CONFLICT OF INTEREST

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

5. CODE OF CONDUCT

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

6. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

A fully functional OHS Committee is in place. In February 2018, the Department undertook an integrated health and safety risk assessment done by an independent service provider, a report of which has been submitted. Various findings on the building premises were identified and EXCO will take a decision on the way forward as far as the building safety is concerned.

7. PORTFOLIO COMMITTEE

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

- On 17 April 2018, the Department appeared before the Portfolio Committee to present the update and way forward on the inquiry into Eskom.
- On 25 April 2018 and 30 May 2018, the Department appeared before the Portfolio Committee to present the repeal of Overvaal Resorts Ltd Bill.
- On 02 May 2018, the Department appeared before the Portfolio Committee to present the annual performance plan and budget for the 2018/19 financial year.
- On 15 August 2018, the Department appeared before the Portfolio Committee to present progress made in addressing the governance challenges in state-owned companies and the outcomes of the engagements with the Department of Rural Development and Land Reform (DRDLR) and Department of Public Works (DPW) on outstanding issues pertaining to the Repeal of Overvaal Resorts Ltd Bill.
- On the 14th November 2018, the Department appeared before the Portfolio Committee to present the Department's first and second quarter performance reports.

8. SCOPA RESOLUTIONS

The Department attended four SCOPA meetings during the year under review where the Committee discussed Eskom and Transnet matters. No resolutions were adopted.

9. INTERNAL CONTROL

The performance of the department's key internal control processes was independently assessed by the Department of Planning, Monitoring and Evaluation. The table below sets out the results of the Management Performance Assessment Tool. The column on the effectiveness of internal control systems indicates the trend in the 2018/19 financial year compared to the previous financial year, i.e 2017/18.

Areas of Focus	Key Control Area	2016/17	2017/18	2018/19	Effectiveness of Internal Control Systems 2017/18 vs 2018/19
Strategic management	Strategic Planning: Adequacy and effectiveness of strategic planning processes				Improved and stable
	Monitoring: Integration of performance monitoring and strategic management				Unchanged but stable
	Integration of evaluation and strategic management			n/a	N/A
Governance and Accountability	Ethics: Assessment of Financial Disclosures	n/a			unchanged and unstable
	Ethics: Assessment of policies and systems to ensure professional ethics				Improved and stable
	Ethics: Anti-Corruption and Ethics Management				Regressed
	Risk Management: Assessment of risk management arrangements				Regressed but stable
	Governance of ICT: Corporate Governance of ICT				Unchanged but stable
Human Resources Management	HR Strategy and Planning: HR Planning				Unchanged but stable
	HR Strategy and Planning: Organisational Design and implementation				Regressed
	Human Resource Practices and Administration: Application of Recruitment and retention strategies				Regressed
	Human Resource Practices and Administration: Delegations in terms of Public Service Act				Unchanged but stable
	Management of Performance: Implementation of levels 1-12 PMDS				Unchanged but stable
	Management of Performance: Implementation of SMS PMDS				Unchanged but stable
	Management of Performance: Implementation of PMDS for HOD				Regressed
	Employee Relations: Management of disciplinary cases				Improved
Financial Management	Supply Chain Management: Demand Management				Unchanged but stable
	Supply Chain Management: Acquisition Management				Unchanged but stable
	Supply Chain Management: Moveable Management				Unchanged but stable
	Expenditure Management: Payment of suppliers				Unchanged but stable
	Expenditure Management: Management of unauthorised, irregular, fruitless and wasteful expenditure				Unchanged but stable
Level	Description				
Level 1	Department is non-compliant with legal/regulatory requirements				
Level 2	Department is partially compliant with legal/regulatory requirements				
Level 2+	Department is compliant with the basic legal/regulatory requirements but is non-compliant with one or more level 3 requirements				
Level 3	Department is fully compliant with legal/regulatory requirements				
Level 4	Department is fully compliant with legal/regulatory requirements and is doing things smartly				
					

10. INTERNAL AUDIT AND AUDIT COMMITTEE

10.1 INTERNAL AUDIT

The Internal Audit Activity (IAA) is responsible for evaluating the control environment and assisting the Audit and Risk Committee (ARC) to fulfil its responsibilities. The IAA also provides the ARC and the Director-General (DG) with assurance on whether internal controls, risk management and governance processes are adequate and effective. The purpose, authority and responsibility of 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.

10.1.1 Internal Audit Objective

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

10.1.2 Internal Audit Key Activities

The IAA through engagement with internal stakeholders (DPE SMS), Audit Committee and the Office of the Auditor General (AG) developed a comprehensive three-year rolling plan, incorporating an annual plan that was approved by the ARC. IAA executed the risk-based audits assignment as per the annual plan. Included in areas audited are Performance Information, follow up on Shareholder oversight audit, Financial Management, Interim Financial Statements, Supply Chain and Asset Management, Risk Profiling and Mitigation, Human Resources, Diabo share trust review, Security and Facilities Management, Communication, Information Technology, Follow up audit (AG management report and Internal Audit reports), Management Performance Assessment Tool (MPAT) and Annual Report (Financial Statements) reviews.

IAA provides recommendations to management with regard to internal controls, risk management and governance processes. A follow-up on agreed management action plans is performed using the implementation date provided by management. IAA also provides management advisory services when requested by management as and when necessary. IAA prepares and reports quarterly to the ARC progress against the approved annual plan.

10.1.3 Internal Audit achievements

The IAA successfully completed 93% (14 out of 15) of the audit assignments as set in the approved IAA Annual Plan, the one assignment not achieved was postponed to the next financial year. The IAA continued to increase its audit coverage in line with newly identified risks, management and ARC requests.

10.2 AUDIT COMMITTEE

The Department has established the Audit and Risk Committee in line with Section 77(c) of the PFMA of 1999. ARC is an oversight body providing independent oversight over governance, risk management and control processes of the Department. Their mandate and responsibilities are clearly defined in the Audit and Risk Committee charter and six ARC meetings were convened for the year.

10.2.1 Audit and Risk Committee objective and key activities

The overall objective and key activities of the ARC is to support the DG and Executive Management in fulfilling their respective oversight responsibilities for the financial reporting process, the audit process and systems of internal control, governance and risk management, including:

- The integrity of the Department's financial reporting.
- Compliance with legal and regulatory obligations.
- The effectiveness of the Department's enterprise-wide risk management and internal control system.
- Oversight of the effectiveness and efficiency of the internal auditors, as well as the independence of internal and external auditors.

10.2.2 Membership and attendance of the ARC meetings

In the current year the ARC consisted of the three members listed below. All the ARC members, including the Chairperson, are independent, which is in line with optimal corporate governance practice.

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

Name	Qualifications	Internal/ external	Date appointed	Date Resigned	No. of Meetings attended
Mr. Reginald Haman (Chairperson)	Masters Degree in Business Administration (MBA) Executive Leadership Programme Post-Graduate Diploma in Business Administration (PDBA) Graduate Diploma in Company Direction (GDCCD) National Higher Diploma: School of Science National Diploma: School of Science	External	1 November 2015	N/A	6/6
Ms. Modi Dolamo	Masters in Financial Management Chartered Accountant (CA-SA) B Com (Hons) and certificate in theory of accounting (CTA) Bachelor of Commerce (Accounting)	External	1 April 2014	N/A	6/6
Ms. Zanele Monnakgotla	Masters in Finance Masters in Tax Management Advance programme Bachelor of Law Bachelor of Commerce	External	1 October 2017	N/A	6/6

11. AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2019.

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Section 38 (1) (a) (ii) of the Public Finance Management Act and Treasury Regulation 3.1.13. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except that we have not reviewed changes in accounting policies and practices.

The Effectiveness of Internal Control

Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted in the Department, noted certain weaknesses which were then raised with the Department.

The following internal audit work was completed during the year under review:

- Risk profiling & Mitigation review
- Quarterly Performance Information reviews
- Review of the draft Annual Report
- Follow up audits (AG and Internal Audit reports)
- Management Performance Assessment Tool (MPAT) review
- Human Resource Management review
- Supply Chain and Asset Management review
- Financial Management review
- Interim Financial Statements review
- Follow up on the prior year Information Technology audit
- Follow up on Shareholder Oversight review
- Communications review
- Security & facilities management review

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

We do, however, emphasise that, in certain instances, controls were found to be only partially effective. These areas require further improvement, and we have received assurance that management is addressing the matter. The ARC will monitor the implementation of these corrective actions.

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

- Cascading of “delegation of authority” from the Executive Authority minister to Accounting Officer and other management levels impacting on the internal control environment
- ICT Governance Framework implementation

- Alignment of performance targets, budget and risk response plans to improve mandate achievement

The effectiveness of the Internal Audit Activity

The Internal Audit Unit (IAU) is responsible for evaluating the control environment and assisting the Audit and Risk Committee (ARC) to fulfil its responsibilities. The IAU has been operating satisfactorily and successfully completed its approved annual plan for the 2018/2019 financial year. The function has remained effective and independent of the management function.

The IAU aligned its audit coverage in line with the department's identified risks, management requests and ARC guidance. However, the ARC noted that the internal audit unit should be adequately capacitated in order to continue providing the required level of assurance as it functioned for the entire period without a permanently appointed Chief Audit Executive.

Enterprise Risk Enterprise Risk Management

The ARC exercised its oversight on the Enterprise risk management of the department and is satisfied that the governance of risk is sound and directly correlates with the intent to drive programme performance within the department. However, the ARC noted that the Risk Unit had significant capacity constraints during the period under review as it played an active role in the department's fraud and corruption prevention activities and other initiatives to improve the state of corporate governance in SOCs.

The internal risk management process needs to be further aligned to the strategy development and performance plans of the department to ensure mandate achievement.

In-Year Management and Monthly/Quarterly Report

The Department reported quarterly to the Treasury as required by the PFMA. The ARC is satisfied with the content and quality of quarterly reports prepared and issued by the Accounting Officer of the Department during the year under review

Evaluation of Financial Statements

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

Auditor General's Report

The ARC reviewed the AGSA's Audit report and management letter as well as the management's response to the issues raised in the management letter. The ARC concurs and accepts the conclusions of the Auditor-General on the annual financial statements and the annual performance report. The ARC is of the opinion that the audited annual financial statements for 2018/19 be accepted and read together with the report of the Auditor-General.



Mr Reginald Haman

Chairperson of the Audit Committee
Department of Public Enterprises

Date: 31 July 2019

Part D

Human Resources



1. INTRODUCTION

The information contained in this part of the annual report has been prescribed by the Minister of Public Service and Administration for all departments in the public service.

2. OVERVIEW OF HUMAN RESOURCES

2.1 Overview of Human Resources in the Department

The Chief Directorate: 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, HR development, employment relations and wellness, as well as security and facilities management.

2.2 Status of Human Resources in the Department

The high vacancy rate, particularly at executive level, has caused instability in the Department and is of concern. The filling of posts has been prioritised since a number of directorates were understaffed in the period under review; this placed an extra burden on other staff because of the additional workload that they had to perform.

Human capital is one of the most important resources in any organisation and the Department seeks to ensure that employees are satisfied. Therefore, the Department will engage staff on an Employee Satisfaction Survey during the 2019/20 financial year. Over the last year, few vacant posts have been filled and the new re-aligned structure was implemented. Going forward, when recruiting, the focus will be on attracting the required technical and leadership skills. Training costs may escalate as new employees have to be trained. The Department needs to comply with the Department's Employment Equity Plan.

2.3 HR priorities for the year under review and their impact

During the year under review Human Resources committed itself to completion of the realignment of the organisational structure as outlined below.

2.3.1 Organisational design and development

The outcome of the organisational functional assessment of the Department during the 2015/16 financial year showed a number of shortcomings that had to be addressed during the re-alignment of the organisational structure. The re-alignment of the organisational structure and Job Evaluation Projects were done during the 2016/17 FY and the new structure was approved in December 2017. However, due to the change in leadership in February 2018 the re-aligned structure was put on hold and was only implemented in January 2019. The Department will give more attention to change management during the 2019/20 financial year. It is important to note that it is the responsibility of executive management to drive change within the Department. The Department reviewed its HR Plan in the 2018/19 FY to ensure that capacity is built in the Department. Human Resources intends to redirect the internship programme to focus on and grow the skills that are needed in Core Units.

2.3.2 Employment equity

The Department is doing well in complying with the national Employment Equity targets. The only concern however relates to the representation of women in senior management positions and people with disabilities in the Department. While the Department has recently re-established an Employment Equity Committee to assist in addressing its equity gaps, affirmative action measures will have to be implemented to fast-track the representation of these designated groups.

2.3.3 Policy development and implementation

The Chief Directorate has contributed towards policy development and implementation. Five policies have been developed and implemented for the year under review, due to developments in the sector. These ushered in more internal controls in problematic areas resulting in a significant reduction in audit findings. Robust internal awareness sessions were conducted over the period.

2.3.4 Employee performance management

The performance of employees is monitored and assessed through the performance management system. A reviewed policy on performance management and development was implemented during the period under review.

2.3.5 Employee wellness

A structured employee wellness programme has been implemented within the Department over the last few years. Quarterly interventions as well as training and awareness campaigns take place and a service provider has been appointed to provide employee wellness support services on a 24-hour per day basis. During the quarterly wellness interventions, HIV/AIDS testing and counselling, TB screening, diabetes, body mass index, hypertension and cholesterol testing were conducted.

2.3.6 Labour relations

The Employee Relations Unit has managed to inculcate a culture of compliance with ethical standards and expected behaviour. This has resulted in the retention of a 1,3% internal dispute resolution rate since the 2014/2015 cycle through a dedicated Employee Relations Training and Awareness Programme that involved continuous proactive awareness building.

The Department was also one of the few departments to fully implement the provision of the revised PSR 2016 relating to the prohibition on state officials doing business with the state.

