



ANNUAL REPORT

2020/2021



public enterprises

Department:
Public Enterprises
REPUBLIC OF SOUTH AFRICA



public enterprises

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Public Enterprises
REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF PUBLIC ENTERPRISES

VOTE 10 ANNUAL REPORT 2020/21 FINANCIAL YEAR



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GENERAL INFORMATION

PART

A

GENERAL ENTITY INFORMATION

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LIST OF ABBREVIATIONS

AFS	Annual Financial Statements	IPAP	Industry Policy Action Plan
AGM	Annual General Meeting	KPA	Key Performance Area
AGSA	Auditor General of South Africa	KPI	Key Performance Indicator
AO	Accounting Officer	MDS	Market Demand Strategy
ARC	Audit and Risk Committee	MISS	Minimum Information Security Standards
BBBEE	Broad-Based Black Economic Empowerment	MOI	Memorandum of Incorporation
BRP	Business Rescue Plan	MTEF	Medium-Term Expenditure Framework
CPA	Consumer Protection Act	NDP	National Development Plan
CAPEX	Capital Expenditure	NERSA	National Energy Regulator of South Africa
CFO	Chief Financial Officer	NT	National Treasury
CPO	Chief Procurement Officer	PAA	Public Audit Act
CSD	Central Supplier Database	PC	Portfolio Committee
CSI	Corporate Social Investment	PMP	Pretoria Metal Pressing
COO	Chief Operating Officer	PFMA	Public Finance Management Act
DARDLR	Department of Agriculture, Rural Development and Land Reform	PPE	Personal Protective Equipment
DDG	Deputy Director-General	PPP	Public-Private Partnerships
DG	Director-General	PPPFA	Preferential Procurement Policy Framework Act
DM	Deputy Minister	PRASA	Passenger Rail Agency South Africa
DMRE	Department of Mineral Resources and Energy	PSEC	Presidential State-Owned Enterprises Council
DOT	Department of Transport	PSJV	Pooling and Sharing Joint Venture
DPE	Department of Public Enterprises	R&D	Research and Development
DPSA	Department of Public Service and Administration	RFQ	Request for Quotation
DSU	Delivery Support Unit	RIMF	Risk and Integrity Management Framework
DTIC	Department of Trade and Industry Competition	RMC	Richtersveld Mining Company
EA	Enterprise Architecture	SAA	South African Airways
EAF	Energy Availability Factor	SAFCOL	South African Forestry Company Ltd
EIA	Environmental Impact Assessment	SAX	South African Express Airways
ERRP	Economic Recovery and Reconstruction Plan	SCM	Supply Chain Management
EXCO	Executive Committee	SEA	Strategy Execution Advisors
GCE	Group Chief Executive	SIU	Special Investigation Unit
GFB	General Freight Business	SOE	State Owned Enterprise
GRP	General Recovery Plan	SOC	State-Owned Company
HR	Human Resources	TMPS	Total Measure Procurement Spent
IAA	Internal Audit Activity	TNPA	Transnet National Ports Authority
ICT	Information and Communication Technology	TOR	Terms of Reference
IEMO	Independent Electricity Management Operator	TFR	Transnet Freight Rail
IGR	Inter-Governmental Relations	VSPS	Voluntary Severance Packages
IPP	Independent Power Producer	WSP	Workplace Skills Plan

3. FOREWORD BY THE MINISTER



Mr Pravin Gordhan

The South African Government has intensified efforts to stimulate the country's economy and provide social support through the Economic Reconstruction and Recovery Plan in response to the post-Covid-19 pandemic and its devastating impact on jobs, the economy and society. These initiatives must address our country's triple challenges of poverty, inequality and unemployment.

One of the main elements of the recovery is to implement structural reforms that have hampered growth and investment in our economy, especially within the State-Owned Enterprises (SOEs).

Over the years, SOEs have played a vital role in the South African economy, as they continue to do in most countries. Well governed, efficiently operated and financially sound enterprises remain crucial for network sectors of the economy, infrastructure development and inclusive economic development. The energy, transport, and water sectors are crucial in this regard.

The Department of Public Enterprises has been diligently at work to reform and restructure the SOEs in our portfolio so that they become instruments for inclusive economic growth in the country.

The process of restructuring and repositioning ESKOM into three divisions stage to ensure they are "fit for purpose" in the ever-changing energy environment.

The restructuring will enable the power utility to increase its use of clean, renewable energy. This will help reduce carbon

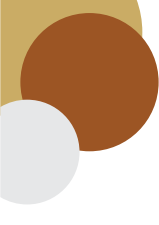
emissions and make a significant contribution to mitigating climate change. It is also inextricably linked to ensuring a Just Energy Transition, where old power stations will be repurposed so that they continue to promote the economic and social well-being of those communities which have been reliant on coal-powered stations.

We will continue to work closely with the Department of Mineral Resources and Energy and the Department of Forestry, Fisheries and the Environment and other departments on these matters to ensure that all sources of energy are accessed while continuing to lead South Africa to meet its own targets in respect of climate change.

An efficient and effective logistics and transport sector is central to the success of the recovery plan and to stimulate economic growth. Transnet plays an important role in this regard. On the one hand, the Transnet team has developed a bold plan for the next ten years for the ports and rail sector. On the other hand, the ravages of state capture, the incessant theft of copper cables and other key infrastructure creates immense handicaps in restoring the logistics system to normality.

Our ports and rail system must become efficient and competitive. Various initiatives in this regard will be foregrounded over the next few years.

The South African Airways (SAA) will soon exit a business rescue (exited at the end of April 2021) and good progress has been made on obtaining a Strategic Equity Partner. This process will be concluded in the next financial year.



The Department serves as the secretariat of the Presidential SOE Council (PSEC). Much has been done by the external members of the PSEC to provide guidance on the fundamental reform of governance, finance, and the review and reduction of the existing portfolio of SOEs. In addition, the SOEs continue to recover assets, money and intellectual property stolen from them as part of state capture.

Notwithstanding the limitations imposed by the COVID-19 pandemic, the department has done well to execute its mandate.

Finally, I wish to express my solidarity with, and convey my condolences to the families of all colleagues in the department and in the SOEs who have passed on.



Pravin Gordhan, MP

Minister of Public Enterprises

4. DEPUTY MINISTER'S STATEMENT



Mr Phumulo Masualle

The reform and stability of State-Owned Enterprises (SOEs) remains the core mandate of government and the Department during this period beset by the Covid-19 pandemic.

The pandemic has presented a new set of challenges for our SOEs on top of the operational and financial challenges they experienced due to slow economic growth, corruption and state capture that happened during the past years.

SOEs play a critical role in the growth of our economy as they provide the much-needed services in the transport, logistics and energy sectors.

What is apparent during the year under review is that we need to restructure the business models of SOEs so that they become “fit for purpose” assets that contribute towards economic growth. Most importantly, we need to reform and restructure them so that we can wean them off the fiscus.

This is informed by the current financial challenges that Government faces.

The aviation sector was mostly affected by the pandemic, with many countries having closed their borders to contain the spread of Covid-19. The restrictions on passenger movements for both business and leisure affected airlines' revenues, as they could not sustain their operations.

As a result, SA Express was placed under provisional liquidation and negotiations are underway with a potential buyer.

Our forestry assets under the South African Forestry Company SOC Limited (SAFCOL) are on the verge of realising the fruits of its turnaround plan. This is against the backdrop of conservative negative growth of the sector also compounded by the pandemic.

The company had to be agile to respond to the new challenges faced by the forestry sector. The Board is aware of the challenges still facing the sector and SAFCOL in particular; and implementing interventions to ensure the company is stable and sustainable going forward.

The country's arms manufacturer, Denel is also one of the SOEs experiencing operational and financial challenges. We appointed a new interim board and interim management to stabilise the company. However, corruption and state capture reduced the company's ability to sustain its revenue and now the SOC is facing liquidity challenges.

The interim Board will be implementing a new corporate strategy to put the arms manufacturer on the path of stability. The implementation of State-Owned Enterprises' new corporate strategies will be realised in the coming financial years.

The reform processes although long and arduous, are necessary to turn around these public assets that the majority of South Africans depend on for services and goods.

G.P. MASUALLE

Phumulo Masualle, MP

Deputy Minister of Public Enterprises

5. REPORT OF THE ACCOUNTING OFFICER



Mr Kgathatso Tlhakudi

During the year under review, the financial state of the State-Owned Companies (SOC) was adversely affected by the Covid-19 pandemic and associated lockdown regulations. The pandemic has disrupted the business activities pushing some of the entities into more liquidity challenges. This challenging environment has put additional pressure on both the Government and SOC to put adequate interventions to ensure that these entities are sustainable.

Despite these unprecedented challenges experienced by SOCs, they continue to be central to the South African economic landscape and their performance is key to the competitiveness and positive trajectory of the economy.

The Department continues to implement critical priorities as outlined in the Government policies through the SOCs under its portfolio. These include:

- Structural reforms to contribute to the objectives and programmes of the Economic Restructuring and Recovery Plan (ERRP)
- Restructuring of the SOCs to become fit for purpose, commercially sustainable and not dependent on the fiscus
- Restoring Eskom to operational and financial health and accelerate its restructuring process.

Therefore, the improvement of the financial, commercial, and operational performance of SOCs remains the primary focus for the sustainability of these important economic drivers. The Department will continue to support SOCs in efforts to streamline their operations to focus on their core mandate.

The Presidential State Owned Enterprises Council (PSEC) is continuing in line with the approved objectives. The Governance, Finance as well as Consolidation and Crisis Management work-stream have been established to support PSEC. These workstreams provide oversight support and

strategic reform towards repositioning and revitalization of the State Owned Enterprises (SOEs).

In the 2021 Budget Speech, Minister of Public Enterprises, emphasised on the need for zero tolerance towards mismanagement, malfeasance, and disregard for the wellbeing of the economy. In this regard, the department has developed measures to stamp out these practices.

During the year under review, the practice of appraising the performance of the boards has been adopted as part of the corporate governance code to improve the board effectiveness and develop the skills of the board of directors to be able to deliver on their fiduciary duties. The Department has subsequently finalised the development of the Board Evaluation Framework that articulates the requirements of the board effectiveness which will be assessed in terms of the identified standards of the evaluation tools. This performance system is therefore important in ensuring that the boards are aware of the level of their effectiveness and identify opportunities for growth that will bring positive impact to the SOCs.

The efforts to rollback State Capture of the SOCs is ongoing, and the implementation of the recommendations emanating from the forensic investigation conducted by the SOCs are closely monitored. Through this process, the department is entrenching the process of holding officials accountable and ensuring transparency.

Endeavours to improve the quality of oversight of the Department remains critical to ensure that SOCs incorporate the implementation of the Medium-Term Strategic Framework (MTSF) and ERRP priorities into their planning process. The Department has prioritised the strengthening of its internal capacity to ensure that adequate capabilities within the Department are in place to deliver on its mandate.

5.2 OVERVIEW OF THE FINANCIAL RESULTS OF THE DEPARTMENT

5.2.1 Departmental Receipts

Departmental Receipts	2020/21			2019/20		
	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	99	69	30	97	65	32
Interest, dividends and rent on land	2	1 271	(1 269)	2	-	2
Sales of capital assets	65	715	(650)	-	-	-
Transaction in financial assets and liabilities	128	8 684	(8 556)	115	44	71
TOTAL	294	10 739	(10 445)	214	109	105

Revenue Narrative

Departmental revenue has increased from R109 000 in the 2019/20 financial year to R10.7 million in the 2020/21 financial year. This is due to an increase in sales of capital assets, as well as transactions in financial assets and liabilities. The Department received an amount of R714 500 for disposal of nine departmental vehicles. In addition, an amount of R9 million

that was disbursed to SAFCOL in 2016/17 for development and implementation of six community-based enterprise projects was returned to the department during the 2020/21 financial year as R9.9 million including interest. These funds have been transferred to the National Revenue Fund.

5.2.2 Programme Expenditure

Programme Name and Direct Charges	2020/21			2019/20		
	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	142 481	118 405	24 076	163 121	149 077	14 044
State-owned Companies Governance Assurance and Performance	45 454	37 227	8 227	41 613	36 880	4 733
Business Enhancement, Transformation and Industrialisation	77 418 971	77 347 768	71 203	56 678 296	56 660 432	17 864
Sub-Total	77 606 906	77 503 400	103 506	56 883 030	56 846 389	36 641
Direct Charges	410 293	410 298	-	-	-	-
TOTAL	78 017 204	77 913 698	103 506	56 883 030	56 846 389	36 641

5.2.3 Expenditure Narrative

Voted Funds

The Department has spent 99.9% (R77.9 billion of R78 billion) of the final appropriation, of which R219.3 million is for departmental operations and R77.3 billion is the capital injection for SOCs. Of the R77.3 billion that was allocated as payments for financial assets to the SOCs in respect of Government-guaranteed debt and implementation of the business rescue plan, R74.5 billion has been disbursed to Eskom (R56 billion), SAA (R18.008 billion), SAX (R20 million) and DENEL (R576 million). The R2.7 billion for SAA Subsidiaries is reported in the annual financial statements as a payable and will be disbursed during 2021/22 financial year. The under expenditure of R103.5 million primarily relates to compensation to employees due to vacant posts and payments for financial assets which is as a result of unspent funds for SAX and SAA.

Direct Charges against the National Revenue Fund

The spending under direct charges against the National Revenue Fund is 100% (R410.3 million of R143.4 million) of the final appropriation. The actual expenditure of R410.3 million (R266.9 million and R143.4 million) is for settlement of the SAA and SAX Government-guaranteed debt obligations respectively. The variance of R266 million is a result of Nedbank issuing a call on 7 January 2021 on the secured guarantee there were no funds allocated. The payment was made from direct charges against the National Revenue Fund.

5.2.4 Virements and Rollovers

5.2.4.1 Virements

An amount of R2 million was shifted as virement within the vote from goods and services in Programme 1 to the same economic classification in Programme 3. Subsequent to the budget reduction during the Special Budget Adjustment in 2020/21 financial year, Programme 3 experienced a shortfall of R2 million. This emanated from a payment that was in respect of the restructuring of SAA. There was an increase in foreign exchange rates, which resulted in an increase in the amount paid.

5.2.4.2 Rollovers

There was no rollover request submitted to National Treasury.

5.2.4 Reasons for unauthorised, irregular, and fruitless and wasteful expenditure and the amount involved, as well as steps taken to address and prevent a recurrence

The Department did not incur any unauthorised expenditure. The irregular expenditure of R32.5 million was incurred in the previous financial years and relates to material deficiencies in the appointment of a Service Provider. The Department is

in the process of implementing corrective measures, which includes legal and disciplinary actions.

The fruitless and wasteful expenditure of R1.7 million incurred in the previous financial years forms part of the irregular expenditure of R32.5 million as the two relate to the same matter. Consequence management has been implemented against those implicated as a result of the conduct contributory to the financial loss.

The Department continues to implement control measures, as well as monitor, detect and address irregular expenditure to ensure compliance with the Public Finance Management Act (PFMA, Act 1 of 1999 as amended).

5.2.5 Future Plans of the Department

The Department is in the process of reorganising its operations, including enhancing the tools and data it uses to perform the oversight function. Further, the portfolio of SOCs has been reduced with the provisional liquidation of SA Express and the pending conclusion of a SAA strategic equity partnership.

The SOE Bill, which must be concluded by the end of the 2021/22 financial year, will provide further clarity on the Government shareholder model, the institutional form, and the depth and breadth of oversight capabilities that the department should assemble.

5.2.6 Public Private Partnerships

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

5.2.7 Discounted activities/activities to be discontinued

None

5.2.8 New proposed activities

None

5.2.9 Supply Chain Management

The Department did not experience unsolicited bid proposals during the 2020/21 financial year. Three bid committees (i.e. Bid Specification Committee, Bid Evaluation Committee and Bid Adjudication Committee) have been established to ensure compliance in the bidding process and the Departmental Financial and Supply Chain Management Policies and Delegations have been implemented to manage and prevent irregular expenditure. In addition, the Contract Register is regularly updated, and notice of contract expiry is sent to the end-users prior to the expiry date.

Challenges experienced in SCM include delays in the award of Tenders due to the COVID-19 pandemic, as well as processing of Request for Quotations (RFQs) due to the non-response of service providers that were selected on the Central Supplier Database (CSD). To address these challenges, the validity periods of the bids and contracts were extended. In future, the Department will manage some of the Bid Committees through virtual platforms and procurement of goods and services above R30 000 will also be published on the Department's website for greater exposure.

5.2.10 Gifts and Donations received in kind from Non-related Parties

The Department received donations in kind of R1.9 million (\$130 000) and R450 000 worth of expertise from the World Bank, for the contracting of Strategy Execution Advisors (SEA). SEAs provide technical advisory services to assist the department with the establishment of the Delivery Design Unit, as well as the creation of a results-based framework intended to support the repurposing of the State-Owned Enterprises environment. The donation in kind was approved and accepted by the Accounting Officer in terms of Treasury Regulation 21.2.1.

5.2.11 Exemption and Deviations received from National Treasury

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

5.2.12 Events after the Reporting Date

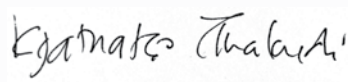
There are no events after the reporting date.

5.2.13 Other

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

Conclusion

I would like to express my sincere gratitude to Minister Pravin Gordhan, Deputy Minister Phumulo Masualle and the DPE staff for their effort during the financial year under review.



Kgathatso Tlhakudi

Accounting Officer

Department of Public Enterprises

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

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

All information and amounts disclosed throughout this Annual Report are consistent.

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

The Annual Report has been prepared in accordance with the Guidelines for the Annual Report as issued by National Treasury.

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

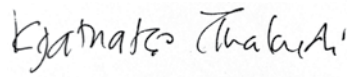
The Accounting Officer is responsible for the preparation of the Annual Financial Statements and the judgements made in this information.

The Accounting Officer is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance with respect 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 that the information found in the annual financial statements has not been compromised

In my opinion, the Annual Report fairly reflects Operations, the Performance information, the Human Resources information and the financial affairs of the Department for the financial year ended 31 March 2021.

Yours faithfully



Kgathatso Tlhakudi

Accounting Officer

7. STRATEGIC OVERVIEW

7.1 Vision

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

7.2 Mission

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

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

7.3 Values

DPE values are enablers of performance and delivery of the Vision and Mission.

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

8. LEGISLATIVE AND OTHER MANDATES

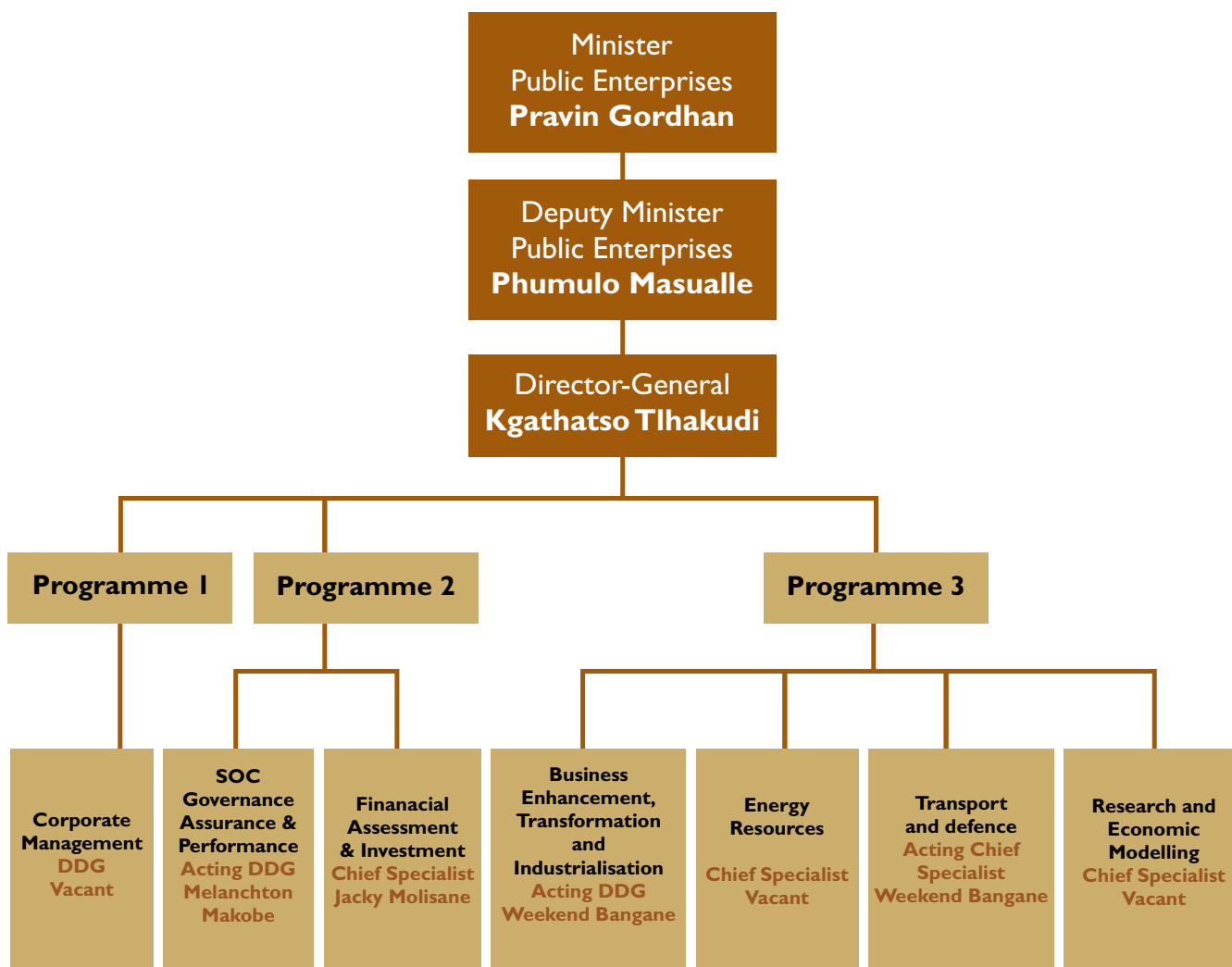
The DPE is mandated to perform shareholder oversight on behalf of Government over seven SOCs that play a key role in enabling economic growth, creating jobs and promoting the industrialisation and transformation of the economy. All seven SOCs are incorporated as companies in accordance with the provisions 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 relating to the establishment and managing of SOCs.

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

9. ORGANISATIONAL STRUCTURE

DPE TOP STRUCTURE



10. STATE-OWNED COMPANIES REPORTING TO THE MINISTER

Seven State-Owned Companies (SOCs) report to the Minister of Public Enterprises through an arranged governance that gives SOC the autonomy to operate within their mandate and also ensures that the SOC's are aligned with key Government policies and priorities. SOC's are important instruments for Government to create public value and economic development.

10.1 SOC's reporting 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 operating primarily in Alexander Bay and the greater Namaqualand area.
Denel		None	Shareholder Representative	Denel is responsible for manufacturing defence equipment and maintaining sovereign and strategic defence capabilities on behalf of the State.
South African Express		South African Express Act (Act 34 of 2007)	Shareholder Representative	SA Express is a domestic and regional air carrier.
South African Airways		South African Airways (Act 5 of 2007)	Shareholder Representative	South African Airways is the South African national airline.
South African Forestry Company		Management of State Forests Act (Act 128 of 1992)	Shareholder Representative	SAFCOL is Government's forestry company that 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.



PERFORMANCE INFORMATION

PART

B

I. OVERVIEW OF DEPARTMENTAL PERFORMANCE

I.1 Service Delivery Environment

Although State-Owned Companies (SOC) experienced serious financial challenges in the period under review, they continue to be central to the South African economic landscape and their performance is critical in growing the competitiveness and positive trajectory of the economy. Eskom, Transnet and Denel are custodians of the national electricity, national logistics, defence and aerospace manufacturing capabilities. The poor SOC financial, commercial, and operational performance had a direct impact on the socio-economic deliverables of Government.

Through the setting up of Delivery Support Unit (DSU), the Department will be putting additional effort into improving operational effectiveness of the SOCs, ensuring regular and focused monitoring and evaluation of SOC operational performance, and implementation of restructuring and investment programmes. Through the DSU the Department will enhance its oversight capacity to deliver on the Department's mandate by acquiring necessary expertise. In addition, the Department drawing on a globally tested results-driven and delivery-focused approach that is also gaining traction within government - the most notable initiative being the establishment of Operation Vulindlela by the Presidency and National Treasury. The Department is therefore taking up the cudgel, with the intention of transforming the different ways of working.

One of the long-awaited deliverables of the Department is the SOE Shareholder Management Bill. The Bill is intended to provide a consistent, single, overarching regulatory framework and environment for Government to better perform its shareholder management oversight role over the State-Owned Entities (SOEs) which promotes innovation, agility and enhances the competitiveness of SOEs without unduly interfering in the direction and management thereof. The Bill will be preceded by a Green Paper and White Paper in order to clarify Government's policy position.

To support this process, President Cyril Ramaphosa appointed the Presidential State-Owned Enterprise Council (PSEC) in June 2020 to support Government's reposition SOEs as effective instruments of economic transformation and development as well as to create alignment between the SOEs and define their respective mandates better. The Council which is chaired by the President, is a collaborative effort between Government and the private sector, and comprises of prominent South Africans with proven leadership and strategic capabilities as well as Ministers responsible for SOEs. The work of the Council entails assisting Government to build on the work that has already begun, to address problems of poor governance, inefficiency, and financial sustainability of the SOEs, with the aim of ensuring positive socio-economic contribution and alignment to the National Development agenda. This work supports key priorities of Government as outlined in the Medium-Term Strategic Framework (MTSF) namely, economic transformation and job creation and a capable, ethical and developmental state.

The DPE, as the Shareholder Representative for Government, with oversight responsibility over seven (7) SOCs, serves as Secretariat for the PSEC. To ensure that the key focus areas are thoroughly investigated, the Council has established three workstreams with specific objectives, namely Governance, Finance and the Consolidation and Crisis Management workstream. Additional support by the private sector includes the recent partnership with Wits University to provide resources to support the workstreams in synthesizing the work of PSEC. Considerable travail has been made by PSEC since its inception. Going forward, the respective workstreams preparing a set of recommendations that will be presented to the President and Cabinet for consideration.

I.2 Service Delivery Improvement Plan

The Department does not provide services directly to public citizens. However, its mandate is to provide shareholder oversight over the SOCs as key Government instruments to support economic development and job creation and promote industrialisation and transformation in the economy.