3. HUMAN RESOURCES OVERSIGHT STATISTICS

3.1 Personnel related expenditure

Table 3.1.1 Personnel expenditure by programme for the period 1 April 2018 to 31 March 2019

Programme	Total expenditure	Personnel expenditure	Training expenditure	Professional and special services expenditure	Personnel expenditure as a % of total expenditure	Average personnel cost per employee
	R'000	R'000	R'000	R'000		R'000
DPE: Administration	136 031	69 644	809	2 221	51.2	670
DPE: SOC: Governance and Assurance	33 490	26 318	0	36	78.58	1097
DPE: Business Enhancement	6 305 272	47 852	0	4 325	0.76	920
Total as on Financial Systems (BAS)	6 474 793	143 814	809	6 582	2.2	799

Table 3.1.2 Personnel costs by salary band for the period 1 April 2018 to 31 March 2019

Salary band	Personnel expenditure	% of total personnel cost	No of employees	Average personnel cost per employee
	R'000			R'000
Skilled (Level 3-5)	1 793	1.3	8	224
Highly skilled production (Level 6-8)	20 839	15.0	50	417
Highly skilled supervision (Level 9-12)	45 548	32.8	63	723
Senior and Top management (Level 13-16)	73 998	51.5	54	1370
Periodic Remuneration	426	0.3	3	142
Abnormal Appointment	1 211	0.9	22	55
Total	143 815	101.3	200	719

Table 3.1.3 Salaries, overtime, homeowner's allowance and medical aid by programme for the Period 1 April 2018 to 31 March 2019

Programme	Salaries		Overtime		Homeowner's allowance		Medical aid	
	Amount R'000	Salaries as a % of personnel costs	Amount R'000	Overtime as a % of personnel costs	Amount R'000	HOA as a % of personnel costs	Amount R'000	Medical aid as a % of personnel cost
DPE: Administration	62 993	90.50	707	1.0	1 037	1.5	1 533	2.1
DPE: SOC: Governance and Assurance	24 154	91.80	158	0.6	134	0.5	342	1.2
DPE: Business Enhancement, Transformation and Industrialisation	43 200	90.30	7	0	671	1.4	645	1.4
Total	130 347	91.00	872	0.6	1 842	1.3	2 520	1.8

Table 3.1.4 Salaries, overtime, homeowner's allowance and medical aid by salary band for the Period 1 April 2018 to 31 March 2019

Salary band	Salaries		Overtime		Homeowner's allowance		Medical aid	
	Amount R'000	Salaries as a % of personnel costs	Amount R'000	Overtime as a % of personnel costs	Amount R'000	HOA as a % of personnel costs	Amount R'000	Medical aid as a % of personnel cost
Skilled (Level 3-5)	1 369	76.3	18	1.0	95	5.3	165	9.2
Highly skilled production (Level 6-8)	16 692	80.1	525	2.4	701	3.4	958	4.6
Highly skilled supervision (Level 9-12)	39 428	86.6	329	0.7	576	1.3	1062	2.3
Senior Management (Level 13-16)	71 221	96.2	0	0	470	0.6	335	0.5
Periodical Remuneration	426	100	0	0	0	0	0	0
Abnormal Appointment	1 211	100	0	0	0	0	0	0
TOTAL	130 347	91	872	0.6	1 842	1.3	2 520	1.8

3.2 Employment and vacancies

Table 3.2.1 Employment and vacancies by programme as at 31 March 2019

Programme	Number of posts on approved establishment	Number of posts filled	Vacancy rate	Number of employees additional to the establishment
DPE: Administration	123	102	21	2
DPE: SOC Governance Assurance and Performance	28	23	5	1
DPE: Business Enhancement, Transformation and Industrialisation	60	52	8	0
TOTAL	211	177	34	3

Table 3.2.2 Employment and vacancies by salary band as at 31 March 2019

Salary band	Number of posts on approved establishment	Number of posts filled	Vacancy rate	Number of employees additional to the establishment
Skilled (Level 3-5)	8	7	12.5	0
Highly skilled production (Level 6-8)	56	48	14.3	1
Highly skilled supervision (Level 9-12)	72	67	6.9	0
Senior management (Level 13-16)	73	54	26	2
Deputy Minister	1	0	100	0
Minister	1	1	0	0
Total	211	177	16	3

Table 3.2.3 Employment and vacancies by critical occupations as at 31 March 2019

Critical occupation	Number of posts on approved establishment	Number of posts filled	Vacancy rate	Number of employees additional to the establishment
Administrative related, Permanent	35	33	5.7	0
Client inform clerks (switch board reception, information clerks), Permanent	3	3	0	0
Communication and information related, Permanent	8	8	0	0
Finance and economics related, Permanent	7	6	14.3	0
Financial clerks and credit controllers, Permanent	7	7	0	0
Food services aids and waiters, Permanent	4	4	0	0
Head of Department/chief executive officer, Permanent	1	0	0	0
Human Resources, organisational development related professionals, Permanent	12	11	8.3	0
Information technology related, Permanent	8	5	37.5	0
Library mail and related clerks, Permanent	7	6	14.3	1
Logistical support personnel, Permanent	6	5	16.7	0
Messengers, porters and deliverers, Permanent	5	4	20	0
Security officers, Permanent	3	3	0	0
Secretaries and other keyboard operating clerks	26	23	11.5	0
Senior managers, Permanent	73	54	26	2

Critical occupation	Number of posts on approved establishment	Number of posts filled	Vacancy rate	Number of employees additional to the establishment
Other Occupations	2	1	50	0
TOTAL	211	177	16.1	3

3.3 Filling of SMS posts

Table 3.3.1 SMS posts information as at 31 March 2019

SMS Level	Total number of funded SMS posts	Total number of SMS posts filled	% of SMS posts filled	Total number of SMS posts vacant	% of SMS posts vacant
Director-General/HOD	1	0	0	1	100
Salary Level 16	2	2	100	0	0
Salary Level 15	7	3	43	4	57
Salary Level 14	20	17	85	3	15
Salary Level 13	43	32	74	11	26
TOTAL	73	54	74	19	26

Table 3.3.2 SMS post information as at 30 September 2018

SMS Level	Total number of funded SMS posts	Total number of SMS posts filled	% of SMS posts filled	Total number of SMS posts vacant	% of SMS posts vacant
Director-General/HOD	1	0	0	1	100
Salary Level 16	2	2	100	0	0
Salary Level 15	7	3	43	4	57
Salary Level 14	22	19	86	3	14
Salary Level 13	43	30	70	10	23
TOTAL	75	54	71	18	24

Table 3.3.3 Advertising and filling of SMS posts for the period 1 April 2018 and 31 March 2019

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

Table 3.3.4 Reasons for not having complied with the filling of funded vacant SMS posts advertised within six months after becoming vacant for the period 1 April 2018 to 31 March 2019

Reasons for vacancies not being advertised within 6 months
Due to the delay in implementation of the approved re-aligned structure, vacant positions were advertised in February 2017, but due to the change in leadership, the recruitment process was discontinued and then restarted during the 2018/19 financial year. Some vacancies were prioritised and re-advertised in August 2018, but the filling of posts was limited to critical posts only, until the sixth administration is in place.

Reasons for vacancies not being filled within 12 months
It was due to the delay in implementation of the approved re-aligned structure.

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 2018 to 31 March 2019

Reasons for vacancies not advertised within 6 months
The non-filling of vacancies cannot be attributed to a conduct shortcoming, but it was due to the developments in the Department.

Reasons for vacancies not being filled within 6 months
The non-filling of vacancies cannot be attributed to a conduct shortcoming, but it was due to the developments in the Department.

3.4 Job evaluation

Table 3.4.1 Job evaluation by salary band for the period 1 April 2018 to 31 March 2019

Salary band	Number of posts approved and established	Number of jobs evaluated	% of posts evaluated by salary band	Posts upgraded		Posts downgraded	
				Number	% of posts evaluated	Number	% of posts evaluated
Skilled (Level 3 -5)	8	0	0	0	0	0	0
Highly skilled production (Level 6-8)	56	0	0	0	0	0	0
Highly skilled supervision (Level 9-12)	72	0	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	1	0	0	0	0	0	0
Minister	1	0	0	0	0	0	0
TOTAL	211	0	0	0	0	0	0

Table 3.4.2 Profile of employees whose positions were upgraded due to their posts being upgraded for the period 1 April 2018 to 31 March 2019

Gender	African	Asian	Coloured	White	TOTAL
Female	0	0	0	0	0
Male	0	0	0	0	0
TOTAL	0	0	0	0	0
Employees with a disability	0	0	0	0	0
TOTAL	0	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 2018 to 31 March 2019

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	-
% of total employed	0	0	0	-

Table 3.4.4 Profile of employees who have salary levels higher than those determined by job evaluation for the period 1 April 2018 to 21 March 2019

Gender	African	Asian	Coloured	White	TOTAL
Female	0	0	0	0	0
Male	0	0	0	0	0
TOTAL	0	0	0	0	0
Employees with a disability	0	0	0	0	0
TOTAL	0	0	0	0	0
Total number of employees whose salaries exceeded the grades determined by job evaluation					0

3.5 Employment changes

Table 3.5.1 Annual turnover rates by salary band for the period 1 April 2018 to 31 March 2019

Salary band	Number of employees at the beginning of the period 1 April 2018	Appointments and transfers into the department	Terminations and transfers out of the department	Turnover rate
Skilled (Level 3-5)	6	3	0	0
Highly skilled production (Level 6 - 8)	50	2	3	6
Highly skilled supervision (Level 9-12)	65	1	1	1.5
Senior Management Services Band A	31	2	2	6
Senior Management Services Band B	19	1	0	0
Senior Management Services Band C	4	1	2	6
Senior Management Services Band D	1	0	1	0
Deputy Minister				
Minister				
TOTAL	176	10	9	5

Table 3.5.2 Annual turnover rates by critical occupation for the period 1 April 2018 to 31 March 2019

Critical occupation	Number of employees at the beginning of the period April 2018	Appointments and transfers into the department	Terminations and transfers out of the department	Turnover rate
Administrative related, permanent	33	2	0	0
Client inform clerks (switchboard reception, information clerks), permanent	2	1	0	0
Communication and information related, permanent	8	0	0	0
Finance and economics related, permanent	6	0	0	0
Financial clerks and credit controllers, permanent	6	0	0	0
Food services aids and waiters, permanent	4	2	0	0
Head of Department/chief executive officer, permanent	1	0	1	100
Human resources, organisation development, related professionals, permanent	10	0	0	0
Information technology related, permanent	7	0	1	14
Library mail and related clerks, permanent	7	0	1	14
Logistical support personnel, permanent	5	0	0	0
Messengers, porters and deliverers, permanent	4	1	2	50
Security officers, permanent	3	0	0	0
Secretaries and keyboard operating clerks	24	0	0	0
Senior managers, permanent	56	3	4	7
Other occupations				
TOTAL	176	9	9	5

Table 3.5.3 Reasons why staff left the department for the period 1 April 2018 to 31 March 2019

Termination type	Number	% of Total Resignations
Death	0	0
Resignation	9	100
Expiry of contract	0	0
Dismissal - operational changes	0	0
Dismissal - misconduct	0	0
Dismissal - inefficiency	0	0
Discharged due to ill-health	0	0
Retirement	0	0
Transfer to other Public Service Department	0	0
Other	0	0
TOTAL	9	100
Total number of employees who left as a % of total employment		5

Table 3.5.4 Promotions by critical occupation for the period 1 April 2018 to 31 March 2019

Occupation	Number of employees 1 April 2018	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	30	0	0	26	86.6
Client inform clerks (switchboard reception, information clerks), permanent	2	0	0	2	100
Communication and information related, permanent	6	0	0	4	66.7
Finance and economics related, permanent	12	0	0	12	100
Financial clerks and credit controllers, permanent	7	0	0	7	100
Food services aids and waiters, permanent	4	0	0	3	75
Head of Department/chief executive officer, permanent	1	0	0	0	0
Human Resources organisational development and related professionals, permanent	9	0	0	6	66.6
Information technology related, permanent	7	0	0	5	71.4
Library mail and related clerks, permanent	9	0	0	7	77.7
Logistical support personnel, permanent	5	1	20	2	40
Messengers porters and deliverers, permanent	4	0	0	1	25
Security officers, Permanent	3	0	0	2	66.6
Secretaries and Keyboard operating clerks	17	0	0	15	88
Senior managers, permanent	59	0	0	38	64.4
Other occupations	1	0	0	0	0
TOTAL	176	1	0.6	130	74

Table 3.5.5 Promotions by salary band for the period 1 April 2018 to 31 March 2019

Salary Band	Number of employees 1 April 2018	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
Skilled (Level 3-5)	6	0	0	4	66
Highly skilled production (Level 6-8)	49	0	0	38	77
Highly skilled supervision (Level 9-12)	65	0	0	50	77
Senior management (Level 13-16)	56	0	0	38	64
Total	176	0	0	130	74

3.6 Employment equity

Table 3.6.1 Total number of employees (including employees with disabilities) in each of the following occupational categories as at 31 March 2019

Occupational category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers, permanent	27	4	2	0	17	2	1	2	55
Professionals, permanent	15	0	1	0	16	1	0	4	37
Technicians and associate professionals, permanent	12	0	0	1	12	0	0	2	27
Clerks, permanent	9	0	0	0	34	1	0	1	45
Service and sales workers, permanent	4	1	0	0	7	1	0	0	13
Total	67	5	3	1	86	5	1	9	177

Table 3.6.2 Total number of employees (including employees with disabilities) in each of the following occupational bands as at 31 March 2019

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management	3	0	2	0	1	0	0	1	7
Senior management	24	4	0	0	16	1	2	1	48
Professionally qualified and experienced specialists and mid-management	15	0	1	0	16	1	0	4	37
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	21	0	0	1	46	1	0	3	73
Semi-skilled and discretionary decision making	4	1	0	0	7	1	0	0	13
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0
Total	67	5	3	1	86	4	2	9	177

Table 3.6.3 Recruitment for the period 1 April 2018 to 31 March 2019

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management	0	0	1	0	0	0	0	0	1
Senior management	1	1	0	0	1	0	0	0	3
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, foremen and superintendents	0	0	0	0	1	0	0	0	1
Semi-skilled and discretionary decision making	0	1	0	0	0	0	0	0	1
Unskilled and defined decision making	0		0	0	2	1	0	0	3
Total	2	2	1	0	4	1	0	0	10
Employees with a disability	0	0	0	0	0	0	0	0	0

Table 3.6.4 Promotions for the period 1 April 2018 to 31 March 2019

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management	0	0	0	0	0	0	0	0	0
Senior management	0	0	0	0	0	0	0	0	0
Professionally qualified and experienced specialists and mid-management	0	0	0	0	0	0	0	0	0
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	0	0	0	0	1	0	0	0	1
Semi-skilled and discretionary decision making	0	0	0	0	1	0	0	0	1
Total	0	0	0	0	2	0	0	0	2
Employees with a disability	0	0	0	0	0	0	0	0	0

Table 3.6.5 Terminations for the period 1 April 2018 to 31 March 2019

Occupational band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management	1	0	0	0	0	0	0	0	1
Senior management	0	0	1	0	3	0	0	0	4
Professionally qualified and experienced specialists and mid-management	1	0	0	0	0	0	0	0	1
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	0	0	0	0	1	0	0	0	1
Semi-skilled and discretionary decision making	2	0	0	0	0	0	0	0	2
Total	4	0	1	0	4	0	0	0	9

Table 3.6.6 Disciplinary action for the period 1 April 2018 to 31 March 2019

Disciplinary action	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Gross Dishonesty	4	0	0	0	7	0	0	0	11
Total	4	0	0	0	7	0	0	0	11

Table 3.6.7 Skills development for the period 1 April 2018 to 31 March 2019

Occupational category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers	11	0	1	0	11	1	1	1	26
Professionals	2	0	0	0	4	0	0	1	7
Technicians and associate professionals	6	0	0	0	5	0	0	1	12
Clerks	0	0	0	0	32	0	0	1	33
Plant and machine operators and assemblers	0	0	0	0	0	0	0	0	0
Elementary occupations	2	0	0	0	0	0	0	0	2
TOTAL	21	0	1	0	52	1	1	4	80
Employees with a disability	1	0	0	0	0	0	0	2	31

3.7 Signing of performance agreements by SMS members

Table 3.7.1 Signing of performance agreements by SMS members as at 31 May 2018

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 the total number of SMS members
Director-General/HOD	1	1	0	0
Salary level 15	9	4	3	75
Salary level 14	22	17	14	82
Salary level 13	43	29	29	100
TOTAL	75	51	46	90

Table 3.7.2 Reasons for not having concluded performance agreements with all SMS members as at 31 March 2018

Reasons
The HOD was on special leave and there was an official appointed as Acting HOD during the said period. Four Senior Managers were seconded to the State-Owned Companies (SOCs) during the period 1 April 2017 to 31 March 2018, they could therefore not conclude performance agreements by 31 May 2018 as required. The performance management system and/or cycle is different from that of the Public Service.