I.3 Organisational Environment

The Department's capability to deliver on its plans was reviewed and it is evident that there is a need to improve the capacity of the Department. In view of the fiscal environment constrains, the Department needs to employ innovative solutions to augment its capacity and expand its talent pool to respond to human resource requirements of the Department. The Department is reviewing its organisational structure. The new structure is expected to be approved and published during the 2022/23 financial year and come into effect in the 2023/24 financial year. The review has been necessitated by:

- Additional capacity requirements to improve governance, anti-corruption controls and recover stolen funds from the SOCs. A dedicated unit is in the process of being set up, with contracted resources being utilised in the interim.
- The Operational and Capital Programmes execution capacity of the Department and the SOCs requires improvement. A service delivery-based methodology is being developed, and a Delivery Support Unit (DSU) has been set up in SPME to oversee the work and house the capability.
- Additional expertise is required in the Governance unit to support the Presidential SOE Council (PSEC) work, as well as the development of the SOE Bill.

The DPSA is working closely with the DPE in overseeing this work and ensuring adherence to regulations.

I.4 Key Policy Developments and Legislative Changes

None

2. STRATEGIC OUTCOME ORIENTED GOALS

The Department continued to support two key priorities amongst the seven priorities identified by the sixth administration of the democratic government, ie i) Building a capable, ethical and developmental state; ii) Economic transformation and job creation. These priorities reinforce the commitments set out in the National Development Plan (NDP), government's focus to the areas of key strategic thrust for the next five years. The Department and the SOC's implemented these priorities through various interventions.

During the year under review, the Department developed a standard MOI template that incorporates basic norms and standards. The MOIs, which are the equivalent of a constitutional document for the Department and the SOC's, assist in establishing a cooperative environment and an accountability framework for the SOC boards and management.

The Department also developed the Remuneration Guide for the SOC's Boards and Prescribed Officers. The guidelines stipulate non-negotiable targets, which are inherent to promote good governance and include an unqualified audit, reduction of audit findings, accountability of proper financial management and the achievement of key performance targets.

In addition, progress has been made with the development of the Guidelines on Appointment of Boards and Executive Management. These guidelines will ensure credible SOC boards and strong executive directors with requisite skills, experience and competence are appointed, and the boards have limited participation in the SOC operational procurement processes.

ESKOM

Implementation of Eskom Roadmap

The implementation of Eskom Roadmap will result in the formation of new independent Transmission, Generation and Distribution subsidiaries wholly owned by Eskom. Eskom has made significant progress in achieving the milestones set out in the Eskom roadmap. The roadmap outlined key milestones and timelines which provide a blueprint for the operational turnaround, restructuring, and divisional separation for Eskom. The divisionalisation milestones were finalised with the three boards appointed in March 2020. Eskom is currently undergoing the functional separation phase and achieved functional unbundling on 31 March 2021, with the creation of a Transmission Company to be completed by 31 December 2021. Subsequently, the legal separation of Generation and Distribution will be completed by 31 December 2022.

Generation Performance

Eskom's generation performance has been deficient and has resulted in Eskom implementing rotational load shedding to protect the system. During the period ended 31 March 2021, Energy Availability Factor (EAF) has deteriorated to 64.22% compared to the EAF of 66.60% achieved in the period of the previous financial year. The low EAF was attributed to high unplanned plant breakdown (UCLF) of approximately 23.50%. The good news is that (3 units) from the Kusile power station are now providing power to the National grid. To improve plant performance, Eskom has been implementing its Generation

Recovery Plan (GRP).

Eskom is still facing significant financial and operational challenges that affect the sustainability of the company. Eskom has relied on Government support to address liquidity challenges. As at 31 March 2021, Eskom had reduced its debt to R401 billion from R484 billion, due to changes in the exchange rate and debt maturity profile. An Acting Partnering Model has been implemented to reduce the debt from defaulting municipalities. Eskom and Maluti a Phofung Local Municipality are in an advanced stage to finalise a Distribution Agency Agreement that will allow Eskom to take over the distribution business from the municipality.

Power Build Programme

The New Plants (Ingula Pump Storage, Medupi and Kusile) have been unable to achieve the design levels of performance and reliability due to a combination of plant design deficiencies, operational and maintenance inefficiencies. In response, Eskom has developed a New Plant Design Defect Correction Plan whose implementation commenced in January 2020. The result is that all design defects at Ingula have been addressed and Medupi and Kusile will have their defects addressed by 2023.

TRANSNET

Transnet, an integrated freight transport company, is the custodian of South Africa's ports, rail and pipelines, and forms an integral part of the logistics network that connects South African freight and public transportation and interconnects the region. The SOC produced a solid set of results in the year ending 2020, despite challenging economic conditions that led to a lower demand in freight commodities. Additionally, the SOC continued to face severe operational challenges including poor rail network conditions on key corridors, the decline of rail freight volumes in strategic commodity sectors, and ageing equipment in several port terminals across the port network. Transnet had several leadership changes that have contributed to the stabilisation efforts of Transnet, transitioning towards a market-competitive entity that is focused on financial growth, innovation, and a balance of commercial and public service policy objectives. Although still facing the narrative of a challenging market environment currently defined by declining volumes and security of supply incidents that threaten the long-term financial profitability of the SOC; the outlook remains positive.

In responding to current and future challenges, Transnet developed a Segment Positioning Strategy in the 2021/22 financial year. The new strategy seeks to leverage value on identified market segments (automotive and containers, iron ore, manganese, coal, chrome and magnetite, agriculture, and fuel and gas).

The new strategic direction is supported by Transnet's Capital Investment Plan of R100 billion over the next five years through its own investment and by leveraging private sector investment in critical infrastructure in both maintenance and capacity expansion.

ALEXKOR

Alexkor implemented significant cost-cutting initiatives in an attempt to preserve the remaining cash. Despite the COVID-19 pandemic disruptions that significantly impacted the global economy, the Alexkor Richtersveld Mining Company Pooling and Sharing Joint Venture (Alexkor RMC PSJV) recorded a favourable performance with the Diamond Joint Venture declaring a profit, following three years of reported losses. While the two entities are showing signs of recovery, the focus in the medium- to long-term is to generate strong cash flow to fund exploration activities and expand operations.

SAFCOL

SAFCOL remain to be the main supplier of sawlogs in the country and continues to use this position to promote and support the competitiveness and transformation of downstream activities, such as the sawmilling sector the entity continue to be committed to maximise its value with the forestry supply value chain through partnership with relevant stakeholders. IFLOMA business operations have improved significantly. The subsidiary continue to generate profit despite the pandemic challenges. However, its operations still require funding to enable the business to become more sustainable over the short and medium term period. The business sustainability has the potential of ensuring IFLOMA supply quality timber products to South Africa, Mozambique and other SADC countries.

DENEL

Denel as an entity within the defence industry is an integral part of the country's defence capability. From a strategic perspective Denel provides a degree of independence, freeing the country from depending on others for equipment and munitions. Economically Denel brings hard currency export revenues, reduces hard currency outflows, and generates employment in South Africa. It also introduces new technologies, educates, and trains engineers and artisans who ultimately migrate to other sectors.

At the beginning of the 2021/22 financial year, in response to current liquidity and structural challenges, the Shareholder approved a strategy that sought to reposition Denel with a fundamental shift from its current model. The key strategic drivers for this strategy are summarised as follows:

- Adapting to changing industry and markets through smart partnering (joint ventures, special purpose channels and strategic equity partnerships).
- Reducing reliance on Government funding and expanding its relevance beyond defence markets. This includes offering value propositions to other State departments and agencies that deal with security.

- Restructuring the balance sheet to ensure financial sustainability. In addition, the strategy assumes a reduction in overhead costs and elimination of redundancies in the cost base.
- Retaining core capabilities (strategic and sovereign), exiting non-core business, and optimising the properties portfolio.
- Focusing on research and development (R&D), and innovation and technology development for dual use.

In the new operating model, Denel will consolidate its number of divisions from the current six to two, namely Engineering and Manufacturing and Maintenance. Shared services such as Human Resources, Supply Chain, Finance and ICT will be centralised. The support of the Cabinet has been sought to proceed with the strategy.

SOUTH AFRICAN AIRWAYS

The SAA Board placed South African Airways (SAA) in business rescue on 6 December 2019. This was followed by the appointment of Business Rescue Practitioners to restructure the airline. The Business Rescue Plan (BRP) was approved by the creditors in June 2020. An amount of R14 billion was identified as the total amount required for the implementation of the BRP. An amount of R10.5 billion was allocated in the Second Adjustments Appropriation Act, 2020 passed in January 2021. The balance of R3.5 billion is required over the next three years.

Between the months of November 2020 and March 2021 an amount of R7.8 billion was transferred by the Department to SAA for the implementation of the plan. The balance of R2.7 billion from the R10.5 billion, which is earmarked for the restructuring of the subsidiaries, will be disbursed after the Special Appropriation Bill tabled in Parliament in February 2021 is enacted into law. This is due to the fact that the Second Adjustments Appropriation Act, 2020 did not provide for funding to subsidiaries. This is being addressed through the Special Appropriation Bill.

On 09 December 2020, the Minister of Public Enterprises appointed an Interim Board to assume governance control of the airline after the exit of the Business Rescue Practitioners.

During the period under review, the Business Rescue Practitioners managed to set up a receivership, which will be responsible for payments to the creditors over the next years. The employees were paid 3 months for outstanding salaries as full and final settlement of outstanding salaries liability, as well as Voluntary Severance Packages (VSPs). Outstanding payments are due to the pilots, who at the end of the financial year under review had not agreed to the settlement offered by the employer.

3. PERFORMANCE INFORMATION BY PROGRAMME

3.1 PROGRAMME I – ADMINISTRATION AND CORPORATE MANAGEMENT

The programme currently comprises the following sub-programmes: Office of the Director-General/Management; Security and Facilities Management; Information Management and Technology; Office of the Chief Financial Officer; Human Resources; Communications; Strategic Management; and Internal Audit.

Sub-Programmes - Objectives for Administration and Corporate Management:

Office of the Director-General/Management: Provides technical support, enabling Government to optimally exercise governance and performance over the portfolio of State-Owned Companies (SOCs).

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

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

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

Human Resources: Assists line management to implement operational excellence and develops the human capital potential in the Department.

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

Strategic Management (Planning, Monitoring and Evaluation): Coordinates, manages and oversees the outcomes-based performance reporting of the Department; implements performance monitoring and evaluation processes for individual programmes and business units as a mechanism for measuring delivery of strategic objectives; reports to various stakeholders.

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



Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

Programme I: Administration									
Outcomes	Outputs	Output Indicators	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	Actual Achievement 2020/2021 until date of re-tabling (as at 30 June 2020)	Deviation from planned target to Actual Achievement 2020/2021	Reasons for deviations	Reasons for revisions to the Outputs/Output Indicators/ Annual Targets
Promote alignment and efficiency across institutional model	Professionalising the public service	Number of training interventions provided (WSP)	22 training interventions provided in line with the Workplace Skills Plan (WSP)	20 training interventions provided (WSP)	15	One Online training intervention on Strategic Planning	15 interventions were due to be completed in March 2021	There were no revisions made	Not applicable
Improved ICT and business alignment and enhanced oversight function	Approved implementation of Architecture Masterplan	Development of the DPE Enterprise Business Architecture (EA)	None	None	Development of the DPE Enterprise Architecture Masterplan	Development of the DPE Enterprise Architecture Masterplan not completed	Development of the DPE Enterprise Architecture Masterplan was expected to be finalised in March 2021	There were no revisions made	Not applicable
Promote alignment and efficiency across institutional model	Professionalising the public service	Number of training interventions provided (WSP)	Promote alignment and efficiency across institutional model	Professionalising the public service	15	Achieved 15	None	None	
Improved ICT and business alignment and enhanced oversight function	Approved implementation of Architecture Masterplan	Development of the DPE Enterprise Business Architecture (EA)	None	None	Development of the DPE Enterprise Architecture Masterplan	Achieved Development of Enterprise Architecture Masterplan completed	None	None	

Strategy to overcome areas of underperformance

None

Performance in relation to Standardised Outputs and Output indicators for Sectors with Concurrent functions

None

Reporting on the Institutional Response to the COVID-19 Pandemic

None

Linking Performance with budgets

Programme Expenditure

Programme Administration	2020/21			2019/21		
	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure
Ministry	26 431	23 391	3 040	42 115	39 367	2 748
Management	10 613	5 775	4 838	11 466	10 962	504
Communications	36 571	32 899	3 672	31 817	28 864	2 953
Chief Financial Officer	20 782	18 757	2 025	21 193	20 785	409
Human Resources	24 483	17 593	6 890	29 805	24 355	5 450
Internal Audit	5 972	3 896	2 076	7 338	5 539	1 799
Corporate Services	3 817	2 297	1 520	4 050	3 870	180
Office Accommodation	13 812	13 797	15	15 337	15 335	2
Total	142 481	118 405	24 076	163 121	149 077	14 044

Expenditure narrative

Expenditure on the programme amounts to R118 million in the 2020/21 financial year, as compared to R149 million in the 2019/20 financial year. The relative decrease in expenditure is as a result of vacant posts within the programme. The primary cost drivers under goods and services include operating lease, property payments, computer services and audit fees.

3.2 Programme 2: SOC Governance Assurance and Performance

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

Programme Objectives

Ensure effective shareholder oversight of SOCs by:

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

Sub-Programmes: Overview of Governance Assurance and Performance

- **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 to sector teams, transaction and contract management support and the commercial activities of SOCs within their portfolio.
- **Governance** – Develops, monitors and advises on legislative, corporate governance and shareholder management systems for the Department and SOCs in its portfolio. The sub-programme develops and implements risk and compliance management guidelines and systems for shareholder risk.
- **Financial Assessment and Investment Support** – Analyses SOCs' capital planning, operational performance, funding of capital programmes and proposed restructuring proposals and advises on appropriate action.

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

Outcome, Output, Output Indicators, Targets and Actual Achievement

Sub-programme: Governance, Legal Assurance, Risk Profiling and Mitigation								
Outcomes	Outputs	Output Indicators	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	Actual Achievement 2020/2021 until date of re-tabling (as at 30 June 2020)	Reasons for deviations	Reasons for revisions to the Output/Output indicators/Annual Targets
Strengthen the governance system of SOCs and promote institutional alignment in the execution of the oversight of the oversight function	Assessment of the SOC Boards as per the Board Evaluation Framework	Annual Assessment of Independent Board performance	Five existing Boards reviewed and five new Boards appointed	Board Performance Evaluation Framework developed	Annual Board Evaluation Report	Board Performance Framework not completed	The framework was expected to be finalised in March 2021	There were no revisions made
Strengthen shareholder oversight through the Memorandum of Incorporation (MOI)	SOC standardised rules governing the conduct of SOC	SOC MOI standardised	None	Report on monitoring of SOC compliance with the norms and standards on MOI produced	Revised MOI approved	Revised MOI not approved	Revised MOI was expected to be approved in March 2021	Outcome revised to align to the output

Sub-programme: Governance, Legal Assurance, Risk Profiling and Mitigation								
Outcomes	Outputs	Output Indicators	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	Actual Achievement 2020/2021	Deviation from planned target to Actual Achievement 2020/21	Reasons for deviations
Strengthen the governance system of SOCs and promote institutional alignment in the execution of the oversight function	Assessment of the SOC Boards as per the Board Evaluation Framework	Annual Assessment of Independent Board Performance	Five existing Boards reviewed and five new Boards appointed	Board Performance Evaluation Framework developed	Annual Board Evaluation Report	Not achieved Annual Board Evaluation report not completed	Eskom Board evaluation report submitted	Delays in the submission of the Board evaluation report for SAFCOL Alexkor and Denel were due to AGMs being held towards the end of the 4th quarter of 2020/21
	SOC standardised rules governing the conduct of SOC	SOC MOIs standardised	None	Report on monitoring of SOC compliance with the norms and standards on MOI produced	Revised MOI approved	Not achieved Revised MOI not approved	Revised MOI template finalised	There has been delays in conducting the necessary consultations with the Boards of SOCs on the revised MOI template
Improved governance and accountability	Five “High Risk” SOE governance systems reviewed by 2021 and recommendations implemented by 2023	Number of identified “High Risk” SOE governance systems reviewed and recommendations implemented	Produced report on review of governance and risk practices	Draft SOE Risk Integrity Management Framework developed	Implementation of the RIMF	Achieved Implementation of the RIMF finalised	None	None
	Establish the SOE Council and improve performance and governance of the SOEs by 2020	Presidential State-Owned Enterprise Council (PSEC) established	None	None	Establishment of PSEC through Presidency	Achieved Establishment of PSEC through Presidency completed	None	None

Strategy to overcome areas of underperformance

In order to finalise the implementation of the revised MOI, the Department has requested the SOCs to align their MOIs to the MOI Standard Template and submit their revised MOIs together with the written Shareholder Resolution for Minister's approval.

The Minister has approved the Board Evaluation Framework and submitted to the Boards for immediate implementation. Boards are required to apply the minimum standards when conducting the evaluation. The master template for the Board Performance Index will be reinforced by the Department which will assist in highlighting any developmental areas in Board effectiveness.

Performance in relation to Standardised Outputs and Output indicators for Sectors with Concurrent functions

None

Reporting on the Institutional Response to the COVID-19 Pandemic

None



4.2.2

Sub-Programme: Financial Assessment and Investment Support

Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

Sub-Programme: Financial Assessment and Investment Support									
Outcomes	Outputs	Output indicators	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	Actual Achievement 2020/2021 until date of re-tabling (as at 30 June 2020)	Reasons for deviations	Reasons for revisions to the Output/Output Indicators/Annual Targets	
Improved independent financial sustainability of SOCs	Outlook on SOC financial position	Number of SOC quarterly financial reviews and reports produced	27	28	20	5	None	There were no revisions made	
	Alignment of SOC plans to key priorities outlined in SIS and SHC	Number of corporate plans reviewed	7	7	5	0	The review of Corporate Plans were due to be finalised in March 2021	There were no revisions made	
	Monitor implementation of SOCs' external audit findings	Number of consolidated progress reports on SOCs audit findings	None	2	2	0	The progress report was due to be finalised in March 2021	There were no revisions made	
	Payment of SOCs proportion of earnings	Standardised methodology and frequency of payment of dividend	None	None	SOCs' Dividend Policy Framework developed	SOCs Dividend Policy Framework was not developed	SOC Dividend Policy Framework was expected to be completed in March 2021	There were no revisions made	

Sub-Programme: Financial Assessment and Investment Support

Outcomes	Outputs	Outcome indicators	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/21	Actual Achievement 2020/2021	Deviation from planned target to Actual Achievement 2020/2021	Reasons for deviation
Improved independent financial sustainability of SOCs	Outlook on SOC financial position	Number of SOC quarterly financial reviews and reports produced	27	28	20	20	None	None
	Alignment of SOC plans to key priorities outlined in SIS and SHC	Number of corporate plans reviewed	7	7	5	4	1 corporate plans (Alexkor) was not reviewed	Alexkor exempted from submitting corporate plan due to financial challenges
	Monitor implementation of SOCs' external audit findings	Number of consolidated progress reports on SOCs audit findings	None	2	2	2	None	None
	Payment of SOCs' proportion of earnings	Standardised methodology and frequency of payment of dividend	None	None	SOCs' Dividend Policy Framework developed	Achieved SOCs' Dividend Framework developed	None	None

Strategy to overcome areas of underperformance

Alexkor's application to be exempted from complying with Section 52 (b) of the PFMA, which directs public entities to submit corporate plans one month prior to the beginning of the financial year, was approved. This is mainly due to the ongoing investigation by the Department to determine the future role of Alexkor.

Reporting on the Institutional Response to the COVID-19 Pandemic

None

Performance in relation to Standardised Outputs and Output indicators for Sectors with Concurrent functions

None

Programme Expenditure

Sub-Programme Legal and Governance	2020/21			2019/21		
	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	2 918	1 851	1 067	2 989	1 978	1 011
Legal	14 334	11 640	2 694	13 714	11 104	2 610
Governance	14 370	12 563	1 807	12 451	11 627	824
Financial Assessment and Investment Support	13 832	11 173	2 659	12 459	12 172	287
Total	45 454	37 227	8 227	41 613	36 880	4 733

Expenditure narrative

Expenditure on the Financial Assessment and Investment Support Programme amounts to R37.2 million in the 2020/21 financial year, compared to R36.9 million in the 2019/20 financial year. The spending on goods and services is mainly due to payments made towards legal services and developed framework on SOC Risk and Integrity.

3.3 Programme 3: Business Enhancement and Industrialisation

Purpose: Provide sector oversight of SOCs by advancing industrialisation, transformation, inter-Governmental relations and international collaboration services; and support the Shareholder to strategically position and enhance the operations of SOCs.

Programme Objectives

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

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

Sub-Programmes: Overview of Business Enhancement and Industrialisation

Business Enhancement Services – Develops and coordinates the implementation of SOC strategies to leverage localisation programmes; provides inter-Governmental coordination and support to programmes and SOC in relation to economic development programmes, as agreed with provincial and local governments; maintains a register of commitments made by SOCs and lobbies for the implementation of special programmes focusing on skills development, transformation and the youth.

Energy Resources – Exercises shareholder oversight over Eskom, Alexkor and SAFCOL.

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

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

3.3.1 Sub-Programme: Business Enhancement and Services

Objectives

- Initiates and coordinates specialist research projects to model the short-term, medium-term and long-term business enhancement prospect
- Develops and coordinates the implementation of SOC pipeline business enhancement strategies and instruments
- Develops business enhancement models for the clusters and coordinates the adoption processes
- Initiates and coordinates specialist research projects to define business enhancement inhibitors for the SOCs

Liaises with policy and regulatory institutions to mitigate the impact of the identified

- business inhibitors
- Provides technical inputs to influence alignment of the regulatory regime impacting on the operations of the SOCs
- Provides technical advisory services to support SOCs to develop compact alignment processes and facilitate their development/adoption.

Sub-Programme: Business Enhancement and Industrialisation								
Outcomes	Outputs	Output indicators	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	Actual Achievement 2020/2021 until date of re-tabling (as at 30 June 2020)	Reasons for deviations	Reasons for revisions to the Output/Output Indicator/Annual Target
Increase the contribution of SOCs to support transformation of the South African economy	Improved SOCs' spend on locally manufactured goods and services	Increase % spent on SOCs' local content	None	None	Four assessment reports on SOCs' 75% spend on local content	One assessment report on SOCs' 75% spend on local content completed	Assessments were expected to be finalised in the next quarters of the financial year	There were no revisions made
	Improved SOCs' contribution on SOCs' transformation agenda	Increase % spent on SOCs' preferential procurement	None	None	Four assessment reports on SOCs' 75% spend on preferential procurement and B-BBEE Level 6	One assessment report on SOCs' 75% spend on preferential procurement and B-BBEE Level 6 completed	Assessments were expected to be finalised in the next quarters of the financial year	There were no revisions made
	Socio-economic development programme of SOCs	% increase in SOC CSI programme allocation	Annual Report on SOC CSI strategic and high impact project implemented	Four quarterly reports on the monitoring of SOCs' CSI programme	Four assessment reports on 0.2% spend on SOC CSI programme	One assessment report on 0.2% spend on SOC CSI programme completed	Assessments were expected to be finalised in the next quarters of the financial year	There were no revisions made
Support the development of small, medium and micro enterprises (SMMEs)	Improved SOCs' spend on enterprise development	Annual value of enterprise development contributions	None	None	Four assessment reports on SOCs' 1% TMPS (Total Measure Procurement Spent)	One assessment report on SOCs' 1% TMPS (Total Measure Procurement Spent) completed	Assessments were expected to be finalised in the next quarters of the financial year	There were no revisions made

Sub-Programme: Business Enhancement and Industrialisation								
Outcomes	Outputs	Output indicators	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	Actual Achievement 2020/2021 until date of re-tabling (as at 30 June 2020)	Reasons for deviations	Reasons for revisions to the Output/Output Indicator/Annual Target
Accelerate the development of skills to support the needs of the economy	A minimum % of leviable amount (excluding the statutory Skills Development levy) on essential skills development	Number of new learners enrolled into SOC skills development programmes	Four quarterly reports on SOC's contribution to the development of scarce and critical skills	Four quarterly monitoring reports on SOC's contribution to the skills development produced	Four assessment reports measuring SOC's 3% spend of leviable amount	One assessment report measuring SOC's 3% spend of leviable amount completed	Assessments were expected to be finalised in the next quarters of the financial year	There were no revisions made
Increase the contribution of SOC's to support transformation of the South African economy	Development of SOC's Africa Market Entry Plans	SOC's Implementation in line with the DPE Africa Strategy	None	DPE Africa Strategy reviewed	Report on alignment of 2 SOC Africa market entry plans to DPE's Africa Strategy	Report on alignment of 2 SOC Africa market entry plans to DPE's Africa Strategy not finalised	The report was expected to be completed in March 2021	There were no revisions made
Reduce vulnerability to risks associated with climate change	Adaptation plans against SOC climate change risks	Adaptation to climate change impact	None	None	Climate change risk report	Climate change risk report not finalised	The report was expected to be completed in March 2021	The target was removed in the revised APP to align to the MTSF
Transition to low carbon economy by reducing emission	Reduction of carbon emissions	SOC's implementation of the Paris Climate Agreement	None	None	Consolidated report on SOC's implementation of climate change mitigation plans	Consolidated report on SOC's implementation of climate change mitigation plans not finalised	The report was expected to be completed in March 2021	The target was removed in the revised APP to align to the MTSF

Sub-Programme: Business Enhancement and Industrialisation								
Outcomes	Outputs	Output Indicators	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	Actual Achievement 2020/2021	Deviations from planned target to Actual Achievement 2020/2021	Reasons for deviations
Increase the contribution of SOCs to support transformation of the South African economy	Improved SOCs' spend on locally manufactured goods and services	Increase % spend on SOCs' local content	None	None	Four assessment reports on SOCs' 75% spend on local content	Achieved Four assessment reports on SOCs' 75% spend on local content completed	None	None
	Improved SOCs' contribution towards internal transformation agendas	Increase % spend on SOCs' preferential procurement	None	None	Four assessment reports on SOCs' 75% spend on preferential procurement and B-BBEE Level 6 compliance	Achieved Four assessment reports on SOCs' 75% spend on preferential procurement and B-BBEE Level 6 compliance completed	None	None
	Socio-economic development programme of SOCs	% increase in SOCs' CSI programme allocation	Annual report on CSI strategic and high impact project implemented	Four quarterly reports on the monitoring of SOCs' CSI programme	Four assessment reports on 0.2% spend on SOCs' CSI programme	Achieved Four assessment reports on 0.2% spend on SOCs' CSI programme completed	None	None

Sub-Programme: Business Enhancement and Industrialisation								
Outcomes	Outputs	Output Indicators	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	Actual Achievement 2020/2021	Deviations from planned target to Actual Achievement 2020/2021	Reasons for deviations
Support the development of small, medium and micro enterprises (SMMEs)	Improved SOC's spend on enterprise development	Annual value of enterprise development contributions	None	None	Four assessment reports on SOC's 1% TMPS spend	Achieved Four assessment reports on SOC's 1% TMPS spend completed	None	None
Accelerate the development of skills to support the needs of the economy	A minimum % of leviable amount (excluding the statutory Skills Development levy) on essential skills development	Number of new learners enrolled into SOC's skills development programmes	Four quarterly reports on SOC's contribution to the development of scarce and critical skills	Four quarterly monitoring reports on SOC's contribution to skills development produced	Four assessment reports measuring SOC's 3% spend of leviable amount	Achieved Four assessment reports measuring SOC's 3% spend of leviable amount completed	None	None
Increase the contribution of SOC's to support transformation of the South African economy	Development of SOC's Africa Market Entry Plans	SOC's implementation in line with the DPE Africa Strategy	None	DPE Africa Strategy reviewed	Report on alignment of two SOC Africa market entry plans to DPE's Africa Strategy	Achieved Report on alignment of two SOC Africa market entry plans to DPE's Africa Strategy completed	None	None

Strategy to overcome areas of underperformance

None

None

Reporting on the Institutional Response to the COVID-19 Pandemic

Performance in relation to Standardised Outputs and Output indicators for Sectors with Concurrent functions

None

3.3.2 Sub-programme: Energy and Resources

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

Eskom SOC Limited

Supports the security of supply by:

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

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 by 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 over the medium-term

- Contributes to developing sustainable economic activities linked to the agricultural sector by continuously supporting and coordinating the joint efforts of the Department of Public Enterprises (DPE) with the Department of Mineral Resources and Energy (DMRE) and the Department of Agriculture, Rural Development and Land Reform (DARDLR) to stabilise the Richtersveld region and make use of revenues.