Table 3.7.3 Disciplinary steps taken against SMS members for not having concluded performance agreements as at 31 March 2018

Reasons
No disciplinary steps taken. Senior Managers involved were not in control of the matter.

3.8 Performance rewards

Table 3.8.1 Performance rewards by race, gender and disability for the period 1 April 2017 to 31 March 2018

Race and Gender	Beneficiary profile			Cost	
	Number of beneficiaries	Number of employees	% of total within group	Cost R'000	Average cost per employee R'000
African					
Male	41	67	61	760	18.6
Female	59	85	69	923	15.6
Indian					
Female	0	2	0	0	0
Male	1	2	50	28	28.7
Coloured					
Female	2	3	67	42	21.2
Male	0	3	0	0	0
White					
Female	7	8	88	177	25.4
Male	1	1	100	14	14.2
TOTAL	111	171	65	1 947	17.5

Table 3.8.2 Performance rewards by salary band for personnel below senior management level for the period 1 April 2017 to 31 March 2018

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)	
Skilled (Level 3-5)	5	5	100	32	6.3	0.5
Highly skilled production (Level 6-8)	48	52	92	511	11	7.8
Highly skilled supervision (Level 9-12)	56	63	90	1 329	24	20.5
Total	109	120	90.8	1 872	17.2	29

Table 3.8.3 Performance rewards by critical occupation for the period 1 April 2017 to 31 March 2018

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	19	21	86	395	20.8
Client inform clerks (switch board, reception, information clerks)	2	2	100	17	8.5
Communication and information related	5	6	83	91	18
Financial and economic related	13	13	100	211	16.2
Financial and related professionals	6	6	100	92	15.3
Financial clerks and credit controllers					
Food services aids	3	3	100	19	6.4
Head of Department/chief executive officer	0	1	0	0	0
Human resources related	9	9	100	187	20.7
Information technology related	4	7	57	72	1
Library mail and related clerks	8	9	89	101	12.9
Material-recording and transport clerks	3	5	60	58	19.6
Messengers, porters and deliverers	4	4	100	32	8.2
Secretaries and other keyboard operating clerks	31	33	94	578	18.7
Security officers	2	3	67	19	9.5
Senior managers	2	50	4	75	37.5
Total	111	171	65	1 947	17.5

*Note: Payments for SMS members were for previous financial years

Table 3.8.4 Performance related rewards (cash bonus) by salary band for Senior Management level for the period 1 April 2017 to 31 March 2018

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	2	43	4.65	75	37.5	0.10
Band B	0	22	0	0	0	0
	00	20	0	0		0
Band C	0	9	0	0	0	0
	0		0	0		0
Band D	0	1	0	0	0	0
Total	2	75	2.6	75	37.5	0.10

3.9 Foreign workers

Table 3.9.1 foreign workers by salary band for the period 1 April 2018 to 31 March 2019

Salary band	1 April 2018		31 March 2019		Change	
	Number	% of total	Number	% of total	Number	% of change
Lower skilled (Level 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)	2	100	2	100	0	0
Total	2	100	2	100	0	0

Table 3.9.2 Foreign workers by major occupation for the period 1 April 2018 to 31 March 2019

Major occupation	1 April 2018		31 March 2019		Change	
	Number	% of total	Number	% of total	Number	% of change
Senior management	2	100	2	100	0	0
Total	2	100	2	100	0	0

3.10 Leave utilisation

Table 3.10.1 Sick leave for the period 1 January 2018 to December 2018

Salary band	Total days	% of 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 (Level 3-5)	32.0	81.3	6	4.1	5.0	28.0
Highly skilled production (Level 6-8)	322	155.9	42	28.6	12.0	476.0
Highly skilled supervision (Level 9-12)	334	106.4	56	38.1	9.0	847.0
Top and senior management (Level 13-16)	316	162.3	43	29.3	13.0	1 363.0
TOTAL	1004.0	70.5	147	100	7.0	2 714.0

Table 3.10.2 Disability leave (temporary and permanent) for the period 1 January 2018 to 31 December 2018

Salary band	Total days	% of 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 (Level 3-5)	0	0	0	0	0	0
Highly skilled production (Level 6-8)	25	100	2	40.0	13.0	41.0
Highly skilled supervision (Level 9-12)	12	100	1	20.0	12.0	33.0
Top and senior management (Level 13-16)	17	100	2	40.0	9.0	72.0
TOTAL	54	100	5	100	11.0	146.0

Table 3.10.3 Annual leave for the period 1 January 2018 to 31 December 2018

Salary band	Total days taken	Number of employees using annual leave	Average per employee
Lower skills (Level 1-2)	0	0	0
Skilled (Level 3-5)	187.0	7	39.0
Highly skilled production (Level 6-8)	1 332.0	56	38.0
Highly skilled supervision (Level 9-12)	1 609.0	64	38.0
Senior management (Level 13-16)	1 240.0	54	37.0
Total	4 368.0	184	24.0

Table 3.10.4 Capped leave for the period 1 January 2018 to 31 December 2018

Salary band	Total days of capped leave taken	Number of employees using capped leave	Average number of days taken per employee	Average capped leave per employee as at 31 March 2019
Skilled (Level 3-5)	0	0	0	6.0
Highly skilled production (Level 6-8)	0	0	0	21.0
Highly skilled supervision (Level 9-12)	0	0	0	33.0
Senior management (Levels 13-16)	11	1	11	36.0
Total	11	1	11	29.0

Table 3.10.5 Leave pay-out for the period 1 April 2018 to 31 December 2018

	Total amount (R'000)	Number of employees	Average per employee (R'000)
Discounting with resignation(workdays)	520.0	16	32 500
Total	520.0	16	32 500

3.11 HIV/AIDS and Health Promotion Programmes

Table 3.11.1 Steps taken to reduce the risk of occupational exposure

Units/categories of employees identified to be at high risk of contracting HIV and related diseases (if any)	Key steps taken to reduce the risk
No risks identified based on the quarterly opportunities offered to employees to test for HIV/AIDS	Not applicable

Table 3.11.2 Details of health promotion and HIV/AIDS programmes (tick the applicable boxes and provide the required information)

Question		Yes	No	Details, if yes
1.	Has the Department designated a member of the SMS to implement the provisions contained in Part VI E of Chapter 1 of the Public Service Regulations, 2001? If so, provide her/his name and position.	X		Director Employee Development and Employee Relations: Mr. Darol Holby
2.	Does the Department have a dedicated unit or has it designated specific staff members to promote the health and well-being of its employees? If so, indicate the number of employees who are involved in this task and the annual budget that is available for this purpose.	X		Three employees: annual budget: R1 100 000
3.	Has the Department introduced an Employee Assistance or Health Promotion Programme for its employees? If so, indicate the key elements/ services of this programme.	X		Counselling service affecting personal and work life. Focus on emotional personal difficulties, HIV/AIDS, general health issues, bereavement and loss, family and relationships, management of stress and change, financial matters, legal concerns, career issues, 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	
5.	Has the Department reviewed its employment policies and practices to ensure that these do not unfairly discriminate against employees on the basis of their HIV status? If so, list the employment policies/practices reviewed.	X		HIV & AIDS and TB Policy Wellness Policy Recruitment Policy Leave Policy
6.	Has the Department introduced measures to protect HIV-positive employees or those perceived to be HIV-positive from discrimination? If so, list the key elements of these measures.	X		The Department, through the Wellness Programme, has measures in place through a service provider to assist employees who are infected or affected.
7.	Does the Department encourage its employees to undergo voluntary counselling and testing (VCT)? If so, list the results that you have you achieved.	X		119 Employees tested in the 2018/ 2019 financial year.
8.	Has the Department developed measures/indicators to monitor and evaluate the impact of its health promotion programme? If so, list these measures/ indicators.			Quarterly report analysis and increased number of employees participating in wellness activities.

3.12 Labour relations

Table 3.12.1 Collective agreements for the period 1 April 2018 to 31 March 2019

Subject matter	Date
Total number of Collective agreements	0

Table 3.12.2 Misconduct and disciplinary hearings finalised for the period 1 April 2018 to 31 March 2019

Outcomes of disciplinary hearings	Number	% of total
Correctional counselling	7	70
Verbal warning	2	20
Written warning	1	10
Final written warning	0	0
Suspended without pay	0	0
Fine	0	0
Demotion	0	0
Dismissal	0	0
Not guilty	0	0
Case withdrawn	0	0
Total	10	100
Total number of Disciplinary hearings finalised		10

Table 3.12.3 Types of misconduct addressed at disciplinary hearings for the period 1 April 2018 to 31 March 2019

Type of misconduct	Number	% of total
Non-compliance to disclosure of all financial interests	3	27
Performing remunerative work without authorisation	6	55
Refusal to comply with a lawful instruction/insubordination	1	9
Poor work performance for reasons other than incapacity	1	9
Total	11	100

Table 3.12.4 Grievances lodged for the period 1 April 2018 to 31 March 2019

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

Table 3.12.5 Disputes lodged with councils for the period 1 April 2018 to 31 March 2019

Disputes	Number	% of total
Number of disputes upheld	0	0
Number of disputes dismissed	1	100
Total number of disputes lodged	1	100

Table 3.12.6 Strike action for the period 1 April 2018 to 31 March 2019

Total number of persons' working days lost	0
Total cost of working days lost	0
Amount recovered as a result of no work no pay (R'000)	0

Table 3.12.7 Precautionary suspensions for the period 1 April 2018 to 31 March 2019

Number of people suspended	1
Number of people whose suspension exceeded 30 days	1
Average number of days suspended	63
Cost of suspension (R'000)	115 102

3.13 Skills Development

Table 3.13.1 Training needs identified for the period 1 April 2018 to 31 March 2019

Occupational category	Gender	Number of employees as at 1 April 2019	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	23	0	17	10	27
	Male	32	0			
Professionals	Female	20	0	18	7	25
	Male	16	0			
Technicians and associate professionals	Female	14	0	18	29	47
	Male	13	0			
Administration/Clerks	Female	36	0	19	15	34
	Male	9	0			
Elementary occupations	Female	8	0	4	0	4
	Male	5	0			
Subtotal	Female	101	13	76	61	137
	Male	75	9			
Total		176	22	76	61	137

Table 3.13.2 Training provided for the period 1 April 2018 to 31 March 2019

Occupational category	Gender	Number of employees as at 1 April 2019	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	23	0	3	5	8
	Male	32	0			
Professionals	Female	20	0	7	4	11
	Male	16	0			
Technicians and associate professionals	Female	14	0	6	4	10
	Male	13	0			
Clerks	Female	36	0	11	8	19
	Male	19	0			
Elementary occupations	Female	8	0	2	1	3
	Male	5	0			
Subtotal	Female	101	13	4	4	8
	Male	75	9			
Total		176	22	33	25	59

Table 3.13.2 Injury on duty for the period 1 April 2018 to 31 March 2019

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

Table 3.13.3 Report on consultant appointments using appropriated funds

Project title	Total number of consultants that worked on the project	Duration (workdays)	Contract value in Rands
Forensic investigation into the relationship between Alexkor, Alexkor PSJV and its Marine Mining contractor	1	8	106 342.56
Internal Auditor - temporary	1	180	262 178.27
Internal Auditor - temporary	1	60	93 832.32
Co-sourced internal audit services	7	180	639 149.59
Review of Financial Statements of 2017/18	2	5	66 700.00
Independent Audit of Denel's Indemnity Claim	5	30	300 047.30
Development and Implementation of Enterprise Architecture	7	120	211 931.00
For e-docs system maintenance and support	3	261	394 766.25
Provision of interior décor services for newly leased building of DPE in Pretoria	2	153	380 469.50
DPE website design, development, hosting and maintenance	6	250	439 964.14
Vetting of potential board members	2	285	311 489.00
Legal services	1	9	224 595.00
Design, layout and printing of Department's strategic publications	5	35	527 882.05

Total number of projects	Total individual consultants	Total duration In workdays	Total contract value in Rands
13	43	1 576	R3 959 346.62

Table 3.13.4 Analysis of consultant appointments using appropriated funds in terms of historically disadvantaged individuals (HDI) for the period 1 April 2018 to March 2019

Project title	Percentage ownership HDI groups	Percentage management by HDI group	Number of consultants from HDI groups that work on the project
Forensic investigation into the relationship among Alexkor, Alexkor PSJV and its Marine Mining contractor	100	100	1
Internal auditor – temporary	100	100	1
Internal auditor – temporary	100	100	2
Co-sourced internal audit services	100	100	5
Review of Financial Statements of 2017/18	92	81	1
Independent audit of Denel's Indemnity Claim	100	100	4
Development and implementation of Enterprise Architecture	55	33	4
Provision of interior décor services for newly leased building of DPE in Pretoria	100	100	2
DPE website design, development, hosting and maintenance	51	66	3
Vetting of potential board members	100	100	1
Legal fees	100	100	1
Design, layout and printing of Department's strategic publications	100	30	5
E-docs system maintenance and support	51	51	1

Table 3.13.5 Report on consultant appointments using donor funds for the period 1 April 2018 to 31 March 2019

None

Table 3.13.6 Analysis of consultant appointments using donor funds in terms of historically disadvantaged individuals (HDI) for the period 1 April 2018 to March 2019

None

3.14 Severance packages

Table 3.14.1 Granting of employee-initiated severance packages for the period 1 April 2018 to 31 March 2019

Salary band	Number of applications received	Number of applications referred to the MPSA	Number of applications supported by MPSA	Number of packages approved by the Department
Skilled (Level 3-5)	0	0	0	0
Highly skilled production (Level 6-8)	0	0	0	0
Highly skilled supervision (Level 9-12)	0	0	0	0
Senior management (Level 13-16)	0	0	0	0
Total	0	0	0	0

Part E

Financial Information



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

Report on the audit of the financial statements

Opinion

I have audited the financial statements of the Department of Public Enterprises set out on pages 90 to 135 which comprise appropriation statement, the statement of financial position as at 31 March 2019, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

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 2019, and its financial performance and cash flows for the year then ended in accordance with the Modified Cash Standard (MCS) as prescribed by National Treasury and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA).

Basis of opinion

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

I am independent of the department in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code), parts 1 and 3 of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.

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

Other matter

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

Unaudited supplementary schedules

The supplementary information set out on pages 136 to 147 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion on it.