SAFCOL SOC Limited

- Oversight of the implementation of the land restitution strategy relating to the Komatiland Forests Land Claims Settlement Model, to ensure meaningful benefits to the successful land claimants over the medium-term
- Oversight of the implementation of SAFCOL's corporate strategy over the medium-term.
- Engagement with DARDLR, the Department of Agriculture, Forestry and Fisheries, and the Department of Trade Industry Competition (DTIC) to ensure the warehousing of the shares held by SAFCOL and shares in the four privatised forestry companies.
- Supporting the development of the new business strategy over the medium-term to reduce reliance on the sawlog market.

Outcomes, Outputs, Output Targets and Actual Achievement

Sub-Programme: Energy and Resources								
Outcomes	Outputs	Output Indicators	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	Actual Achievement 2020/2021 until date of re-tabling (as at 30 June 2020)	Reasons for deviations	Reasons for revisions to the Outputs/Output Indicators/Annual Targets
Improved governance and accountability	Approved SOC Shareholder Compacts	Three shareholder Compacts signed per SOC (Eskom, Alexkor and SAFCOL)	Three Shareholder Compacts (2019/20) not signed (Eskom, Alexkor and SAFCOL)	Three Shareholder Compacts (2020/21) not signed (Eskom, Alexkor and SAFCOL)	Three Shareholder Compacts signed (Eskom, Alexkor and SAFCOL)	3 Shareholder Compact not signed (Eskom, Alexkor and SAFCOL)	The compacts were due to be finalised in December 2020	Output was revised to align to the target
	SAFCOL's re-investment on Timbadola project	SAFCOL's increased revenue	None	None	Four progress reports on SAFCOL's implementation of the Timbadola re-investment project	One progress report on SAFCOL's implementation of the Timbadola re-investment project completed	Three progress report were due to be finalised in the quarters of the financial year	Outcome and annual target were revised to align to the MTSF and the output respectively
Percentage of SOC's operational efficiency (promote the operational excellence of SOC's)	Optimal operating structure for Alexkor	Restructuring of Alexkor	Study on State-Owned mining assets to propose an optimum structure	Four reports on the implementation of Alexkor's proposed shareholding optimal structure	Proposed shareholding structure for Alexkor mining rights	Proposed shareholding structure for Alexkor mining rights not finalised	The work was only expected to be finalised in December 2020	None

Sub-Programme: Energy and Resources								
Outcomes	Outputs	Output Indicators	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	Actual Achievement 2020/2021 until date of re-tabling (as at 30 June 2020)	Reasons for deviations	Reasons for revisions to the Outputs/Output Indicators/Annual Targets
Percentage of SOCs' operational efficiency (promote the operational excellence of SOCs)	Improved performance of Eskom's Infrastructure Programme	Eskom planned Capacity Adherence (Infrastructure/Build Programme)	Four quarterly assessment reports on the delivery of Eskom's Build Programme (Medupi & Kusile)	Four assessment reports on the delivery of Eskom's Build Programme (Medupi, Kusile and Power Delivery Projects)	Four progress reports on Eskom's delivery of Infrastructure Programme	One progress report on Eskom's delivery of Infrastructure Programme finalised	Assessments were expected to be finalised in the next quarters of the financial year	Output and output indicator was revised to align to the MTSF
Improve the Energy Availability Factor (EAF) to ensure constant supply of electricity	Energy Availability Factor (EAF)	Maintenance of security supply and prudent fleet management	Assessment report on the electricity generation reserve margin to evaluate whether 19% is sustained and produced	Four assessment reports on the electricity generation reserve margin to evaluate whether 19% is sustained	Four assessment reports of Eskom's performance generation fleet	One assessment report of Eskom's performance generation fleet finalised	Assessments were expected to be finalised in the next quarters of the financial year	Outcome, output and output indicator was revised to align to the MTSF
Separate and unbundle Eskom to eliminate cross-subsidisation and improve efficiency	Separation and unbundling of Eskom	Implementation of the Eskom Special Paper	None	None	Two progress reports on the status of the unbundling process	Two progress reports on the status of the unbundling process not completed.	The reports were expected to be completed in September 2020 and March 2021 respectively	There were no revisions made

Sub-Programme: Energy and Resources								
Outcomes	Outputs	Output Indicators	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	Actual Achievement 2020/2021 until date of re-tabling (as at 30 June 2020)	Reasons for deviations	Reasons for revisions to the Outputs/Output Indicators/Annual Targets
Improved governance and accountability	Shareholder Compacts signed	Number of Shareholder Compacts signed (Eskom, Alexkor and SAFCOL)	Three Shareholder Compacts (2019/20) not signed (Eskom, Alexkor and SAFCOL)	Three Shareholder Compacts (2020/21) not signed (Eskom, Alexkor and SAFCOL)	Three shareholder Compacts signed (Eskom, Alexkor and SAFCOL)	Not achieved One Shareholder Compacts signed (SAFCOL)	Two Shareholder Compact not signed (Alexkor and Eskom)	Alexkor was exempted from submitting the Shareholder Compact due to the SOC's financial constraints. Delays in finalising the Eskom Compact to ensure alignment between DPE and Eskom.
Increase the contribution by SOCs in support of the transformation of the South African Economy	SAFCOL's re-investment on the Timbadola project	SAFCOL's increased revenue	None	None	Four Progress reports on SAFCOL's Timbadola re-investment project	Achieved Four Progress reports on SAFCOL's Timbadola re-investment project completed	None	None

Sub-Programme: Energy and Resources								
Outcomes	Outputs	Output Indicators	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	Actual Achievement 2020/2021 until date of re-tabling (as at 30 June 2020)	Reasons for deviations	Reasons for revisions to the Outputs/Output Indicators/Annual Targets
Increase the contribution by SOCs in support of the transformation of the South African Economy	Optimal operating structure for Alexkor	Restructuring of Alexkor	Study on State-Owned Mining Assets to propose an optimum structure	Four reports on the implementation of Alexkor's proposed shareholding optimal structure	Proposed shareholding structure for Alexkor mining rights	Achieved Proposed shareholding structure for Alexkor mining rights completed	None	None
	Increase energy availability factor to above 80% by 2024	Eskom planned capacity adherence (Infrastructure / Build Programme)	Four quarterly assessment reports on the delivery of Eskom's Build Programme (Medupi & Kusile)	Four assessment reports on the delivery of Eskom's Build Programme (Medupi, Kusile and Power Delivery Projects)	Four progress reports on Eskom's delivery of the Infrastructure Programme	Achieved Four progress reports on Eskom's delivery of Infrastructure Programme finalised	None	None
Supply of energy secured	Increase electricity reserve margin by 15% by 2024	Maintenance of security supply and prudent fleet management	Assessment report on the electricity generation reserve margin to evaluate whether 19% is sustained and produced	Four assessment reports on the electricity generation reserve margin to evaluate whether 19% sustained	Four assessment reports of Eskom's performance generation fleet	Achieved Four assessment reports of Eskom's performance generation fleet completed	None	None

Sub-Programme: Energy and Resources								
Outcomes	Outputs	Output Indicators	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	Actual Achievement 2020/2021 until date of re-tabling (as at 30 June 2020)	Reasons for deviations	Reasons for revisions to the Outputs/Output Indicators/Annual Targets
Supply of energy secured	Explore embedded generation (SSEG) options to augment generation capacity by 1000MW by 2024	Explore embedded generation (SSEG) options to augment generation capacity by 1000MW by 2024	None	None	2 progress reports on the additional embedded generation capacity added	Achieved 2 progress reports on the additional embedded generation capacity added completed	None	None
	Implementation of Eskom Roadmap commitments by 2024	Implement Eskom Roadmap for reformed electricity supply industry	None	None	2 progress reports on the implementation of the Eskom Roadmap	Achieved 2 progress reports on the implementation of the Eskom Roadmap completed	None	None

Strategy to overcome areas of underperformance

The Department is currently reviewing the Logical Planning and Monitoring Framework to improve the processes of key oversight monitoring tools and augment their effectiveness and reinforce adherence to the timelines associated to each instrument.

Reporting on the Institutional Response to the COVID-19 pandemic

None

Performance in relation to Standardised Outputs and Output Indicators for Sectors with Concurrent functions

None

3.3.3 Sub-programme: Transport and Defence

The Transport and Defence 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
- Monitors the rollout of Transnet's Capital Expenditure Programme, quarterly and annually, to assess any significant deviations from corporate plans, as well as potential cost overruns and time delays on major capital projects.

South African Express Airways SOC Limited

- Develops a strategic proposal for optimal group structure of the state-owned airlines, to assist in rationalising the structure and unify their operations
- Facilitates the review of commercial arrangements as and when required, to support the financial position of the company for 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 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 armaments companies in the context of high development costs, recognising the importance of having access to selected markets on an ongoing basis.



Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

Sub-Programme: Transport and Defence									
Outcomes	Outputs	Output Indicators	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	Actual Achievement in 2020/2021 until date of re-tabling (as at 30 June 2020)	Deviations from planned target to Actual Achievement 2020/2021	Reasons for deviations	Reasons for revision to the outputs/output indicators/annual targets
Improved governance and accountability	Approved SOC Shareholder Compacts	Number of Shareholder Compacts signed (Transnet and Denel)	Four Shareholder Compacts not signed (Transnet, SAA Express, SAA and Denel)	Four Shareholder Compacts not signed (Transnet, SAA Express, SAA and Denel)	Two 2021/22 Shareholder Compacts signed (Transnet and Denel)	Two 2021/22 Shareholder Compacts not signed (Transnet and Denel)	Two 2021/22 Shareholder Compacts not signed (Transnet and Denel)	The compacts were only due to be finalised in December 2020.	Outputs and output indicators were revised to align with the target
Promote operations' efficiency	Denel improved operational performance	Monitor Denel's contract execution to increase cashflow	Report on implementation of Denel's restructuring plan reviewed	Four reports on implementation of Denel's restructuring plan completed	Assessment reports on Denel's contracts to support cash flow targets	Assessment reports on Denel's contracts to support cash flow targets was not finalised	The assessment report on Denel's contracts to support cash flow targets was not completed due to entity financial challenges. The report was expected to be finalised in quarter 2	The focus was mainly on averting liquidity and credit risks facing the entity.	Outcomes, outputs, output indicators and annual targets were revised to focus on monitoring the implementation of the strategic initiatives aimed at refocusing the SOC
Increase access to affordable and reliable transport system	Long-term rail strategy linked to capacity plan	Alignment of Transnet Freight Rail (TFR) strategy with capacity plan	Increase in tonnage moved on rail to 330 million tons per annum (mtpa) by 2019 assessed	Increase in tonnage moved on rail to 235 mtpa by 2019 assessed	Inputs into the long-term rail strategy	Inputs into the long-term rail strategy were not submitted	The target was an MTSF target for which the Department is only expected to provide support	To align with the MTSF	Outputs and output indicators were revised to align to the MTSF

Sub-Programme: Transport and Defence									
Outcomes	Outputs	Output Indicators	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	Actual Achievement in 2020/2021 until date of re-tabling (as at 30 June 2020)	Deviations from planned target to Actual Achievement 2020/2021	Reasons for deviations	Reasons for revision to the outputs/output indicators/annual targets
Corporatise Transnet National Ports Authority (NPA)	Report on new NPA corporatisation strategy	TNPA corporatisation	None	None	A briefing memorandum on the inputs and progress required, if any	Briefing on inputs and progress report was not finalised	Summary of the impact assessment study was completed	Soliciting inputs from other stakeholders took longer due to the complexities and risks associated with the corporatisation of TNPA. An additional independent study was carried out to augment the original study.	Output and output indicators were revised to align to the MTSF
Improvement in General Freight Business (GFB) volumes moved annually to (three GFB Corridors: Natal Corridor; Cape Corridor; and South Corridor)	GFB volume and efficiency performance	Efficient performance in GFB corridor volumes	None	None	Four assessment reports on the increase in rail volumes and Rand/TKM	Assessment report on the increase of rail volumes and Rand/TKM was not completed	Assessment report on the increase of rail volumes and Rand/TKM was not completed due to consultation process with stakeholders that were still ongoing	Revised to align with MTSF as the Road-to-Rail strategy was prioritised. The target was subsequently removed during the revision of the APP	Outputs and output indicators were revised to align to the MTSF