Responsibilities of accounting officer for the financial statements

The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the MCS and the requirements of the PFMA, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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.

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

Introduction and scope

In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

My procedures address the reported performance information, which must be based on the approved performance planning documents of the department. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the department for the year ended 31 March 2019:

Programmes	Pages in the annual performance report
Programme 2 – SOC Governance Assurance and Performance	30 – 36
Programme 3 – Business Enhancement and Industrialisation	37 – 51

I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

I did not raise any material findings on the usefulness and reliability of the reported performance information for these programmes:

- Programme 2 – SOC Governance Assurance and Performance
- Programme 3 – Business Enhancement and Industrialisation

Other matters

I draw attention to the matters below.

Achievement of planned targets

Refer to the annual performance report on pages 21 to 51 for information on the achievement of planned targets for the year and explanations provided for the under/ achievement of targets.

Adjustment of material misstatements

I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of programme 2: SOC governance assurance and performance and programme 3: business enhancement and industrialisation. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

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

I did not raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

Other information

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

My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

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

If, based on the work I have performed, I conclude that there is a material misstatement in this other information; I am required to report that fact. I have no matters to report in this regard

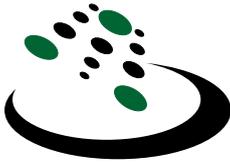
Internal control deficiencies

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

Auditor - General

Pretoria

31 July 2019



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

Annexure – Auditor-general's responsibility for the audit

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

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in 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 by the accounting officer/ accounting authority.
 - conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Department of Public Enterprises ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a department to cease continuing as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

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

2. ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2019

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APPROPRIATION STATEMENT

for the year ended 31 March 2019

Vote 09

Appropriation per programme									
2018/19					2017/18				
Programme	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
1. Administration	151 979	-	-	151 979	136 031	15 948	89.5%	151 871	144 042
2. State-owned Companies Governance Assurance and Performance	39 084	-	-	39 084	33 490	5 594	85.7%	31 867	27 532
3. Business Enhancement, Transformation and Industrialisation	6 331 851	-	-	6 331 851	6 305 272	26 579	99.6%	82 958	78 839
TOTAL	6 522 914	-	-	6 522 914	6 474 793	48 121	99.3%	266 696	250 413
2018/19									
2018/19					2017/18				
	Final Appropriation	Actual Expenditure	Final Appropriation	Actual Expenditure	Final Appropriation	Actual Expenditure	Final Appropriation	Actual Expenditure	Actual Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
TOTAL (brought forward)	6 522 914	6 474 793	6 522 914	6 474 793	266 696	250 413			
Reconciliation with statement of financial performance									
ADD									
Departmental receipts			366			188			
Aid assistance			11 348			10 637			
Actual amounts per statement of financial performance (total revenue)	6 534 628				277 521				
ADD									
Aid assistance				635					4 727
Actual amounts per statement of financial performance (total expenditure)				6 475 428					255 140

APPROPRIATION STATEMENT

for the year ended 31 March 2019

Vote 09

Appropriation per economic classification									
2018/19									
Economic classification	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Economic classification									
Current payments	268 944	(5 358)	-	263 586	215 495	48 091	81.8%	258 197	241 929
Compensation of employees	171 444	(674)	-	170 770	143 814	26 956	84.2%	156 906	142 175
Salaries and wages	158 894	(4 292)	-	154 602	130 347	24 255	84.3%	142 255	128 773
Social contributions	12 550	3 618	-	16 168	13 467	2 701	83.3%	14 651	13 402
Goods and services	97 500	(4 684)	-	92 816	71 681	21 135	77.2%	101 291	99 754
Administrative fees	1 359	(318)	-	1 041	1 037	4	99.6%	1 339	1 301
Advertising	2 449	(1 074)	-	1 375	752	623	54.7%	1 048	1 041
Minor assets	607	857	-	1 464	1 406	58	96.0%	276	270
Audit costs: External	3 404	558	-	3 962	3 962	-	100.0%	3 294	3 293
Bursaries: Employees	850	(233)	-	617	617	-	100.0%	582	580
Catering: Departmental activities	644	(378)	-	266	191	75	71.8%	874	772
Communication	4 857	(1 873)	-	2 984	2 289	695	76.7%	5 272	4 967
Computer services	5 144	364	-	5 508	5 400	108	98.0%	5 987	5 985
Consultants: Business and advisory services	28 512	(12 367)	-	16 145	6 582	9 563	40.8%	17 207	16 965
Infrastructure and planning services	-	191	-	191	189	2	99.0%	-	-
Legal services	3 128	3 062	-	6 190	6 188	2	100.0%	3 262	3 261
Contractors	3 957	99	-	4 056	1 420	2 636	35.0%	3 247	3 221
Agency and support / outsourced services	466	124	-	590	188	402	31.9%	2 817	2 642
Entertainment	30	3	-	33	3	30	9.1%	63	-
Fleet services	1 027	(227)	-	800	785	15	98.1%	1 297	1 296
Consumable supplies	468	1 105	-	1 573	1 423	150	90.5%	2 618	2 605
Consumable: Stationery, printing and office supplies	1 351	83	-	1 434	1 430	4	99.7%	881	879

APPROPRIATION STATEMENT

for the year ended 31 March 2019

Vote 09

Appropriation per economic classification									
2018/19									
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Operating leases	10 878	5 061	-	15 939	15 926	13	99.9%	12 709	12 703
Property payments	3 860	(183)	-	3 677	3 672	5	99.9%	5 177	5 150
Transport provided: Departmental activity	246	(196)	-	50	-	50	-	1 033	1 031
Travel and subsistence	17 988	2 380	-	20 368	14 941	5 427	73.4%	25 132	24 913
Training and development	1 100	(290)	-	810	809	1	99.9%	750	749
Operating payments	2 326	(381)	-	1 945	1 880	65	96.7%	2 456	2 419
Venues and facilities	1 602	(368)	-	1 234	580	654	47.0%	1 403	1 337
Rental and hiring	1 247	(683)	-	564	12	552	2.1%	2 567	2 374
Transfers and subsidies	378	675	-	1 053	1 041	12	98.9%	3 079	3 068
Provinces and municipalities	11	1	-	12	12	-	100.0%	12	11
Municipalities	11	1	-	12	12	-	100.0%	12	11
Municipal bank accounts	11	1	-	12	12	-	100.0%	12	11
Households	367	674	-	1 041	1 029	12	98.8%	3 067	3 057
Social benefits	367	674	-	1 041	1 029	12	98.8%	3 067	3 057
Payments for capital assets	4 592	4 678	-	9 270	9 252	18	99.8%	5 159	5 156
Machinery and equipment	4 480	4 333	-	8 813	8 796	17	99.8%	4 945	4 942
Other machinery and equipment	4 480	4 333	-	8 813	8 796	17	99.8%	4 945	4 942
Intangible assets	112	345	-	457	456	1	99.8%	214	214
Payments for financial assets	6 249 000	5	-	6 249 005	6 249 005	-	100.0%	261	260
Total	6 522 914	-	-	6 522 914	6 474 794	48 120	99.3%	266 696	250 413

APPROPRIATION STATEMENT

for the year ended 31 March 2019

Vote 09

Programme 1: Administration									
2018/19									
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Sub programme									
1.1 Ministry	28 766	286	-	29 052	22 265	6 786	76.6%	35 252	34 985
1.2 Management	20 762	(6 565)	-	14 197	11 894	2 303	83.8%	9 412	8 757
1.3 Communications	37 703	(900)	-	36 803	33 627	3 176	91.4%	39 339	36 301
1.4 Chief Financial Officer	17 649	-	-	17 649	17 166	483	97.3%	16 173	16 142
1.5 Human Resources	27 720	1 404	-	29 124	27 547	1 577	94.6%	29 089	27 700
1.6 Internal Audit	4 624	-	-	4 624	3 586	1 038	77.6%	4 701	3 579
1.7 Corporate Services	3 799	-	-	3 799	3 218	581	84.7%	4 696	3 380
1.8 Office Accommodation	10 956	5 775	-	16 731	16 728	3	100.0%	13 209	13 198
Total for sub programmes	151 979	-	-	151 979	136 031	15 948	89.5%	151 871	144 042
Economic classification									
Current payments	147 031	(5 305)	-	141 726	125 806	15 920	88.8%	143 579	135 762
Compensation of employees	82 288	(621)	-	81 667	69 644	12 023	85.3%	76 171	68 806
Salaries and wages	75 830	(1 980)	-	73 850	62 993	10 857	85.3%	69 002	61 883
Social contributions	6 458	1 359	-	7 817	6 651	1 166	85.1%	7 169	6 923
Goods and services	64 743	(4 684)	-	60 059	56 162	3 897	93.5%	67 408	66 956
Administrative fees	1 359	(318)	-	1 041	1 037	4	99.6%	1 339	1 301
Advertising	2 369	(1 072)	-	1 297	752	545	58.0%	997	991
Minor assets	607	857	-	1 464	1 406	58	96.0%	276	270
Audit costs: External	3 404	558	-	3 962	3 962	-	100.0%	3 294	3 293
Bursaries: Employees	850	(233)	-	617	617	-	100.0%	582	580
Catering: Departmental activities	593	(374)	-	219	171	48	78.5%	581	542
Communication	3 994	(1 862)	-	2 132	1 933	199	90.7%	3 575	3 463
Computer services	5 144	364	-	5 508	5 400	108	98.0%	5 987	5 985

APPROPRIATION STATEMENT

for the year ended 31 March 2019

Vote 09

Programme 1: Administration										
	2018/19					2017/18				
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure	
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	
Consultants: Business and advisory services	10 410	(8 185)	-	2 225	2 221	4	99.8%	5 264	5 248	
Infrastructure and planning services	-	191	-	191	189	2	99.0%	-	-	
Legal services	318	361	-	679	678	1	99.9%	-	-	
Contractors	2 267	(327)	-	1 940	1 285	655	66.2%	1 805	1 784	
Agency and support / outsourced services	466	124	-	590	188	402	31.9%	753	754	
Entertainment	-	3	-	3	3	-	100.0%	17	-	
Fleet services	1 027	(227)	-	800	785	15	98.1%	1 297	1 296	
Consumable supplies	410	1 105	-	1 515	1 423	92	93.9%	1 946	1 934	
Consumable: Stationery, printing and office supplies	1 351	83	-	1 434	1 430	4	99.7%	831	830	
Operating leases	10 878	5 061	-	15 939	15 926	13	99.9%	12 709	12 703	
Property payments	3 860	(183)	-	3 677	3 672	5	99.9%	5 177	5 150	
Transport provided: Departmental activity	246	(196)	-	50	-	50	-	41	40	
Travel and subsistence	9 814	1 399	-	11 213	10 046	1 167	89.6%	16 403	16 295	
Training and development	1 100	(290)	-	810	809	1	99.9%	750	749	
Operating payments	2 326	(563)	-	1 763	1 699	64	96.4%	2 344	2 308	
Venues and facilities	1 300	(403)	-	897	529	368	59.0%	959	959	
Rental and hiring	650	(557)	-	93	1	92	1.1%	481	481	
Transfers and subsidies	356	622	-	978	968	10	99.0%	2 872	2 864	
Provinces and municipalities	11	1	-	12	12	-	100.0%	12	11	
Municipalities	11	1	-	12	12	-	100.0%	12	11	
Municipal bank accounts	11	1	-	12	12	-	100.0%	12	11	

APPROPRIATION STATEMENT

for the year ended 31 March 2019

Vote 09

Programme 1: Administration									
2018/19					2017/18				
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Households	345	621	-	966	956	10	99.0%	2 860	2 853
Social benefits	345	621	-	966	956	10	99.0%	2 860	2 853
Payments for capital assets	4 592	4 678	-	9 270	9 252	18	99.8%	5 159	5 156
Machinery and equipment	4 480	4 333	-	8 813	8 796	17	99.8%	4 945	4 942
Other machinery and equipment	4 480	4 333	-	8 813	8 796	17	99.8%	4 945	4 942
Intangible assets	112	345	-	457	456	1	99.8%	214	214
Payments for financial assets	-	5	-	5	5	-	100.0%	261	260
Total	151 979	-	-	151 979	136 031	15 948	89.5%	151 871	144 042

1.1 Ministry									
2018/19					2017/18				
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments	28 466	118	-	28 584	21 806	6 778	76.3%	32 740	32 474
Compensation of employees	21 496	(876)	-	20 620	13 967	6 653	67.7%	19 923	19 688
Goods and services	6 970	994	-	7 964	7 839	125	98.4%	12 817	12 786
Transfers and subsidies	300	168	-	468	459	9	98.1%	2 512	2 511
Households	300	168	-	468	459	9	98.1%	2 512	2 511

APPROPRIATION STATEMENT

for the year ended 31 March 2019

Vote 09

Economic classification	2018/19						2017/18		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments	20 762	(6 927)	-	13 835	11 533	2 302	83.4%	9 412	8 757
Compensation of employees	9 436	346	-	9 782	9 772	10	99.9%	6 716	6 077
Goods and services	11 326	(7 273)	-	4 053	1 761	2 292	43.4%	2 696	2 680
Transfers and subsidies	-	362	-	362	361	1	99.7%	-	-
Households	-	362	-	362	361	1	99.7%	-	-

Economic classification	2018/19						2017/18		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments	34 566	(4 770)	-	29 796	26 623	3 173	89.4%	35 910	32 714
Compensation of employees	17 194	(91)	-	17 103	14 570	2 533	85.2%	17 017	14 630
Goods and services	17 372	(4 679)	-	12 693	12 053	640	95.0%	18 893	18 084
Transfers and subsidies	45	91	-	136	136	-	100.0%	90	86
Households	45	91	-	136	136	-	100.0%	90	86
Payments for capital assets	3 092	3 779	-	6 871	6 868	3	100.0%	3 339	3 501
Machinery and equipment	2 980	3 434	-	6 414	6 412	2	100.0%	3 125	3 287
Software and other intangible assets	112	345	-	457	456	1	99.8%	214	214

APPROPRIATION STATEMENT

for the year ended 31 March 2019

Vote 09

1.4 Chief Financial Officer										
Economic classification	2018/19					2017/18				
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure	
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	
Current payments	17 638	(6)	-	17 632	17 149	483	97.3%	15 900	15 871	
Compensation of employees	10 432	-	-	10 432	9 994	438	95.8%	9 155	9 154	
Goods and services	7 206	(6)	-	7 200	7 155	45	99.4%	6 745	6 717	
Transfers and subsidies	11	1	-	12	12	-	100.0%	12	11	
Provinces and municipalities	11	1	-	12	12	-	100.0%	12	11	
Payments for financial assets	-	5	-	5	5	-	100.0%	261	260	

1.5 Human Resources										
Economic classification	2018/19					2017/18				
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure	
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	
Current payments	26 220	505	-	26 725	25 162	1 563	94.2%	27 101	25 878	
Compensation of employees	17 282	-	-	17 282	15 886	1 396	91.9%	16 536	14 790	
Goods and services	8 938	505	-	9 443	9 276	167	98.2%	10 565	11 088	
Transfers and subsidies	-	-	-	-	-	-	-	168	167	
Households	-	-	-	-	-	-	-	168	167	
Payments for capital assets	1 500	899	-	2 399	2 385	14	99.4%	1 820	1 655	
Machinery and equipment	1 500	899	-	2 399	2 385	14	99.4%	1 820	1 655	

APPROPRIATION STATEMENT

for the year ended 31 March 2019

Vote 09

Economic classification	2018/19						2017/18		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments	4 624	-	-	4 624	3 586	1 038	77.6%	4 701	3 579
Compensation of employees	3 186	-	-	3 186	2 258	928	70.9%	2 394	1 323
Goods and services	1 438	-	-	1 438	1 328	110	92.4%	2 307	2 256

Economic classification	2018/19						2017/18		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments	3 799	-	-	3 799	3 218	581	84.7%	4 606	3 291
Compensation of employees	3 262	-	-	3 262	3 196	66	98.0%	4 430	3 144
Goods and services	537	-	-	537	22	515	4.1%	176	147
Transfers and subsidies	-	-	-	-	-	-	-	90	89
Households	-	-	-	-	-	-	-	90	89

Economic classification	2018/19						2017/18		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments	10 956	5 775	-	16 731	16 728	3	100.0%	13 209	13 198
Goods and services	10 956	5 775	-	16 731	16 728	3	100.0%	13 209	13 198

APPROPRIATION STATEMENT

for the year ended 31 March 2019

Vote 09

Programme 2: State-owned Companies Governance Assurance and Performance									
2018/19									
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Sub programme									
2.1 Management	2 913	76	-	2 989	2 739	250	91.6%	3 074	2 825
2.2 Legal	11 431	3 399	-	14 830	12 066	2 764	81.4%	13 408	11 589
2.3 Governance	10 699	(1 134)	-	9 565	8 782	783	91.8%	7 761	7 158
2.4 Financial Assessment and Investment Support	14 041	(2 341)	-	11 700	9 903	1 797	84.6%	7 624	5 960
Total for sub programmes	39 084	-	-	39 084	33 490	5 594	85.7%	31 867	27 532
Economic classification									
Current payments	39 084	-	-	39 084	33 490	5 594	85.7%	31 738	27 405
Compensation of employees	30 132	-	-	30 132	26 318	3 814	87.3%	25 406	21 433
Salaries and wages	27 521	(71)	-	27 450	24 154	3 296	88.0%	22 936	19 736
Social contributions	2 611	71	-	2 682	2 164	518	80.7%	2 470	1 697
Goods and services	8 952	-	-	8 952	7 172	1 780	80.1%	6 332	5 972
Catering: Departmental activities	19	-	-	19	15	4	78.9%	31	18
Communication	290	-	-	290	150	140	51.7%	219	150
Consultants: Business and advisory services	3 875	(3 525)	-	350	36	314	10.3%	775	584
Legal services	2 810	2 701	-	5 511	5 510	1	100.0%	3 262	3 261
Contractors	125	635	-	760	124	636	16.3%	-	-
Agency and support / outsourced services	-	-	-	-	-	-	-	4	-
Entertainment	-	-	-	-	-	-	-	14	-
Travel and subsistence	1 761	189	-	1 950	1 314	636	67.4%	1 984	1 921
Operating payments	-	-	-	-	-	-	-	9	9
Venues and facilities	60	-	-	60	12	48	20.0%	34	29
Rental and hiring	12	-	-	12	11	1	91.7%	-	-

APPROPRIATION STATEMENT

for the year ended 31 March 2019

Vote 09

Programme 2: State-owned Companies Governance Assurance and Performance									
2018/19					2017/18				
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Transfers and subsidies	-	-	-	-	-	-	-	129	127
Households	-	-	-	-	-	-	-	129	127
Social benefits	-	-	-	-	-	-	-	129	127
Total	39 084	-	-	39 084	33 490	5 594	85.7%	31 867	27 532

2.1 Management									
2018/19					2017/18				
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments	2 913	76	-	2 989	2 739	250	91.6%	2 999	2 751
Compensation of employees	2 416	76	-	2 492	2 486	6	99.8%	2 576	2 339
Goods and services	497	-	-	497	253	244	50.9%	423	412
Transfers and subsidies	-	-	-	-	-	-	-	75	74
Households	-	-	-	-	-	-	-	75	74

APPROPRIATION STATEMENT

for the year ended 31 March 2019

Vote 09

Economic classification	2018/19						2017/18		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments	11 431	3 399	-	14 830	12 066	2 764	81.4%	13 390	11 571
Compensation of employees	8 178	(76)	-	8 102	6 066	2 036	74.9%	9 307	7 504
Goods and services	3 253	3 475	-	6 728	6 000	728	89.2%	4 083	4 067
Transfers and subsidies	-	-	-	-	-	-	-	18	18
Households	-	-	-	-	-	-	-	18	18

Economic classification	2018/19						2017/18		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments	10 699	(1 134)	-	9 565	8 782	783	91.8%	7 761	7 158
Compensation of employees	8 855	-	-	8 855	8 525	330	96.3%	7 070	6 598
Goods and services	1 844	(1 134)	-	710	257	453	36.2%	691	560

APPROPRIATION STATEMENT

for the year ended 31 March 2019

Vote 09

Economic classification	2018/19						2017/18		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments	14 041	(2 341)	-	11 700	9 903	1 797	84.6%	7 588	5 925
Compensation of employees	10 683	-	-	10 683	9 241	1 442	86.5%	6 453	4 992
Goods and services	3 358	(2 341)	-	1 017	662	355	65.1%	1 135	933

APPROPRIATION STATEMENT

for the year ended 31 March 2019

Vote 09

Programme 3: Business Enhancement, Transformation and Industrialisation									
	2018/19					2017/18			
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Sub programme									
3.1 Energy Resources	13 658	-	-	13 658	9 504	4 154	69.6%	15 803	14 450
3.2 Research and Economic Modelling	13 481	-	-	13 481	6 926	6 555	51.4%	25 540	25 150
3.3 Transport and Defence	6 269 006	-	-	6 269 006	6 262 105	6 901	99.9%	16 080	14 973
3.4 Business Enhancement Services	35 706	-	-	35 706	26 737	8 969	74.9%	25 535	24 266
Total for sub programmes	6 331 851	-	-	6 331 851	6 305 272	26 579	99.6%	82 958	78 839
Economic classification									
Current payments	82 829	(53)	-	82 776	56 199	26 577	67.9%	82 880	78 762
Compensation of employees	59 024	(53)	-	58 971	47 852	11 119	81.1%	55 329	51 936
Salaries and wages	55 543	(2 241)	-	53 302	43 200	10 102	81.0%	50 317	47 154
Social contributions	3 481	2 188	-	5 669	4 652	1 017	82.1%	5 012	4 782
Goods and services	23 805	-	-	23 805	8 347	15 458	35.1%	27 551	26 826
Advertising	80	(2)	-	78	-	78	-	51	50
Catering: Departmental activities	32	(4)	-	28	4	24	14.3%	262	212
Communication	573	(11)	-	562	206	356	36.7%	1 478	1 354
Consultants: Business and advisory services	14 227	(657)	-	13 570	4 325	9 245	31.9%	11 168	11 133
Contractors	1 565	(209)	-	1 356	11	1 345	0.8%	1 442	1 437
Agency and support / outsourced services	-	-	-	-	-	-	-	2 060	1 888
Entertainment	30	-	-	30	-	30	-	32	-
Consumable supplies	58	-	-	58	-	58	-	672	671
Consumable: Stationery, printing and office supplies	-	-	-	-	-	-	-	50	49
Transport provided: Departmental activity	-	-	-	-	-	-	-	992	991

APPROPRIATION STATEMENT

for the year ended 31 March 2019

Vote 09

Programme 3: Business Enhancement, Transformation and Industrialisation									
	2018/19					2017/18			
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual expenditure R'000
Travel and subsistence	6 413	792	-	7 205	3 581	3 624	49.6%	6 745	6 697
Operating payments	-	182	-	182	181	1	99.5%	103	102
Venues and facilities	242	35	-	277	39	238	14.6%	410	349
Rental and hiring	585	(126)	-	459	-	459	-	2 086	1 893
Transfers and subsidies	22	53	-	75	73	2	97.3%	78	77
Households	22	53	-	75	73	2	97.3%	78	77
Social benefits	22	53	-	75	73	2	97.3%	78	77
Payment for financial assets	6 249 000	-	-	6 249 000	6 249 000	-	100.0%	-	-
Total	6 331 851	-	-	6 331 851	6 305 272	26 579	99.6%	82 958	78 839

3.1 Energy Resources									
	2018/19					2017/18			
	Adjusted Appropriation R'000	Shifting of Funds R'000	Virement R'000	Final Appropriation R'000	Actual Expenditure R'000	Variance R'000	Expenditure as % of final appropriation %	Final Appropriation R'000	Actual expenditure R'000
Current payments	13 658	-	-	13 658	9 504	4 154	69.6%	15 803	14 450
Compensation of employees	10 151	-	-	10 151	8 522	1 629	84.0%	13 568	12 382
Goods and services	3 507	-	-	3 507	982	2 525	28.0%	2 235	2 068

APPROPRIATION STATEMENT

for the year ended 31 March 2019

Vote 09

Economic classification	3.2 Research and Economic Modelling							2017/18	
	2018/19							Final	Actual
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Appropriation	expenditure
R'000	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments	13 481	(53)	-	13 428	6 873	6 555	51.2%	25 540	25 150
Compensation of employees	9 072	(53)	-	9 019	6 022	2 997	66.8%	10 655	10 654
Goods and services	4 409	-	-	4 409	851	3 559	19.3%	14 885	14 496
Transfers and subsidies	-	53	-	53	53	-	100.0%	-	-
Households	-	53	-	53	53	-	100.0%	-	-

Economic classification	3.3 Transport and Defence							2017/18	
	2018/19							Final	Actual
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Appropriation	expenditure
R'000	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments	20 006	-	-	20 066	13 105	6 901	65.5%	16 028	14 921
Compensation of employees	15 638	-	-	15 638	11 842	3 797	75.7%	12 681	11 664
Goods and services	4 368	-	-	4 368	1 263	3 104	28.9%	3 347	3 257
Transfers and subsidies	-	-	-	-	-	-	-	52	52
Households	-	-	-	-	-	-	-	52	52
Payments for financial assets	6 249 000	-	-	6 249 000	6 249 000	-	100.0%	-	-

APPROPRIATION STATEMENT

for the year ended 31 March 2019

Vote 09

Economic classification	3.4 Business Enhancement Services							2017/18		
	2018/19				Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure	2017/18	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation					Actual Expenditure	R'000
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
Current payments	35 684	-	-	-	35 684	26 717	8 967	74.9%	25 509	24 241
Compensation of employees	24 163	-	-	-	22 247	21 466	2 697	88.8%	18 425	17 236
Goods and services	11 521	-	-	-	11 521	5 251	6 270	45.6%	7 084	7 005
Transfers and subsidies	22	-	-	-	22	20	2	90.9%	26	25
Households	22	-	-	-	22	20	2	90.9%	26	25

Prior year figures (2017/18 financial year) for all three programmes changed due to the revised budget structure, however the total remained the same.

NOTES TO THE APPROPRIATION STATEMENT

for the year ended 31 March 2019

Vote 09

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

Details of these transactions can be viewed in the note on Transfers and subsidies, disclosure notes and Annexure 1 (A-H) to the Annual Financial Statements.

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

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

3. Details on payments for financial assets

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

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

4.1 Per programme	Final Appropriation	Actual Expenditure	Variance	Variance as a % of Final Appropriation
	R'000	R'000	R'000	%
Administration	151 979	136 031	15 948	10.49%
State-owned Companies Governance Assurance and Performance	39 084	33 490	5 594	14.31%
Business Enhancement, Transformation and Industrialisation	6 331 851	6 305 272	26 579	0.42%
Total	6 522 914	6 474 793	48 121	0.74%

4.2 Per economic classification	Final Appropriation	Actual Expenditure	Variance	Variance as a % of Final Appropriation
	R'000	R'000	R'000	%
Current payments	263 586	215 496	48 092	18.25%
Compensation of employees	170 770	143 814	26 957	15.79%
Goods and services	92 816	71 681	21 135	22.77%
Transfers and subsidies	1 053	1 041	12	1.14%
Provinces and municipalities	12	12	-	-
Households	1 041	1 029	12	1.15%
Payments for capital assets	9 270	9 253	17	0.18 %
Machinery and equipment	8 813	8 797	16	0.18%
Intangible assets	457	456	1	0.22%
Payments for financial assets	6 249 005	6 249 005	-	-
Total	6 522 914	6 474 793	48 121	0.74%

The under expenditure primarily relates to compensation of employees and goods and services. This results from unfilled posts and delays in implementation of the projects.

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2019

Vote 09

	Note	2018/19 R'000	2017/18 R'000
REVENUE			
Annual appropriation	1	6 522 914	266 696
Departmental revenue	2	366	188
Aid assistance	3	11 348	10 637
TOTAL REVENUE		6 534 628	277 521
EXPENDITURE			
Current expenditure			
Compensation of employees	4	143 813	142 174
Goods and services	5	71 681	99 754
Aid assistance	3	635	4 727
Total current expenditure		216 129	246 655
Transfers and subsidies			
Transfers and subsidies	7	1 041	3 068
Total transfers and subsidies		1 041	3 068
Expenditure for capital assets			
Tangible assets	8	8 797	4 943
Intangible assets	8	456	214
Total expenditure for capital assets		9 253	5 157
Payments for financial assets	6	6 249 005	260
TOTAL EXPENDITURE		6 475 428	255 140
SURPLUS/(DEFICIT) FOR THE YEAR		59 200	22 381
Reconciliation of Net Surplus/(Deficit) for the year			
Voted funds		48 121	16 283
Annual appropriation		48 121	16 283
Departmental revenue and NRF Receipts	14	366	188
Aid assistance	3	10 713	5 910
SURPLUS/(DEFICIT) FOR THE YEAR		59 200	22 381

STATEMENT OF FINANCIAL POSITION

Vote 09

as at 31 March 2019

	Note	2018/19 R'000	2017/18 R'000
ASSETS			
Current assets		207 266	165 050
Cash and cash equivalents	9	206 543	161 294
Prepayments and advances	10	643	861
Receivables	11	80	2 895
Non-current assets		132 398 963	103 140 557
Investments	12	132 398 133	103 140 375
Receivables	11	830	182
TOTAL ASSETS		132 606 229	103 305 607
LIABILITIES			
Current liabilities		207 054	164 717
Voted funds to be surrendered to the Revenue Fund	13	48 121	16 283
Departmental revenue and NRF Receipts to be surrendered to the Revenue Fund	14	2	22
Payables	15	-	194
Aid assistance unutilised	3	158 931	148 218
Non-current liabilities			
Payables	16	371	515
TOTAL LIABILITIES		207 425	165 232
NET ASSETS		132 398 804	103 140 375
Represented by:			
Capitalisation reserve		132 398 133	103 140 375
Recoverable Revenue		671	-
TOTAL		132 398 804	103 140 375

STATEMENT OF CHANGES IN NET ASSETS

Vote 09

for the year ended 31 March 2019

	Note	2018/19	2017/18
		R'000	R'000
Capitalisation Reserves			
Opening balance		103 140 375	103 140 375
Transfers:			
Movement in Equity		6 249 000	-
Other movements		23 008 758	-
Closing balance		132 398 133	103 140 375
Recoverable revenue			
Debts raised		671	-
Closing balance		671	-
TOTAL		132 398 804	103 140 375

Note:

Movement in Equity includes capital injection of R5 billion and R1.2 billion transferred to SAA and SAX respectively for settlement of government guaranteed debts for both SOCs.