Sub-Programme: Transport and Defence									
Outcomes	Outputs	Output Indicators	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	Actual Achievement in 2020/2021 until date of re-tabling (as at 30 June 2020)	Deviations from planned target to Actual Achievement 2020/2021	Reasons for deviations	Reasons for revision to the outputs/output indicators/annual targets
Improvement on rolling stock (locomotives, wagons) reliability and infrastructure maintenance	Report on reliability and infrastructure maintenance for rolling stock (locomotives, and wagons)	Assessment on kilometre track maintained and rolling stock reliability	None	None	Four assessment reports on the kilometre track maintained and rolling stock reliability	Assessment reports on the kilometre track maintained and rolling stock reliability was not completed	Assessment report on kilometre track maintained and rolling stock reliability was not completed due to consultation process with stakeholders that were still ongoing	The report expected to be finalised in quarter 2	The outcomes, outputs, output indicators and annual targets were revised to align to the MTSF
Percentage increase in port terminal equipment reliability	Improved port terminal equipment reliability	Assessment of port terminal equipment	Improvement on operational performance of sea ports and inland terminals from 28 to 35 average GCM/H by 2019 was assessed	Improvement on operational performance of sea ports and inland terminals from 28 to 35 average GCM/H by 2019 was assessed	Four reports on the port equipment reliability	Report on the port equipment reliability was not completed	Report on the port equipment reliability was not completed due to consultation process with stakeholders that were still ongoing	The report was expected to be finalised in quarter 2	Outcomes, outputs and output indicators were revised to align to the MTSF
Reliable, safe, effective, fully integrated and economically competitive land and marine (road, rail and port) system	Improved operations on the road, rail and ports precinct	Assessment of interface on road, rail and ports systems	None	None	Four assessment reports on the improvement of land and marine interface	Assessment report on the improvement of land and marine interface not completed	Assessment report on the improvement of land and marine interface not completed due to consultation process with stakeholders that were still ongoing	The target was subsequently removed during the revision of the APP	The target was removed to align to the MTSF

Sub-Programme: Transport and Defence								
Outcomes	Outputs	Output Indicators	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Target 2020/21	Actual Achievement 2020/21	Deviations from planned target to Actual Achievement 2020/21	Reasons for deviations
Improved governance and accountability	SOC implementation of agreed Key Performance Indicators	Number of Shareholder Compacts signed per (Transnet, Denel)	Four Shareholder Compacts not signed (Transnet, SAA Express, SAA and Denel)	Four Shareholder Compacts not signed (Transnet, SAA Express, SAA and Denel)	Two 2021/22 Shareholder Compacts signed (Transnet and Denel)	Not achieved Two 2021/22 Shareholder Compacts were not signed (Transnet and Denel)	Two Shareholder Compacts for Transnet and Denel were not signed	Delays in the signing of Transnet's 2019/20 Shareholder Compact affected the finalisation of the 2020/21 Shareholder Compact. Denel's Shareholder Compact could not be completed due to the dire financial constraints affecting the SOC.
	Improved sustainability of Denel	Progress report on implementation of the strategic initiatives to restructure Denel	Report on implementation of Denel's restructuring plan reviewed	Four reports on implementation of Denel's restructuring plan completed	Four quarterly progress reports on the implementation of the strategic initiatives to restructure Denel	Achieved Four quarterly progress reports on the implementation of the strategic initiatives to restructure Denel completed	None	None
Increase access to affordable and reliable transport system	Investment programme in rolling stock and rail infrastructure	Progress reports on rolling stock expansion and upgrade	None	None	Four progress reports on rolling stock expansion and upgrade	Not Achieved Two progress reports on rolling stock expansion and upgrade completed	Two progress report on rolling stock expansion and upgrade not completed	Prolonged engagement with various stakeholder delayed finalisation of the reports
		Final report on the Corporatisation of Transnet National Ports Authority (TNPA)	None	None	Four quarterly progress reports on the corporatisation of TNPA	Not achieved Three quarterly progress report on corporatisation of TNPA completed	One quarterly reports on the corporatisation of TNPA not completed	Engagement with various stakeholders took longer than anticipated and impacted the finalisation of the report

Sub-Programme: Transport and Defence								
Outcomes	Outputs	Output Indicators	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Target 2020/21	Actual Achievement 2020/21	Deviations from planned target to Actual Achievement 2020/21	Reasons for deviations
Increase access to affordable and reliable transport system	Improved port terminal equipment reliability	Assessment reports on port equipment reliability	Improvement on operational performance of sea ports and inland terminals from 28 to 35 average GCM/H by 2019 was assessed	Improvement on operational performance of sea ports and inland terminals from 28 to 35 average GCM/H by 2019 was assessed	Four assessment reports on port equipment reliability	Not Achieved Two assessment reports on port equipment reliability completed	Two progress report on port equipment reliability not completed	Prolonged engagement with various stakeholder delayed finalisation of the reports

Strategy to overcome areas of underperformance

The Department is currently reviewing the Logical Planning and Monitoring Framework to improve the processes of key oversight monitoring tools to augment their effectiveness and reinforce adherence to the timelines associated with each instrument.

The stakeholder engagement on various key targets of the Department will be strengthened to fast-track key deliverables that support the objectives of the Department.

The Department have mapped out primary data requirements and frequency to inform the Department oversight and monitoring on key performance indicators.

Performance in relation to Standardised Outputs and Output Indicators for Sector with concurrent functions

None

Progress on Institutional Response to the COVID-19 pandemic

None

3.3.4 Sub-Programme: Research and Economic Modelling

The Research and Economic Modelling Sub-Programme is responsible for the following:

- Appropriate macroeconomic modelling and research to enhance links between industrial policy, macroeconomic policy, and the role of SOCs in economic development
- Conducting socio-economic impact assessment as a result of SOCs' economic activities
- Conduct topical research to inform the development of policies and strategies.

Objectives

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

Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

Sub-Programme: Research and Economic Modelling									
Outcomes	Outputs	Output Indicators	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	Actual Achievement in 2020/2021 until date of re-tabling	Reasons for deviations	Reasons for revisions to the Outputs/Output indicators/Annual Targets	
Increase the contribution of SOCs to support transformation of the South African economy	Socio-economic impact assessment reports of SOCs' selected capital projects	Number of socio-economic impact assessment reports of SOCs' selected capital projects	One socio-economic impact assessment report of Transnet selected capital project produced	Socio-economic impact assessment report of Eskom projects completed	One socio-economic impact assessment report of selected SAFCOL capital project completed	One socio-economic impact assessment report of selected SAFCOL capital project not completed	The report expected to be finalised in March 2021	There were no revisions made	
	Industry-specific research	Number of industry-specific research processes conducted	Two macro-economic and industry-specific research processes conducted	Ten industry-specific research processes conducted	Five industry-specific research	Five industry-specific research not completed	The report expected to be finalised in March 2021	There were no revisions made	

Sub-Programme: Research and Economic Modelling								
Outcomes	Outputs	Output Indicators	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	Actual Achievement in 2020/2021 until date of re-tabling	Reasons for deviations	Reasons for revisions to the Outputs/Output indicators/Annual Targets
Increase the contribution of SOCs to support transformation of the South African economy	Socio-economic impact assessment reports of SOCs' selected capital projects	Number of socio-economic impact assessment reports of SOCs' selected capital projects	One socio-economic impact assessment report of Transnet selected capital project produced	Socio-economic impact assessment report of Eskom projects completed	One socio-economic impact assessment report of selected SAFCOL capital project completed	Achieved One socio-economic impact assessment report of selected SAFCOL capital project completed	None	None
	Industry-specific research	Number of industry specific research processes conducted	Two macro-economic and industry-specific research processes conducted	Ten industry-specific research processes conducted	Five industry-specific research	Achieved Five industry-specific research completed	None	None

Strategy to overcome areas of underperformance

None

Progress on Institutional Response to the COVID-19 pandemic

None

Performance in relation to Standardised Outputs and Output Indicators for Sector with concurrent functions

None

Programme expenditure

Sub-Programme: Business Enhancement	2020/21			2019/21		
	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	22 979	18 692	4 287	31 443	21 030	10 413
Energy Resources	56 011 700	56 010 568	1 132	49 015 722	49 013 553	2 169
Transport and Defence	21 374 749	21 311 881	62 868	7 620 807	7 619 180	1 627
Research and Economic Modelling	9 543	6 626	2 917	10 324	6 669	3 655
Total	77 418 971	77 347 768	71 204	56 678 296	56 660 432	17 864

Expenditure narrative

Expenditure on the programme amounts to R77.3 billion in the 2020/21 financial year compared to R56.7 billion in the 2019/20 financial year. The significant increase in expenditure is due to disbursement of funds to Eskom (R56 billion), SAA (R18.008 billion), SA Express (R143.4 million) and DENEL (R576 million), for Government guaranteed debt and implementation of the business rescue plan.

4. TRANSFER PAYMENTS

4.1 Transfer payments of Public Entities

The Department did not make any transfer payments to any Public Entity.

4.2. Transfer payments to all organisations other than Public Entities

None

5. CONDITIONAL GRANTS

5.1 Conditional grants and earmarked funds paid

None

5.2 Conditional grants and earmarked funds received

None

6. DONOR FUNDS RECEIVED

None

7. CAPITAL INVESTMENT

None





GOVERNANCE

PART

C

I. RISK MANAGEMENT

The Department successfully completed the development of the SOC Risk and Integrity Management Framework (RIMF) during the period under review. The RIMF builds on and complements the existing SOC Corporate Governance Practices by enhancing oversight practices regarding the Management of Conflict of Interest; the Management of Employees' and Board Members' Integrity Assessments; and Risk-based performance management in SOCs. Among others, the RIMF introduces employees' vetting and background check reforms that are designed to ensure the appointment of fit and proper persons into positions of authority in the SOCs.

Significant failures in integrity among officials in key positions of authority within SOCs, an absence of consequence management, and the repurposing of SOC's procurement systems have historically collapsed SOCs and caused reputational harm to the state. The RIMF will thus prohibit board members and employees from conducting business with their respective SOCs; and prohibit employees and board members from accepting gifts from companies doing business with the SOCs. These reforms are introduced with the intent to ensure that those entrusted with the positions of authority in the SOCs do not act in a manner that infringes the legitimate interest of the SOCs and the State.

The country declared a national disaster as a result of the covid-19 pandemic. Against this, the department strengthened its oversight on SOCs by monitoring the use of funds allocated for emergency procurement initiatives in order to ensure that they are spent consistent with relevant prescripts.

The Risk Management Unit facilitated the process of

implementing the department's risk management policy and framework. This culminated in the identification and documentation of risk that are directly linked to the Department Annual Performance Plan. The risks were monitored quarterly to establish if the mitigation plans are effective and to also identify emerging risks. The department started the review of the ERM Policy, ERM Framework; and the determination of the Risk Appetite Statement to improve its risk management practices.

The operations of the department were also affected by the impact the covid-19 pandemic. As result, the predetermined objectives were evaluated against the possible impact of the national disaster on the department's ability to meet its targets as initially planned. Measures were put in place to ensure that the operations are maintained in line with the desire to meet the expectations of stakeholders affected by the work of the department. The review of Business Continuity and Disaster Recovery Plans commenced in order to take into account the lessons learned from the impact of the pandemic on the department's operations. The work will be completed during the 2021/22 financial year.

A new Audit and Risk Committee assumed its responsibilities during the course of the 2021/22 financial year. Among its immediate recommendations has been the need to establish the maturity level of the organisation's risk maturity, with particular emphasis in ensuring that risk management is fully integrated into the day-to-day decisions made by management. Against this, the Risk Unit initiated a comprehensive assessment of the organisation's risk culture and improvement plans will commence in the 2021/22 financial year.

2. FRAUD AND CORRUPTION

The Department is committed to zero tolerance towards fraud and corruption as guided by the prescripts applicable to Government. Anti-corruption and fraud prevention efforts are guided by processes developed to eradicate all forms of malfeasance, which are outlined in:

- The Fraud and Corruption Prevention Policy.
- The Fraud and Corruption Prevention Plan (highlighting the need for prevention, detection, investigations and resolution of identified acts of corruption).
- Standard Operating Procedures on Investigations.
- Whistleblowing Policy.
- Fraud and Corruption Implementation Plan (integrating various stakeholders within the Department mandated with promoting an ethical culture).
- The Fraud Risk Assessment Tool (identifying and documenting potential risk areas and internal controls to be implemented).

The Department embodies principles that seek to promote good ethical conduct, zero tolerance, education and awareness,

and effective monitoring through combined assurance initiatives. During the period, a fraud risk assessment was conducted to identify areas of the business that are susceptible to fraud and corruption. The risks identified were monitored regularly by management to establish the effectiveness of the mitigation strategies.

The impact of COVID-19 necessitated emergency procurement across Government. To this end, a COVID-19 Committee oversaw procurement of goods and services in response to the pandemic, to ensure the related procurement initiatives were consistent with applicable laws. Details concerning these procurement procedures were published on the Department's website, as part of its commitment to transparency and accountability in the management of public funds.

The Department maintained a process designed to enable the ease of blowing the whistle on irregular acts. This includes the maintenance of whistle-blowing boxes and a hotline, which are meant to enable officials to anonymously report suspected acts of fraud and corruption without revealing their identity.

3. MINIMISING CONFLICT OF INTEREST

The Department has established control mechanisms to deal with conflicts of interest. All members serving in bidding committees are required to disclose their interests. This creates awareness for members of their duty to be honest in their dealing with matters that have the potential to create conflicts of interest. In awarding tenders to successful bidders, the Department undertakes verification processes to determine if any departmental officials have an association with the service providers, through the Companies and Intellectual Property Registration Office.

Members of senior management are required to disclose their business interests, which are verified against the Companies and Intellectual Property Registration Office records. In addition, all employees are required to apply for permission to perform remunerative work outside of their employment with the Department, as per the requirements of the Public Service Act, 1994 (as amended) and Public Service Regulations, 2016 (as amended).

4. CODE OF CONDUCT

The Department conducted compulsory training for all employees on the Code of Conduct for the Public Service for SMS and Consequences Management. Corrective measures were applied where applicable, in line with the Disciplinary

Code for the Public Service. Compulsory training on the Code of Conduct for the Public Service for Non-SMS is scheduled for 2021/22.

5. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

Most of the challenges in the new building that led to the Department undertaking a comprehensive assessment of the building have been addressed. Shortcomings relating to OHS (Occupational Health and Safety) identified by the Department of Labour during an inspection of the building in the previous

year have been addressed. A fully functional OHS Committee is now in place, with trained members. A Departmental COVID-19 Committee was appointed to specifically address matters relating to the pandemic and ensure adherence to DPSA Guidelines within the Department.

6. 2020/21 FINANCIAL YEAR PORTFOLIO COMMITTEE MEETINGS

DATE	AGENDA	MATTERS RAISED BY THE PC	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
06/05/20	Briefing by the Minister, on the latest developments in SOEs	What is the new model of SAA and how is to be funded? Who are the people interested in buying SAA? How is Eskom during the Covid 19 lockdown, managing to keep the lights on? The PC appreciated the Transnet Phelophepa train operations in some provinces, in assisting with the Covid 19 testing.	The business rescues process was still underway and its finalisation would guide the way. Consideration is being given to all those interested and the successful equity business partner will be announced in due course. There was less consumption given the business closures.
20/05/20	Briefing by the Department, on its Annual Performance Plans	The strategic plans seem too quite on entities. Concern about the many acting senior management positions. Rumours about the possible return of the Nuclear Power, which is way too expensive. What is being done in terms of the skills retention, especially in Denel? Why did DPE not oppose the liquidation of SAX? Why is there no mention of the Shareholder Bill? If the BRP report is not yet finalized, is there hope that they are of any assistance	These were strictly departmental plans as all SOCs have their own corporate plans and targets in the shareholder's compact will be revealed in their Annual Reports. More of the work is halted by the lockdown and as soon as it is lifted, this will be prioritized. The competent authority to respond to that concern would be the DMRE. Denel is doing well in terms of its statutory obligation and is only counting on its Senior Management to turnaround from the current fiscal frustration. The difficulty was to come up with a plan to save the airline and therefore DPE sought the legal advice on the merit which was not discouraging the liquidation. DPE had to reprioritize given the very limited resources. DPE committed that once the lockdown is lifted, the new SAA will be amongst those to fly the skies.

DATE	AGENDA	MATTERS RAISED BY THE PC	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
27/05/20	Briefing on Alexkor: forensic investigation and the future of the entity	The meeting welcomed the report and also supported the proposal to relocate the Head Office to Alexander Bay, in order to save the R2,3 million cost. The committees also expressed concern over the capacity of the DPE to process the administrators' report and delays thereof. The committees requested DPE to liaise with them about the PSJV's future and effectively involve other stakeholders to ensure the socio-economic impact on the community.	DPE assured the committees that it is well resourced to deal with Alexkor issues and that it has already dealt with governance challenges and currently attending to operational performance wheels of the entity. This is an ongoing process which is also dependant on DLRRD
03/06/20	Briefing on Eskom: its recovery plan and progress on the unbundling process	Given the dependency on government support, how will Eskom afford 3 entities with their Exco's? Cloud of alleged corruption against the COO, what is the status quo? For how much was the unbundling process going to save Eskom? How is Eskom dealing with the issue of retirees who volunteered to come back and balancing it with the fact that there is need for unemployed youth to get the necessary exposure? What is the progress in recovering R28 billions owed by municipalities? What is being done to recover monies lost due to corrupt individuals?	There were no new employees hired for these entities and therefore no financial increments. The restructuring process itself was a well-known and proven method to save costs, and the benefits thereof will soon be realized. That process was on hold but Eskom promised to take demographics into serious account and would definitely fill the pipeline with young people. The disputes between these municipalities and Eskom, seem to prolong payments but Eskom will soon submit a report in this regard, and would first need to verify compliance with regulations. Most of these cases are before the Zondo commission and may take sometimes to know what will finally happen, but the department is following on the culprits and will act within the law.
10/06/20	Briefing on Safcol: update on its implementation of the turnaround plan and the diversification programme	What are Safcol's plans to reduce irregular expenditure? How many land claims were finalized and transferred to communities? How is Safcol dealing with the youth unemployment? With de-registration of 5 subsidiaries, what was the impact on the job losses? In terms of relocating staff, how are consultations taking place? With regard to the 2 fatalities, what was the cause? How is the company's looking, would you be needing government's bailout in the near future? What are your export market plans? What is Safcol doing to attract black females to its top management? How far are the investigations regarding the corrupt staff?	Strengthening of internal controls, consequence management and training of all staff. This was the competence of DLRRD but the money for this project was ring-fenced. The entity is passionate about youth and assured the meeting that it would create opportunities especially within the diversification projects. Safcol did apply from the UIF and this would take care of employees who were not get paid during the lockdown period. The trade unions are engaging with the management team and working comfortably from a point of mutual respect. The fatalities were due non-compliance with health and safety policies, which the company had revamped to ensure safety as a matter of priority. No, the company has equity reserves of approximately R3 billions and the balance sheet is strong. The intention is to create a revenue mix and the indications are that the company could come to fruition. The company is busy transforming internally and the female representation is in the pipeline. Out of the 24 investigations, 10 were found not guilty, 3 dismissed and rest would still be concluded.

DATE	AGENDA	MATTERS RAISED BY THE PC	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
17/06/20	Briefing on Denel: update on the implementation of its turnaround plan	Does the company have ability to pay salaries and meet its contractual obligations? What are the risks involved in trading with Yemen, Syria and Lybia? What are you doing to increase localization in the business? What were the reasons for outsourcing audit work and did you use consultants for the development of the turnaround strategy?	A decision was to be taken on payment of June salaries, as the company was still not generating the required revenue. Denel is experiencing difficulties with Armscor on some deviations. The company had no business with the middle east countries. In terms of revenue, Denel is having a 50/50 dependency on local and international market. The outsourcing was due to weak internal controls and the aim was to get an independent specialist to address all the AG's queries.
24/06/20	Briefing on the Independent Electricity Management Operator Bill (IEMO)	The joint committees of Public Enterprises and Mineral Resource & Energy, needed to hear inputs by DPE and Eskom on the proposed Bill	The resolution was for both DPE and Eskom to be given sufficient time to prepare and have both the Ministers responsible, forming part of the next meeting to be rescheduled.
08/07/20	Briefing by DPE, on its adjusted Budget for 2020/21	The incapacity of the department, especially with vacant critical positions (e.g DG). There is no evidence to demonstrate the fight against Covid 19. The concern about the use of consultants. Will the impact of this budget cut lead to retrenchments?	The pandemic had delayed the process of finalising the appointment of the DG but this would soon be done. There are programmes entrusted in SOCs, to deal with Covid 19 (e.g. Transnet Phelophepa train and Denel's invention of electronic ventilators). The consultants are only used in specialised skills which cannot be found within the department. The department was not intending to retrench nor to offer several packages, but rather spend wisely in trainings for the youth, for exposure to work they intend doing.
15/07/20	Consideration and adoption of the Adjusted Budget Report	Internal process which does not require the department	None
31/07/20	Consideration of petition from the Jamestown community (on Eskom)	The meeting noted that discussions between the municipality and Eskom were at an advance stage and had it not been by the Covid 19, this matter could have been concluded as the two parties had already agreed in principle. And it was premature for Parliament to be petitioned in this regard.	The municipality and Eskom should go back to the discussion table and expedite the transfer of power and maintenance of the street lights.
19/08/20	Briefing by DPE: progress made in addressing governance challenges in SOCs	Concerning state of Alexkor, both financially and governance. How is Denel going to be assisted to stabilize? What has been done for professionals who are allegedly sacked for exposing corruption? Does DPE have capacity to ensure that infrastructure development reach desired outcomes and benefits for the country? What are the timeframes for the appointment executives, both in DPE and SOCs? What are plans to increase capacity at our ports?	The turnaround of all SOCs is a long process which requires support of all stakeholders, with the necessary skills. Denel has been depending on exports and international customers, no local support. The department will present demographics of the executives that have been appointed across all SOCs. Loadshedding is part of the long term programme to stabilize power generation. Municipalities are not investing adequately on their distribution networks and hence most communities end up illegally connecting themselves.

DATE	AGENDA	MATTERS RAISED BY THE PC	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
25/08/20	Briefing by DPE on the Independent Electricity Management Operator Bill	The Bill is contradictory of the restructuring at Eskom and should not be entertained. It further proposes privatisation of transmission and distribution, which will have serious impact on the price of electricity. The Bill seems to prioritize metropolitan areas and overlooking the developmental mandate of electrification in rural communities.	None, the department emphasised the point that this was a policy matter which fell under DMRE and it could only express its view as DPE.
02/09/20	Briefing by Transnet, on the financial and governance challenges facing the company	What is the issue around the MNS contract, monies received by the Chairperson? Concern about the advertising for sale of non-core assets. What is being done to protect the whistle-blowers and how many employees are to appear before the Zondo commission? Clarity on the appointment of the security company and its contractual conditions. How many litigation cases before the courts? What informed the decision lease laptops instead of buying them for employees?	Many initiatives have been implemented to save costs. Due to the increase in cable-theft incidents, the company has also introduced new technological interventions. The register of civil matters and litigation cases that the company is ceased with, will be sent to the committee. The leasing of laptops was due to inability to secure suppliers during the Covid 19 period, however, the company is in the process of finalising the purchase. There is a need to ensure the containers adhere to schedule, and also improve the turnaround time at the ports, as that will improve the efficiency and the cost of shipping.
14/10/20	Briefing by DPE, on the 3rd and 4th quarter financial performance and SOC's service delivery performance.	Concern about most of shareholder compacts not being signed, what is the AG's view in this regard? The exodus of 80 Denel engineers to private companies, what is being done to retain key skills? What tax incentives are in place for private power generation? What were reasons for deviations of targets in 3rd and 4th quarters? The SAA funding, from where is it expected to come? What is DPE doing to protect whistle-blowers? Given that some SOC's are facing liquidation or business rescue, what is being to avoid this for other SOC's? What consequence management measures are in place to address fraud, corruption and the routine of non-attainment of targets in SOC's?	The negative impact of the pandemic is a reality which caused the global economy to slow down. And where there were challenges of liquidity, non-performing or delinquent boards, this led to shareholder compacts not being signed. The tax incentives for private power generation is the competency of DMRE. DPE welcomes reports of alleged victimisation of the whistle-blowers and these would be properly investigated. The appointment of new Executive Committees and Boards is yielding results (SAFCOL is an example). With regard to lack of consequence management, the department would submit a comprehensive report on actions taken and progress thereof.
21/10/20	Briefing on the funding and governance challenges facing Denel	What are the contributing factors of this decline from 2016 to date? Where is the turnaround plan with timelines to deal with the problems? Given the exodus of personnel, what retention strategy is in place? What is your ability to deliver on existing contracts? What are the plans to pay full salaries? How is Denel's relationship with other SOC's?	Contributing factors include lack of internal financial controls, poor supply chain and programme management. Despite the liquidity challenges, some clients still have appetite in doing business with Denel and some divisions within the company can still be turned around. The exodus of personnel is also due to lack of career growth and we intend stabilizing the company with R&D. In an effort to increase revenue, Denel is moving its defence capabilities from traditional to asymmetric warfare is working on an integrated system with SAPS.