Other movements of R23 billion is the investment amount of the South African Airways (SAA) which was transferred from National Treasury to the department during 2018/19 financial year. The administrative, powers and functions entrusted by the SAA Act 2007 were transferred from the Minister of Finance to the Minister of Public Enterprises.

Debts amounting to R671 000 were not included in 2017/18 as a result of incorrect classification.

CASH FLOW STATEMENT

for the year ended 31 March 2019

Vote 09

	Note	2018/19 R'000	2017/18 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		6 534 611	277 426
Annual appropriated funds received	1.1	6 522 914	266 696
Departmental revenue received	2	349	74
Interest received	2.2	-	19
Aid assistance received	3	11 348	10 637
Net (increase)/decrease in working capital		2 191	460
Surrendered to Revenue Fund		(16 669)	(14 644)
Current payments		(216 129)	(246 655)
Payments for financial assets		(6 249 005)	(260)
Transfers and subsidies paid		(1 041)	(3 068)
Net cash flow available from operating activities	17	53 958	13 259
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for capital assets	8	(9 253)	(5 157)
Proceeds from sale of capital assets	2.3	17	95
(Increase)/decrease in investments		(29 257 758)	-
(Increase)/decrease in other financial assets		-	-
Net cash flows from investing activities		(29 266 994)	(5 062)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(decrease) in net assets		29 258 429	-
Increase/(decrease) in non-current payables		(144)	(296)
Net cash flows from financing activities		29 257 285	(296)
Net increase/(decrease) in cash and cash equivalents		45 249	7 901
Cash and cash equivalents at beginning of period		161 294	153 393
Cash and cash equivalents at end of period	18	206 543	161 294

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

Vote 09

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 prepared on a going concern basis.
3	Presentation currency Amounts have been presented in the currency of the South African Rand (R) which is also the functional currency of the department.
4	Rounding Unless otherwise stated financial figures have been rounded to the nearest one thousand Rand (R'000).
5	Foreign currency translation Cash flows arising from foreign currency transactions are translated into South African Rands using the 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 period 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. 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

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7.2	<p>Departmental revenue</p> <p>Departmental revenue is recognised in the statement of financial performance when received and is subsequently paid into the relevant revenue fund, unless stated otherwise.</p> <p>Any amount owing to the relevant revenue fund at the reporting date is recognised as a payable in the statement of financial position.</p>
7.3	<p>Accrued departmental revenue</p> <p>Accruals in respect of departmental revenue (excluding tax revenue) are recorded in the notes to the financial statements when:</p> <ul style="list-style-type: none"> • 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. <p>The accrued revenue is measured at the fair value of the consideration receivable.</p> <p>Accrued tax revenue (and related interest and / penalties) is measured at amounts receivable from collecting agents.</p> <p>Write-offs are made according to the department's debt write-off policy</p>
8	<p>Expenditure</p>
8.1	<p>Compensation of employees</p>
8.1.1	<p>Salaries and wages</p> <p>Salaries and wages are recognised in the statement of financial performance on the date of payment.</p>
8.1.2	<p>Social contributions</p> <p>Social contributions made by the department in respect of current employees are recognised in the statement of financial performance on the date of payment.</p> <p>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.</p>
8.2	<p>Other expenditure</p> <p>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.</p>
8.3	<p>Accruals and payables not recognised</p> <p>Accruals and payables not recognised are recorded in the notes to the financial statements at cost at the reporting date.</p>
8.4	<p>Leases</p>
8.4.1	<p>Operating leases</p> <p>Operating lease payments made during the reporting period are recognised as current expenditure in the statement of financial performance on the date of payment.</p> <p>The operating lease commitments are recorded in the notes to the financial statements.</p>
9	<p>Aid Assistance</p>
9.1	<p>Aid assistance received</p> <p>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.</p> <p>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.</p>

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9.2	<p>Aid assistance paid</p> <p>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.</p>
10	<p>Cash and cash equivalents</p> <p>Cash and cash equivalents are stated at cost in the statement of financial position.</p> <p>Bank overdrafts are shown separately on the face of the statement of financial position as a current liability.</p> <p>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.</p>
11	<p>Prepayments and advances</p> <p>Prepayments and advances are recognised in the statement of financial position when the department receives or disburses the cash.</p> <p>Prepayments and advances are initially and subsequently measured at cost.</p>
12	<p>Loans and receivables</p> <p>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.</p>
13	<p>Investments</p> <p>Investments are recognised in the statement of financial position at cost.</p>
14	<p>Financial assets</p>
14.1	<p>Financial assets (not covered elsewhere)</p> <p>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.</p> <p>At the reporting date, financial assets are measured at cost, less amounts already settled or written-off, except for recognised loans and receivables, which are measured at cost plus accrued interest, where interest is charged, less amounts already settled or written-off.</p>
14.2	<p>Impairment of financial assets</p> <p>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.</p>
15	<p>Payables</p> <p>Payables recognised in the statement of financial position are recognised at cost.</p>
16	<p>Capital Assets</p>
16.1	<p>Movable capital assets</p> <p>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.</p> <p>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.</p> <p>All assets acquired prior to 1 April 2002 (or a later date as approved by the OAG) may be recorded at R1.</p> <p>Movable capital assets are subsequently carried at cost and are not subject to depreciation or impairment.</p> <p>Subsequent expenditure that is of a capital nature forms part of the cost of the existing asset when ready for use.</p>

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16.2	Intangible assets <p>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.</p> <p>Internally generated intangible assets are recorded in the notes to the financial statements when the department commences the development phase of the project.</p> <p>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.</p> <p>All assets acquired prior to 1 April 2002 (or a later date as approved by the OAG) may be recorded at R1.</p> <p>Intangible assets are subsequently carried at cost and are not subject to depreciation or impairment.</p> <p>Subsequent expenditure of a capital nature forms part of the cost of the existing asset when ready for use.</p>
17	Contingents
17.1	Contingent liabilities <p>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.</p>
18	Commitments <p>Commitments (other than for transfers and subsidies) are recorded at cost in the notes to the financial statements when there is a contractual arrangement or an approval by management in a manner that raises a valid expectation that the department will discharge its responsibilities thereby incurring future expenditure that will result in the outflow of cash.</p>
19	Fruitless and wasteful expenditure <p>Fruitless and wasteful expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the total value of the fruitless and or wasteful expenditure incurred.</p> <p>Fruitless and wasteful expenditure is removed from the notes to the financial statements when it is resolved or transferred to receivables for recovery.</p> <p>Fruitless and wasteful expenditure receivables are measured at the amount that is expected to be recoverable and are de-recognised when settled or subsequently written-off as irrecoverable.</p>
20	Irregular expenditure <p>Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the value of the irregular expenditure incurred unless it is impracticable to determine, in which case reasons therefor are provided in the note.</p> <p>Irregular expenditure is removed from the note when it is either condoned by the relevant authority, transferred to receivables for recovery or not condoned and is not recoverable.</p> <p>Irregular expenditure receivables are measured at the amount that is expected to be recoverable and are de-recognised when settled or subsequently written-off as irrecoverable.</p>
21	Changes in accounting policies, accounting estimates and errors <p>Changes in accounting policies that are effected by management have been applied retrospectively 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 change in policy. In such instances the department shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.</p> <p>Changes in accounting estimates are applied prospectively in accordance with MCS requirements.</p> <p>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.</p>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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22	Events after the reporting date <p>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.</p>
23	Capitalisation reserve <p>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 Revenue Fund when the underlying asset is disposed and the related funds are received.</p>
24	Recoverable revenue <p>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 Revenue Fund when recovered or are transferred to the statement of financial performance when written-off.</p>
25	Related party transactions <p>A related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party. Related party transactions within the Minister's portfolio are recorded in the notes to the financial statements when the transaction is not at arm's length.</p> <p>Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the department. The number of individuals and their full compensation is recorded in the notes to the financial statements.</p>
26	Employee benefits <p>The value of each major class of employee benefit obligation (accruals, payables not recognised and provisions) is disclosed in the Employee benefits note.</p>

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PART B: EXPLANATORY NOTES

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:

	2018/19			2017/18	
	Final Appropriation	Actual Funds Received	Funds not requested/not received	Final Appropriation	Appropriation received
	R'000	R'000	R'000	R'000	R'000
Administration	151 979	151 979	-	158 468	158 468
State-owned Companies Governance Assurance and Performance	39 084	39 084	-	24 243	24 243
Business Enhancement, Transformation and Industrialisation	6 331 851	6 331 851	-	83 985	83 985
Total	6 522 914	6 522 914	-	266 696	266 696

Prior year figures (2017/18 financial year) for all three programmes changed due to the revised budget structure, however the total remained the same. The changes are as follows:

	Appropriation	Appropriation received
Administration:	151 871	151 871
Governance Assurance and Performance:	31 867	31 867
Business Enhancement, Transformation and Industrialisation:	82 958	82 958
Total:	266 696	266 696

2. Departmental Revenue

	Note	2018/19 R'000	2017/18 R'000
Sales of goods and services other than capital assets	2.1	64	64
Interest, dividends and rent on land	2.2	-	19
Sales of capital assets	2.3	17	95
Transactions in financial assets and liabilities	2.4	285	10
Total revenue collected		366	188
Departmental revenue collected		366	188

2.1 Sales of goods and services other than capital assets

	2018/19 R'000	2017/18 R'000
Sales of goods and services produced by the department	64	64
Sales by market establishment	37	38
Other sales	27	26
Total	64	64

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2.2 Interest, dividends and rent on land

	2018/19	2017/18
	R'000	R'000
Interest	-	19
Total	-	19

2.3 Sale of capital assets

	Note	2018/19	2017/18
		R'000	R'000
Tangible assets		17	95
Machinery and equipment	28.2	17	95
Total		17	95

2.4 Transactions in financial assets and liabilities

	2018/19	2017/18
	R'000	R'000
Receivables	285	10
Total	285	10

3. Aid Assistance

	Note	2018/19	2017/18
		R'000	R'000
Opening Balance		142 218	142 308
Transferred from statement of financial performance		10 713	5 910
Closing Balance		158 931	148 218

3.1 Analysis of balance by source

	2018/19	2017/18
	R'000	R'000
Aid assistance from other sources	158 931	148 218
Closing balance	158 931	148 218

3.2 Analysis of balance

	2018/19	2017/18
	R'000	R'000
Aid assistance unutilised	158 931	148 218
Closing balance	158 931	148 218

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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3.3 Aid assistance expenditure per economic classification

	2018/19	2017/18
	R'000	R'000
Current	635	4 727
Total aid assistance expenditure	635	4 727

4. Compensation of employees

4.1 Salaries and Wages

	Note	2018/19	2017/18
		R'000	R'000
Basic salary		98 027	95 637
Performance award		1 947	2 633
Service Based		-	20
Compensative/circumstantial		2 985	2 947
Other non-pensionable allowances		27 387	27 537
Total		130 346	128 774

Note: Basic salary for 2018/19 includes a settlement payment made to the former Director-General.

4.2 Social contributions

	Note	2018/19	2017/18
		R'000	R'000
Employer contributions			
Pension		10 932	10 947
Medical		2 519	2 438
Bargaining council		16	15
Total		13 467	13 400

Total compensation of employees	143 813	142 174
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Average number of employees	180	182
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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5. Goods and Services

	Note	2018/19 R'000	2017/18 R'000
Administrative fees		1 036	1 301
Advertising		752	1 042
Minor assets	5.1	1 406	269
Bursaries (employees)		617	580
Catering		191	772
Communication		2 290	4 968
Computer services	5.2	5 401	5 986
Consultants: Business and advisory services		6 582	16 964
Infrastructure and planning services		188	-
Legal services		6 188	3 261
Contractors		1 421	3 222
Agency and support / outsourced services		187	2 642
Entertainment		3	-
Audit cost – external	5.3	3 962	3 293
Fleet services		786	1 295
Consumables	5.4	2 853	3 483
Operating leases		15 926	12 703
Property payments	5.5	3 671	5 149
Rental and hiring		13	2 373
Transport provided as part of the departmental activities		-	1 031
Travel and subsistence	5.6	14 938	24 915
Venues and facilities		580	1 337
Training and development		809	749
Other operating expenditure	5.7	1 881	2 419
Total		71 681	99 754

5.1 Minor assets

	2018/19 R'000	2017/18 R'000
Tangible assets	1 406	269
Machinery and equipment	1 406	269
Total	1 406	269

5.2 Computer services

	2018/19 R'000	2017/18 R'000
SITA computer services	1 911	2 028
External computer service providers	3 490	3 958
Total	5 401	5 986

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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5.3 Audit cost – External

	2018/19	2017/18
	R'000	R'000
Regularity audits	3 962	3 293
Total	3 962	3 293

5.4 Consumables

	2018/19	2017/18
	R'000	R'000
Consumable supplies	1 424	2 623
Uniform and clothing	23	31
Household supplies	563	423
Building material and supplies	60	-
Communication accessories	18	-
IT consumables	92	102
Other consumables	668	2 067
Stationery, printing and office supplies	1 429	860
Total	2 853	3 483

5.5 Property payments

	2018/19	2017/18
	R'000	R'000
Municipal services	1 488	1 799
Property management fees	74	74
Property maintenance and repairs	85	1 900
Other	2 024	1 376
Total	3 671	5 149

5.6 Travel and subsistence

	2018/19	2017/18
	R'000	R'000
Local	12 743	20 106
Foreign	2 195	4 809
Total	14 938	24 915

5.7 Other operating expenditure

	2018/19	2017/18
	R'000	R'000
Professional bodies, membership and subscription fees	841	921
Resettlement costs	-	28
Other	1 040	1 470
Total	1 881	2 419

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6. Payments for Financial Assets

	Note	2018/19 R'000	2017/18 R'000
Purchase of equity		6 249 000	-
Debts written off	6.1	5	260
Total		6 249 005	260

Purchase of equity includes R5 billion which was tabled in the 2018 Special Appropriation Bill for recapitalization of South African Airways (SAA) and R1.249 billion earmarked for South African Express Airways (SAX) for settlement of government guaranteed debts for both SOCs.

6.1 Debts written off

	2018/19 R'000	2017/18 R'000
Nature of debts written off		
Staff debts written-off	5	260
Total debt written off	5	260

7. Transfers and Subsidies

	Note	2018/19 R'000	2017/18 R'000
Provinces and municipalities		12	11
Households	Annex 1G	1 029	3 057
Total		1 041	3 068

8. Expenditure for Capital Assets

	Note	2018/19 R'000	2017/18 R'000
Tangible assets		8 797	4 943
Machinery and equipment	28.1	8 797	4 943
Intangible assets		456	214
Software	29	456	214
Total		9 253	5 157

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8.1 Analysis of funds utilised to acquire capital assets – 2018/19

	Voted funds	Aid assistance	Total
	R'000	R'000	R'000
Tangible assets	8 797	-	8 797
Machinery and equipment	8 797	-	8 797
Intangible assets	456	-	456
Software	456	-	456
Total	9 253	-	9 253

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

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

9. Cash and Cash Equivalents

	Note	2018/19	2017/18
		R'000	R'000
Consolidated Paymaster General Account		47 555	13 012
Cash on hand		57	64
Investments (Domestic)*		158 931	148 218
Total		206 543	161 294

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

10. Prepayments and Advances

	Note	2018/19	2017/18
		R'000	R'000
Travel and subsistence		-	28
Advances paid (Not expensed)	10.1	643	833
Total		643	861

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10.1 Advances paid (Not expensed)

	Note	Balance as at 1 April 2018	Less: Amount expensed in current year	Add or Less: Other	Add: Current Year advances	Balance as at 31 March 2019
		R'000	R'000	R'000	R'000	R'000
National departments	10	833	(790)	-	600	643
Total		833	(790)	-	600	643

	Note	Balance as at 1 April 2017	Less: Amount expensed in current year	Add or Less: Other	Add: Current Year advances	Balance as at 31 March 2018
		R'000	R'000	R'000	R'000	R'000
National departments	10	1 045	(212)	-	-	833
Total		1 045	(212)	-	-	833

10.2 Prepayments (Expensed)

	Note	Amount as at 1 April 2018	Less: Received in the current year	Add or Less: Other	Add: Current Year prepayments	Amount as at 31 March 2019
		R'000	R'000	R'000	R'000	R'000
Goods and services		-	-	-	-	-
Total		-	-	-	-	-

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

11. Receivables

	Note	2018/19			2017/18		
		Current	Non-current	Total	Current	Non-current	Total
		R'000	R'000	R'000	R'000	R'000	R'000
Claims recoverable	11.1	-	-	-	286	-	286
Recoverable expenditure	11.2	36	-	36	2 495	69	2 564
Staff debt	11.3	44	12	56	114	36	150
Fruitless and wasteful expenditure	11.4	-	14	14	-	17	17
Other receivables	11.5	-	804	804	-	60	60
Total		80	830	910	2 895	182	3 077

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11.1 Claims recoverable

	Note	2018/19	2017/18
		R'000	R'000
National departments	11 and Annex 4	-	286
Total		-	286

11.2 Recoverable expenditure (disallowance accounts)

	Note	2018/19	2017/18
		R'000	R'000
Diners club		36	2 441
Ex-employees		-	123
Total		36	2 564

11.3 Staff debt

	Note	2018/19	2017/18
		R'000	R'000
Other		56	150
Total		56	150

11.4 Other receivables

	Note	2018/19	2017/18
		R'000	R'000
Suppliers		677	3
Ex-employees		127	57
Total		804	60

Debts in respect of suppliers amounting to R671 000 were not included in 2017/18 as a result of incorrect classification.

11.5 Fruitless and wasteful expenditure

	Note	2018/19	2017/18
		R'000	R'000
Opening balance		17	19
Less amounts recovered		-	(2)
Less amounts written off		(3)	-
Total		14	17

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12. Investment

	Note	2018/19	2017/18
		R'000	R'000
Non-Current			
Shares and other equity			
Alexkor SOC Ltd		400 000	400 000
Denel SOC Ltd		6 176 376	6 176 376
Eskom SOC Ltd		83 000 000	83 000 000
Safcol SOC Ltd		318 013	318 013
Transnet SOC Ltd		12 660 986	12 660 986
South African Express SOC Ltd		1 834 000	585 000
South African Airways SOC Ltd		28 008 758	-
Total		132 398 133	103 140 375
Analysis of non-current investments			
Opening balance		103 140 375	103 140 375
Additions in cash		6 249 000	-
Non-cash movements		23 008 758	-
Closing balance		132 398 133	103 140 375

12.1 Impairment of investments

	Note	2018/19	2017/18
		R'000	R'000
Estimate of impairment of investment			
Alexkor SOC Ltd		66 639	85 019
Denel SOC Ltd		-	5 253 376
South African Express SOC Ltd		1 593 625	-
Total		1 660 264	5 338 395

Note: The impairment of investments is based on the difference between the cost of the investment and the net asset value at the reporting date. The impairment of the investment is limited to cost, so the investment cannot be impaired lower than the cost.

The impairments are estimates as these figures are based on provisional amounts and are still subject to the SOC's external audit process and therefore subject to change.

The total impairment for the current financial year amounts to R1.7 billion. This is due to the fact that some of the SOC's were not impaired as reflected above.

In the current financial year, Alexkor's impairment has been reduced by R18.4 million to R66.6 million from the prior period of R85 million, being the difference between the cost of the investment of R400 million (2017/18: R400 million) and the net asset value of R333.4 million (2017/18: R315 million).

In the current financial year, Denel's impairment has not been impaired as the SOC has the negative net asset value of minus R1 billion (2017/18: R923 million).

In the current financial year, The South African Express (SAX) impairment is R1.6 million and was not impaired in the previous financial year as the SOC has the negative net asset value of minus R248 000.

The other four SOC's i.e. ESKOM, Transnet, SAFCOL and SAA have not been impaired since the cost of investment is lower than the net asset value.

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13. Voted funds to be surrendered to the Revenue Fund

	Note	2018/19	2017/18
		R'000	R'000
Opening balance		16 283	14 197
Transfer from statement of financial performance		48 121	16 283
Paid during the year		(16 283)	(14 197)
Closing balance		48 121	16 283

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

	Note	2018/19	2017/18
		R'000	R'000
Opening balance		22	281
Transfer from Statement of Financial Performance		366	188
Paid during the year		(386)	(447)
Closing balance		2	22

15. Payables – current

	Note	2018/19	2017/18
		R'000	R'000
Clearing accounts	15.1	-	194
Total		-	194

15.1 Clearing accounts

	Note	2018/19	2017/18
		R'000	R'000
SARS	15	-	194
Total		-	194

16. Payables – non-current

	Note	2018/19				2017/18
		R'000	R'000	R'000	R'000	R'000
		One to two years	Two to three years	More than three years	Total	Total
Advances received	16.1	-	-	371	371	371
Other payables	16.2	-	-	-	-	144
Total		-	-	371	371	515

16.1 Advances received

	Note	2018/19	2017/18
		R'000	R'000
Public entities	Annexure 8B	371	371
Total		371	371

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16.2 Other payables

	Note	2018/19	2017/18
		R'000	R'000
Ex-employee		-	144
Total		-	144

17. Net cash flow available from operating activities

	Note	2018/19	2017/18
		R'000	R'000
Net surplus/(deficit) as per Statement of Financial Performance		59 200	22 381
Add back non cash/cash movements not deemed operating activities		(5 242)	(9 122)
(Increase)/decrease in receivables		2 167	154
(Increase)/decrease in prepayments and advances		218	189
Increase/(decrease) in payables – current		(194)	117
Proceeds from sale of capital assets		(17)	(95)
Expenditure on capital assets		9 253	5 157
Surrenders to Revenue Fund		(16 669)	(14 644)
Net cash flow generated by operating activities		53 958	13 259

Note: Increase/ (decrease) in payables of minus R550 000 for prior year has been corrected to R117 000 due to misallocation of payables in 2016/17.

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

	Note	2018/19	2017/18
		R'000	R'000
Consolidated Paymaster General account		47 555	13 012
Cash on hand		57	64
Cash with commercial banks (Local)		158 931	148 218
Total		206 543	161 294

19. Contingent Liabilities

19.1 Contingent liabilities

	Note	2018/19	2017/18
		R'000	R'000
Liable to			
Other guarantees	Annex 3A	300 431 507	251 881 495
Claims against the department	Annex 3B	578 042	698 598
Total		301 009 549	252 580 093

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

The amount in respect of other guarantees consists of closing balance and guaranteed interest as at 31 March 2019 as reflected in Annexure 3A.

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20. Commitments

	Note	2018/19	2017/18
		R'000	R'000
Current expenditure			
Approved and contracted		69 319	61 685
Approved but not yet contracted		-	13 890
Total Commitments		69 319	75 575

21. Accruals and payables not recognised

21.1 Accruals

		2018/19	2017/18
		R'000	R'000
Listed by economic classification			
	30 Days	30+ Days	Total
			Total
Goods and services	3 826	-	3 826
Total	3 826	-	3 826

Listed by programme level

Administration	3 587	1 485
SOC Governance Assurance & Performance	154	64
Business Enhancement & Industrialisation	85	228
Total	3 826	1 777

22. Employee Benefits

	Note	2018/19	2017/18
		R'000	R'000
Leave entitlement		4 775	6 196
Service bonus		2 774	2 846
Performance awards		2 562	2 504
Capped leave commitments		1 464	1 464
Total		11 575	13 010

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23. Lease Commitments

23.1 Operating leases

2018/19	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	-	-	11 174	280	11 454
Later than 1 year and not later than 5 years	-	-	19 316	174	19 490
Total lease commitments	-	-	30 490	454	30 944

2017/18	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	-	-	-	428	428
Later than 1 year and not later than 5 years	-	-	-	167	167
Total lease commitments	-	-	-	595	595

24. Irregular Expenditure

24.1 Reconciliation of irregular expenditure

	Note	2018/19	2017/18
		R'000	R'000
Opening balance		821	821
Closing balance		821	821

Analysis of awaiting condonation per age classification

Prior years	821	821
Total	821	821

25. Fruitless and Wasteful Expenditure

25.1 Reconciliation of fruitless and wasteful expenditure

	Note	2018/19	2017/18
		R'000	R'000
Opening balance		27	-
Fruitless and wasteful expenditure – relating to prior year		532	-
Fruitless and wasteful expenditure – relating to current year		181	29
Less: Amounts resolved		(27)	(2)
Closing balance		713	27

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25.2 Analysis of awaiting resolution per economic classification

	Note	2018/19	2017/18
		R'000	R'000
Current		713	27
Capital		-	-
Closing balance		713	27

25.3 Analysis of Current year's (relating to current and prior years) fruitless and wasteful expenditure

Incident	Disciplinary steps taken/criminal proceedings	2018/19 R'000
Production of DPE documentary	Conduct investigation to determine the cause	532
Storage of the production set	Conduct investigation to determine the cause	181
Total		713

26. Related Party Transaction

Payments made	Note	2018/19	2017/18
		R'000	R'000
Goods and services		-	2 658
		-	2 658
Other			
Guarantees issued/received	Annex 3A	61 892 247	59 243 576
Total		61 892 247	59 243 576

27. Key Management Personnel

	No. of Individuals	2018/19	2017/18
		R'000	R'000
Political office bearers	1	2 402	6 398
Officials:			
Level 15 to 16	10	15 746	10 051
Level 14 (incl. CFO if at a lower level)	18	23 420	22 515
Total		41 568	38 964

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28. Movable Tangible Capital Assets

MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2019

	Opening balance	Value adjustments	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
MACHINERY AND EQUIPMENT	34 481	-	8 817	(4 568)	38 730
Transport assets	6 118	-	-	-	6 118
Computer equipment	18 021	(249)	3 964	(2 747)	18 989
Furniture and office equipment	3 765	-	1 509	(528)	4 746
Other machinery and equipment	6 577	249	3 344	(1 293)	8 877
TOTAL MOVABLE TANGIBLE CAPITAL ASSETS	34 481	-	8 817	(4 568)	38 730

28.1 Additions

ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2019

	Cash	Non-cash	(Capital Work in Progress current costs and finance lease payments)	Received current, not paid (Paid current year, received prior year)	Total
	R'000	R'000	R'000	R'000	R'000
MACHINERY AND EQUIPMENT	8 797	20	-	-	8 817
Computer equipment	3 944	20	-	-	3 964
Furniture and office equipment	1 509	-	-	-	1 509
Other machinery and equipment	3 344	-	-	-	3 344
TOTAL ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS	8 797	20	-	-	8 817

28.2 Disposals

DISPOSALS OF MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2019

	Sold for cash	Non-cash disposal	Total disposals	Cash Received Actual
	R'000	R'000	R'000	R'000
MACHINERY AND EQUIPMENT	2 223	2 345	4 568	17
Computer equipment	2 029	718	2 747	13
Furniture and office equipment	32	496	528	4
Other machinery and equipment	162	1 131	1 293	-
TOTAL DISPOSAL OF MOVABLE TANGIBLE CAPITAL ASSETS	2 223	2 345	4 568	17

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28.3 Movement for 2017/18

MOVEMENT IN TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2018

	Opening balance	Prior period error	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
MACHINERY AND EQUIPMENT	29 964	123	4 943	(549)	34 481
Transport assets	6 667	-	-	(549)	6 118
Computer equipment	15 837	-	2 184	-	18 021
Furniture and office equipment	3 563	-	202	-	3 765
Other machinery and equipment	3 897	123	2 557	-	6 577
TOTAL MOVABLE TANGIBLE CAPITAL ASSETS	29 964	123	4 943	(549)	34 481

28.3.1 Prior period error

	2018/19 R'000
Nature of prior period error	
Relating to 2016/17 [affecting the opening balance]	123
Other machinery and equipment	123
Total prior period errors	123

28.4 Minor assets

MOVEMENT IN MINOR ASSETS PER THE ASSET REGISTER FOR THE YEAR ENDED AS AT 31 MARCH 2019

	Specialised military assets	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Opening balance	-	50	-	4 530	-	4 580
Additions	-	14	-	1 392	-	1 406
Disposals	-	-	-	(506)	-	(506)
TOTAL MINOR ASSETS	-	64	-	5 416	-	5 480

	Specialised military assets	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Total
Number of R1 minor assets	-	-	-	165	-	165
Number of minor assets at cost	-	19	-	3 706	-	3 725
TOTAL NUMBER OF MINOR ASSETS		19		3 871		3 890

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MOVEMENT IN MINOR ASSETS PER THE ASSET REGISTER FOR THE YEAR ENDED AS AT 31 MARCH 2018

	Specialised military assets	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Opening balance	-	50	-	4 262	-	4 312
Additions	-	-	-	269	-	269
Disposals	-	-	-	(1)	-	(1)
TOTAL MINOR ASSETS	-	50	-	4 530	-	4 580

	Specialised military assets	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Total
Number of minor assets at cost	-	-	-	189	-	189
TOTAL NUMBER OF MINOR ASSETS	-	-	-	189	-	189

29. Intangible Capital Assets

MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2019

	Opening balance	Value adjustments	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
SOFTWARE	3 197	-	456	-	3 653
TOTAL INTANGIBLE CAPITAL ASSETS	3 197	-	456	-	3 653

29.1 Additions

ADDITIONS TO INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2019

	Cash	Non-Cash	(Development work in progress – current costs)	Received current year, not paid (Paid current year, received prior year)	Total
	R'000	R'000	R'000	R'000	R'000
SOFTWARE	456	-	-	-	456
TOTAL ADDITIONS TO INTANGIBLE CAPITAL ASSETS	456	-	-	-	456

29.2 Movement for 2017/18

MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2018

	Opening balance	Prior period error	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
SOFTWARE	2 983	-	214	-	3 197
TOTAL INTANGIBLE CAPITAL ASSETS	2 983	-	214	-	3 197

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for the year ended 31 March 2019

ANNEXURE 1A

STATEMENT OF CONDITIONAL GRANTS AND OTHER TRANSFERS PAID TO MUNICIPALITIES

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER				SPENT				2017/18	
	DORA and other transfers R'000	Roll Overs R'000	Adjust-ments R'000	Total Available R'000	Actual Transfer R'000	Funds Withheld R'000	Re-allocations by National Treasury or National Department of Municipal Affairs R'000	Amount received by municipality R'000	Amount spent by municipality R'000	Unspent funds R'000	% of available funds spent by municipality %	Division of Revenue Act R'000	Actual transfer R'000	
City of Tshwane Metropolitan Municipality	-	-	-	-	12	-	-	-	-	-	-	-	11	
TOTAL	-	-	-	-	12	-	-	-	-	-	-	-	11	

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ANNEXURE 1G

STATEMENT OF TRANSFERS TO HOUSEHOLDS

HOUSEHOLDS	TRANSFER ALLOCATION			EXPENDITURE		2017/18 Final Appropriation R'000
	Adjusted Appropriation Act R'000	Roll Overs R'000	Adjust-ments R'000	Total Available R'000	Actual Transfer R'000	
Transfers						
Leave Gratuity	1 029	-	-	1 029	1 029	100%
National Development plan 2030 Awards	-	-	-	-	-	74
TOTAL	1 029	-	-	1 029	1 029	100%
						3 057

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ANNEXURE 2A

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

Name of Public Entity	State Entity's PFMA Schedule type (state year end if not 31 March)	% Held 18/19	% Held 17/18	Number of shares held		Cost of investment		Net Asset value of investment		Profit/(Loss) for the year		Losses guaranteed
				2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	
National Public Entity												
Alexkor SOC Ltd	2	100	100	400 000 000	400 000 000	400 000	400 000	333 361	314 981	(15 907)	6 049	No
Denel SOC Ltd	2	100	100	1 225 056 663	1 225 056 663	6 176 376	6 176 376	(1 002 000)	923 000	(1 925 000)	(1 771 000)	No
Eskom SOC Ltd	2	100	100	83 000 000 001	83 000 000 001	83 000 000	83 000 000	156 355 000	170 336 000	(18 840 000)	(2 337 000)	No
Safcol SOC Ltd	2	100	100	318 013 254	318 013 254	318 013	318 013	3 380 000	3 256 000	54 970	(80 166)	No
Transnet SOC Ltd	2	100	100	12 660 986 310	12 660 986 310	12 660 986	12 660 986	149 723 000	156 874 000	7 094 000	4 851 000	No
South African Express SOC Ltd	2	100	100	*452	452	1 834 000	585 000	240 375	(247 509)	(761 116)	(162 143)	No
South African Airways SOC Ltd	2	100	100	**13 008 758 154	**13 008 758 154	28 008 758	23 008 758	(13 168 000)	(13 281 000)	(4 888 000)	(5 674 000)	No
TOTAL				110 612 814 834	110 612 814 834	132 398 133	126 149 133	295 861 736	318 175 472	(19 281 053)	(5 167 260)	

Note:

* The number of shares held in respect of SAX excludes shares still to be issued for R1.249 billion investment (2018/19).

** The number of shares held in respect of SAA excludes shares still to be issued for R15 billion investment (2017/18 and 2018/19).

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ANNEXURE 2B

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

Name of Public Entity	Nature of business	Cost of investment		Net Asset value of investment		Amounts owing to Entities		Amounts owing by Entities	
		R'000		R'000		R'000		R'000	
		2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
Controlled entities									
Alexkor Limited	Mining	400 000	400 000	333 361	314 981	-	-	-	-
Denel (Pty) Ltd	Manufacturing of Arms	6 176 376	6 176 376	(1 002 000)	923 000	-	-	-	-
Eskom Limited	Energy	83 000 000	83 000 000	156 355 000	170 336 000	-	-	-	-
SAFCOL Limited	Forestry	318 013	318 013	3 380 000	3 256 000	-	-	-	-
Transnet Limited	Transport	12 660 986	12 660 986	149 723 000	156 874 000	-	-	-	-
South African Express Airways (Pty)Ltd	Transport	1 834 000	585 000	240 375	(247 509)	-	-	-	-
South African Airways	Transport	28 008 758	23 008 758	-	(13 281 000)	-	-	-	-
TOTAL		132 398 133	126 149 133	309 029 736	318 175 472	-	-	-	-

Note: The net asset value of the investment and profit/loss for the year ended 31 March 2019 is based on provisional amounts and is still subject to the SOCs external audit process and therefore subject to change.

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

Department's Financial Statements Modified Cash Basis of Accounting	Transaction Details	SAX' Financial Statements	
		IFRS Accounting	Convertible loan
Paid	To acquire SAX shares and acquire loan	R57 million	-
Transferred	Recapitalize SAX	R445 million	R357 million
Total (2017/18)		R 502 million	R357 million
Paid during the year		R1.249 billion	
Total (2018/19)		R1.751 billion	

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ANNEXURE 3A

STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2019 – LOCAL

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2018	Guarantees draw downs during the year	Guarantees repayments/cancelled/reduced during the year	Revaluation due to foreign currency movements	Closing balance 31 March 2019	Revaluations due to inflation rate movements	Accrued guaranteed interest for year ended 31 March 2019
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Other									
SAX	Convenants breached	539 000	469 000	-	(346 000)	-	123 000	-	-
	Working Capital	446 000	266 000	-	(266 000)	-	-	-	-
	L/CS & WC	121 000	40 300	73 000	(73 000)	-	40 300	-	-
	New Guarantee June 2018	1 740 000	-	400 000	(400 000)	-	-	-	-
SAA	SAA Recapitalisation	1 300 000	784 665	-	-	-	784 665	-	412
	Going Concern 1	1 600 000	1 546 000	-	(98 000)	-	1 448 000	-	542
	Going Concern 2	5 006 000	3 053 240	834 349	-	21 222	3 908 811	-	1 627
	Going Concern 3	6 488 000	3 501 011	4 412 199	(2 912 199)	-	5 001 011	-	2 382
	Going Concern 4	4 720 000	2 119 800	4 587 801	(2 587 801)	-	4 119 800	-	1 545
Denel	Note Programme	3 430 000	2 430 000	1 000 000	-	-	3 430 000	-	-
Eskom	Eskom bonds – ES15	-	-	-	-	-	-	-	-
	Eskom bonds – ES18	-	2 338 840	-	(2 338 840)	-	-	-	-
	Eskom bonds – ES23	17 927 192	16 904 441	1 226 076	(203 325)	-	17 927 192	-	326 820
	Eskom bonds – ES26	28 851 239	26 197 832	2 688 028	(34 622)	-	28 851 238	-	1 126 581
	Eskom bonds – ES33	33 904 491	32 532 521	1 589 024	(217 054)	-	33 904 491	-	117 473
	Eskom bonds – ES42	15 200 612	14 358 602	955 303	(113 292)	-	15 200 613	-	560 829
	Eskom bonds – EL15	-	-	-	-	-	-	-	-
	Eskom bonds – EL28	5 278 241	4 169 206	1 109 035	-	-	5 278 241	2 285 227	79 898
	Eskom bonds – EL29	3 709 000	3 684 000	25 000	-	-	3 709 000	1 457 726	36 067
	Eskom bonds – EL30	3 664 990	3 655 990	9 000	-	-	3 664 990	1 195 775	19 147

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Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2018	Guarantees draw downs during the year	Guarantees repayments/ cancelled/ reduced during the year	Revaluation due to foreign currency movements	Closing balance 31 March 2019	Revaluations due to inflation rate movements	Accrued guaranteed interest for year ended 31 March 2019
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
	Eskom bonds – EL31	4 076 329	4 056 329	20 000	-	-	4 076 329	1 104 085	35 864
	Eskom Bonds - EL36	3 753 000	3 750 000	3 000	-	-	3 753 000	859 532	17 202
	Eskom Bonds - EL37	3 811 000	3 811 000	-	-	-	3 811 000	872 815	17 467
	Paper Issued Float Rate Notes	4 000 000	2 000 000	2 000 000	-	-	4 000 000	-	47 428
	Short Term Notes	1 130 000	625 000	1 130 000	(625 000)	-	1 130 000	-	-
	Short term Syndicate Facility	-	20 000 000	-	(20 000 000)	-	-	-	-
	Unutilised portion	9 693 905	-	-	-	-	-	-	-
	TOTAL	160 390 000	152 293 777	22 061 815	(29 130 133)	21 222	144 161 981	7 775 160	2 391 284

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ANNEXURE 3A (continued)

STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2019 – FOREIGN

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2018	Guarantees draw downs during the year	Guarantees repayments/cancelled/reduced during the year	Revaluation due to foreign currency movements	Closing balance 31 March 2019	Revaluations due to inflation rate movements	Accrued guaranteed interest for year ended 31 March 2019
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Other									
Transnet	Euro-Rand medium term note (Tranche 1) #	2 000 000	2 000 000	-	-	-	2 000 000	-	256 685
	Euro-Rand medium term note (Tranche 2) #	1 500 000	1 500 000	-	-	-	1 500 000	-	411
Eskom	AFDB Loan (ZAR)	10 630 000	8 071 245	-	(701 847)	-	7 369 397	-	92 558
	AFDB Loan (Euro)	10 262 457	9 200 489	494 570	(874 231)	1 002 908	9 810 944	-	-
	Worldbank loan USD	7 070 447	2 023 615	298 024	(97 514)	442 466	2 664 962	-	35 542
	Worldbank loan ZAR	22 823 428	31 553 623	-	(1 542 355)	-	30 011 268	-	1 184 777
	AFDB USD Renewable	73 649	97 174	-	(8 045)	20 701	109 763	-	477
	AFDB USD Renewable - CTF	809 510	502 360	-	-	110 851	612 836	-	248
	Worldbank Renewables	1 992 925	414 580	-	-	91 481	505 752	-	527
	AFDB (Pvt Sector)	1 800 000	1 400 000	-	(133 333)	-	1 266 667	-	17 404
	AFDB (Pvt Sector)	2 581 034	2 414 836	-	(257 052)	509 176	2 665 331	-	17 315
	AFDB (French Development Bank) ZAR	980 840	827 584	-	(61 303)	-	766 281	-	22 284
	AFDB (French Development Bank) EUR	40 966	43 847	-	(49 479)	5 632	-	-	-
	AFDB (French Development Bank) ZAR	2 273 055	1 559 432	713 623	-	-	2 273 055	-	85 575
	KFW ZAR	3 934 500	3 934 500	-	-	-	3 934 500	-	3 266
	KFW USD	1 353 380	-	-	-	-	-	-	-
	MIGA	7 883 028	6 869 287	-	-	783 145	7 641 973	-	15 624
	AFDB A LOAN (USD)	148 250	118 681	-	-	18 140	136 737	-	1 281

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Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2018	Guarantees draw downs during the year	Guarantees repayments/cancelled/reduced during the year	Revaluation due to foreign currency movements	Closing balance 31 March 2019	Revaluations due to inflation rate movements	Accrued guaranteed interest for year ended 31 March 2019
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
	AFDB B LOAN (USD)	14 306 125	11 452 668	-	-	2 527 142	13 971 270	-	130 858
	AFDB B Senior Unsecured ZAR	5 292 354	5 292 354	-	(294 020)	-	4 998 334	-	90 086
	CBD Short term USD	6 813 750	5 934 025	-	-	1 309 400	7 239 000	-	18 776
	CBD Long term USD Medupi	20 131 950	10 681 245	1 277 505	-	2 528 100	14 478 000	-	38 454
	CDB Long-Term (USD) Kusile	32 998 500	-	7 931 710	-	36 057	7 962 900	-	57 014
	USD 1BN Bond	14 115 000	-	14 115 000	-	371 850	14 478 000	-	127 060
	Syndicate loan-Credit facility agreement	15 000 000	-	15 000 000	-	-	15 000 000	-	222 474
	Unutilised Guarantees	31 684 852	-	-	-	-	-	-	-
	TOTAL	218 500 000	105 891 545	39 830 432	(4 019 179)	9 757 049	151 459 847	-	2 418 696

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ANNEXURE 3B

STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2019

Nature of Liability	Opening Balance		Liabilities incurred during the year	Liabilities paid/ cancelled/ reduced during the year	Liabilities recoverable (Provide details hereunder)	Closing Balance
	1 April 2018	R'000				
		R'000	R'000	R'000	R'000	R'000
Claims against the department						
Equity Alliance (Pty) Ltd vs Government of RSA	572 000		-	-	-	572 000
By Choice Catering CC vs Department of Public Enterprises	119		-	119	-	-
Nabera vs Alexkor & Government	123 000		-	123 000	-	-
Zam Projects	-		2 038	-	-	2 038
Labour Disputes	3 479		2 261	1 736	-	4 004
TOTAL	698 598		4 299	124 855	-	578 042

ANNEXURES to the ANNUAL FINANCIAL STATEMENTS

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ANNEXURE 4

CLAIMS RECOVERABLE

Government Entity	Confirmed balance outstanding		Unconfirmed balance outstanding		Total		Cash in transit at year end 2018/19
	31/03/2019	31/03/2018	31/03/2019	31/03/2018	31/03/2019	31/03/2018	
	R'000	R'000	R'000	R'000	R'000	R'000	Receipt date up to six (6) working days after year end
Department							
Department of Public Works	-	286	-	-	-	286	-
TOTAL	-	286	-	-	-	286	-

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for the year ended 31 March 2019

ANNEXURE 8A

INTER-ENTITY ADVANCES PAID (note 10)

ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		TOTAL	
	31/03/2019 R'000	31/03/2018 R'000	31/03/2019 R'000	31/03/2018 R'000	31/03/2019 R'000	31/03/2018 R'000
NATIONAL DEPARTMENTS						
Department of International Relations and Cooperations	-	-	643	833	643	833
Total	-	-	643	833	643	833

ANNEXURES to the ANNUAL FINANCIAL STATEMENTS

Vote 09

for the year ended 31 March 2019

ANNEXURE 8B

INTER-ENTITY ADVANCES RECEIVED (note 16)

ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		TOTAL	
	31/03/2019 R'000	31/03/2018 R'000	31/03/2019 R'000	31/03/2018 R'000	31/03/2019 R'000	31/03/2018 R'000
PUBLIC ENTITIES						
Non-Current						
16 days of activism against women and child abuse	371	371	-	-	371	371
TOTAL	371	371	-	-	371	371

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