DATE	AGENDA	MATTERS RAISED BY THE PC	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
04/11/20	Briefing by DPE on its 2019/20 Annual Report	With regard to fruitless and wasteful expenditure, are there controls in place now to detect other problem areas? Concerns over the non-achievement of the SOEs. What is DPE doing to help the ailing SAE and Denel?	DPE is doing relatively well with internal controls and was doing a lot of clean ups on historical contracts, where wrongdoing was being identified. There are some good works happening in the entities, despite some issues they faced. The DPE was working hard on the issues around Denel, and had appealed to various forums within government. It had challenged the management of Denel to create awareness that it had an order book seeking innovative partnerships in order to ensure that this order book was executed, and that the people were kept busy. The Department expected it to help itself while waiting for assistance. On SA Express, the liquidators had announced their preferred purchaser of the business. There were some legalities involved, but the Department should hear from it in due course as the other airline got back up in the air. The staff had taken their future into their own hands as they were part of a consortium that was poised to purchase this particular business, and this was something that should be commended, because it showed worker empowerment at its best.
11/11/20	Briefing by DPE on the forensic investigation report at Alexkor	What are the timeframes for the implementation of the turnaround strategy? What are the factors hindering the transfer of land and township to the municipality? Has the illegal mining problem been resolved? Why are irregularity matters being referred to Zondo commission for further investigation, instead of reporting them to law enforcement agencies? What action will be taken against Members of the Tender Committee, for their irregular decisions?	After deeds of settlement, the CPA was established, compromising of eight different companies. The company has been divided and does not have a legitimate structure to represent its interests at PSJV. Illegal mining continues to be a problem which poses security challenges but DMRE is working on strategies to curb this illegal activity. There are cases that have been opened with SAPS in Kimberley. The Committee of Directors General has been set up and will be dealing with strategies to recoup monies that have been stolen.
18/11/20	Briefing by Transnet on its 2019/20 Annual Report	Concern as to why the irregular expenditure dating back to 2012 was only discovered recently? Appreciated the fact that action has been taken to hold those implicated in malfeasance accountable. Concern regarding lack of corrective steps taken to prevent fruitless, wasteful and irregular expenditure, as highlighted by the AG. Clarity on the detail of the capital expenditure programme and private participation.	Transnet has established a process where all divisions submit monthly reports to monitor compliance with the PFMA and that there are no incidents of fruitless and wasteful expenditure going forward. The entity will be intensifying efforts to ensure recovery of losses and follow up with law enforcement agencies for consequence management. The framework for private sector participation includes sharing both the risks and rewards. The R&D unit of the company is investigating ways of developing local manufacturing industries. There is collaboration between Transnet and PRASA to improve security of the rail infrastructure.
25/11/20	Briefing by Eskom on its 2019/20 Annual Report	How is the company addressing challenges highlighted in the report? An update on the resolution of the municipal debt. Concern over the growing costs of Medupi and Kusile power stations. Clarity on whether Eskom experienced any inflated prices during the Covid 19 emergency procurement. What is the impact of Nersa tariff determination on the revenue?	The audit finding related to non-disclosure of the former Board Chairperson in the tender process. There are ongoing engagements with the communities to address illegal connections. A political task team led by the Deputy President is meeting regularly to deal with the municipal issues. About R280 million would be spent for each of six units of Medupi and Kusile, however, Eskom and Hitachi will share the cost at 50% each. There are no reported irregularities related to the procurement of PPE.

DATE	AGENDA	MATTERS RAISED BY THE PC	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
26/01/21	Consideration and adoption of minutes and 1st Term PC Programme	Internal PC process which does not require the department	None
03/02/21	Briefing by DPE on progress made in addressing challenges facing state-owned companies (update on the work of business rescue practitioners of SAA and SA Express Airways, update on companies that have not tabled annual reports; update on impact of COVID-19 on the department and SOCs	A need for the Minister to engage the Committee on the economic environment within which state-owned companies operate. Is there progress by SOCs, in adhering to NT conditions to the guarantees? Urged for the unbundling process to be fast-tracked and what is the private sector's role? A concern about the impact of job losses at SAA and SAX. How far is the BRP process and how much has it cost the state? What is the progress regarding the relocation of the Alexkor head office to Alexander Bay?	A lot has been done to recover monies lost through corrupt and unlawful contracts. Eskom has developed stricter standard operating procedures with consequence management for executives and power stations managers. When SAA and SAX went into their current situation, DPE and the Boards lost powers over decisions on operations and management but are working closely to finalize these processes. With regard to the appointment of strategic equity partner, details and names of companies cannot be mentioned as it is not in the interests of commercial processes. The lease agreement for Alexkor is ending 31 August 2021 and there is no intention to renew it.
17/02/21	Briefing by the Minister and Eskom on the impact of coal prices, load-shedding, cost plus mines, electricity tariffs and escalating costs of Medupi and Kusile on the security of electricity supply and performance of the company; and update on the Kusile employee accommodation saga	Clarity on the coal quality and which contracts are being reviewed? Proposal to visit Medupi and Kusile to assess progress to date and the guarantee that no additional funds will be required. Concern about the irregularities related to Wilge Residential project and what is being done to recover monies wasted. Why are the long term IPP contracts more expensive? How is Eskom intending to address fruitless, wasteful and irregular expenditure? The objective to reduce debt by R200bn, what is the progress in this regard? How is Eskom down managing high municipal debt? On poor project management, all the delays, budget deviations and failed projects, are as a result of this. How is Eskom addressing findings and concerns raised by the rating agencies?	Coal quality impacts significantly on power generation and Eskom plans to establish an inland coal terminal to assist in this regard. The current approved budget should be enough to complete both and no need for additional funds. The Wilge saga is disappointing especially to have taken this long to resolve, Eskom is dependent on law enforcement agencies to arrest suspects. The SIU is pursuing R78 million in civil claims. IPP contracts from rounds 1 and 2 should be renegotiated and indeed they were more that it would cost Eskom to produce by itself. Eskom is in the process of recovering monies that have been misappropriated and recovery attempts will continue as more cases of malfeasance are being discovered. The first agreements with distressed municipalities have already been made and political task teams are also working on addressing the legacy debt. Indeed, the Medupi and Kusile are examples of poor project management and Eskom accepted the responsibility of poor planning which resulted in significant slippage and over-spending.
24/02/21	Briefing by Denel on its 2019/20 Annual Report	Continuous financial challenges at Denel are worrisome, why are government departments (e.g. SAPS) not supporting this entity? Concern about the net loss of R1,9 billion, and the fact that most units within the company cannot meet their targets. Concern about the high turnover rate, especially of key skills. How far is Denel in securing orders which were once reported as opportunities? How is Denel responding to issues raised by the AG?	There is a weakness in the finance management system and the board has applied for capital to invest in a system that would prohibit manipulation of figures. There are number of contracts with Armscor, which Denel is working on and could turn its financial situation around. PMP and Mechem are not performing optimally and there are consultations with stakeholders for diversification and selling of non-core assets. There is generally a slow process of securing approval for deals, which led to loosing on a R6bn contract that could have been the biggest in the history of Denel. Denel has been implementing recommendations of the Auditor-General and consequence management for employees who were alleged to have been involved in any wrong doing.

DATE	AGENDA	MATTERS RAISED BY THE PC	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
03/03/21	Briefing by DPE and DLRRD on and update regarding deeds of settlement obligations.	Noted with concern that DLRRD was not recognizing the "interim committee" and alleging that it was causing confusion amongst the stakeholders. Exactly what has been done to sort out the infighting within the community groups? Concern that the Richtersveldt community continues to suffer whilst the mining operations continue as normal.	The DLRRD explained that as soon as the membership list is adopted, all other things will be expeditiously achieved. The Administrator was appointed in Feb 2020 and due to Covid 19 restrictions, only visited the area in Oct. Membership list finalization is the priority and all other processes leading to the election of CPA Leadership will follow. The community has more than R350m in a trust to assist the community with development, in addition to the R45m. Alexkor is assisting the community with farming necessities and other economic activities.
17/03/21	Briefing by Safcol on its 2019/20 Annual Report.	What were the obstacles that hindered achievement of key performance targets? What progress has been made in resolving land claims and which contracts led to irregular expenditure? What action has been taken against those responsible for fruitless and wasteful expenditure? Safcol leadership is commended for the positive improvement in governance and financial performance of the company. The company should consider expanding its capabilities to produce basic furniture for schools, hospitals and other state necessities that depend on timber.	The company took a decision to transform the way it created revenue to make it more sustainable, in the process it affected 3 other KPAs that were dependent on revenue. The issue of land claims is not only seen as risk but rather an opportunity to engage and partner with communities in further benefiting from the forests. Safcol provides the necessary training and technical support to the communities, in ensuring that their businesses are successful. The irregular expenditure was due to customer cut contract which had come to an end and action has since been taken against those responsible. In diversifying the revenue streams, there are legislative impediments which prohibit Safcol from being the supplier of choice for the state in terms of desks for schools or any other furniture needed for service delivery. There is a need to inculcate a culture of using wood as an alternative building material. There are plans in place to build the Safcol headquarters in wood, in order to showcase the capabilities and the effectiveness of timber structures.

7. 2020/21 FINANCIAL YEAR SCOPA RESOLUTIONS

RESOLUTION NO.	SUBJECT	DETAILS	RESPONSE BY THE DEPARTMENT	RESOLVED (YES/NO)
1.	SAA business rescue process	An update on the latest developments, since its last joint meeting with Public Enterprises in Feb.	Government was not in the position to accept liquidation as an option and the BRPs needed to conclude their work by producing a credible business plan with different possible options, for a viable and solvent business that is to emerge.	Yes
2.	SAX liquidation process	An update on the liquidation process.	DPE as the first line of oversight, has to ensure that the best people are appointed to the board of directors and executives in all its SOEs and this had not been case with SAX and hence it's in this position. We are faced with an entity that has clearly failed and it's unfortunate that it has impacted on people's livelihoods.	On-going

RESOLUTION NO.	SUBJECT	DETAILS	RESPONSE BY THE DEPARTMENT	RESOLVED (YES/NO)
3.	Eskom: Medupi and Kusile projects	Progress on recommendations made following the oversight visit to Medupi and Kusile	A comprehensive presentation was made on all the recommendations and follow-up questions for clarity were also entertained. Eskom would also provide to the committee, a list of ownership of companies involved in over-payments and list of corruption and criminal cases.	Yes
4.	Eskom: 2019/20 and 2020/21 deviations and expansions	Review of Eskom's annual report 2019/20 and SIU investigations, deviations and expansions.	A comprehensive presentation was made by Eskom, covering all these issues.	Yes
5.	Eskom: inquiry into allegations against the GCE	The committee received correspondence from the suspended CPO, which levelled serious allegations against the GCE	DPE reported that Eskom would establish an internal council to process this matter and revert back to the committee once concluded.	Yes
6.	Transnet: 2019/20 deviations and expansions	Review of Transnet's annual report 2019/20 and SIU investigations, deviations and expansions	Transnet is at the centre of State Capture and DPE is impressed with progress made in that regard, and efforts by the new board, to recover wasted funds. A comprehensive presentation was made on all deviations and expansions.	Yes
7.	Denel: 2019/20 deviations and expansions	Review of Denel's annual report 2019/20 and SIU investigations, deviations and expansions.	A presentation was made, covering all these issues. Denel also informed the committee that the turnaround plan was still under construction. Once finalized, it would be taken to the board and then to the Minister for approval. The turnaround strategy needed to take many factors into account.	Yes

8. PRIOR MODIFICATION TO AUDIT REPORTS

Nature of qualification, disclaimer, adverse opinion and matters of non-compliance	Financial year in which the matter first arose	Progress made regarding the clearing/resolving of the matter
Material misstatement relating to disclosure for error in prior period, including related parties, and impairment of investments	2019/20	The disclosure notes have been correctly reported in the 2020/21 Annual Financial Statements
Material misstatements in the annual performance report	2019/20	Management corrected the misstatement

9. INTERNAL AUDIT UNIT

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 independent, objective assurance and consulting services on governance, risk management and control processes, to ensure these controls are adequate and effective in helping the Department achieve its objectives. The purpose, authority and responsibility of IAA is stated in the Internal Audit Charter, which is endorsed by the DG and approved by the ARC.

The Chief Audit Executive reports administratively to the DG and functionally to the ARC.

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

9.1 Internal Audit objectives and key activities

The IAA, through engagement with internal stakeholders (DPE SMS), the Audit and Risk Committee and the Auditor General of South Africa (AGSA), developed a comprehensive three-year rolling initiative, incorporating an annual plan that was approved by the ARC. The IAA executed risk-based audit engagements in accordance with the annual plan. The following are reviewed: Financial Management; Supply Chain and Asset Management; Departmental Planning Review (Strategic, Annual Performance Plan and Operational Plan); Performance Information Review; Transnet Related Review; Audit Follow-Ups (AG Management Report); Review of the Office of the DG; Eskom Related Review; Governance and

Legal Assurance; Business Enhancement Services; and Financial Assessment and Investment Support; A High-Level Review of Draft Annual Financial Statements and Annual Performance Report (Financial Statements) are also undertaken. The IAA provides recommendations to management with regard to governance, risk management and control processes. A follow-up on agreed management action plans is carried out, using the implementation date provided by management. The IAA also provides management advisory services when requested and prepares and reports quarterly to the ARC on progress against the approved annual audit plan.

9.2 Summary of audit work completed

The IAA successfully completed 79% (15 out of 19) of the audit assignments as set out in the approved IAA Annual Audit Plan. The IAA continues to increase its audit coverage, in line

with newly identified (emerging) risks, management and ARC requests.

10. Audit and Risk Committee

The Department has established its Audit and Risk Committee in line with Section 77(c) of the PFMA of 1999. The ARC is an oversight body, providing independent, neutral and objective evaluations on the governance, risk management

and control processes of the Department. Their mandate and responsibilities are clearly defined in the Audit and Risk Committee charter and four ARC meetings were convened for the year under review.

10.1 Audit and Risk Committee objectives and key activities

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

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

10.2 Audit Committee meetings by Audit Committee members

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)	- Master's Degree in Business Administration (MBA) - Executive Leadership Programme - Post-Graduate Diploma in Business Administration (PDBA) - Graduate Diploma in Company Direction (GD CD) - National Higher Diploma: School of Science - National Diploma: School of Science	External	01 November 2015	October 2020	2/2
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	01 April 2014	Contract expired 31 July 2020	1/1
Ms Doris Dondur (Current Chairperson)	- Chartered Director CD(SA) - Bachelor in Accounting - Honours B.Compt - Certificate in the Theory of Accounting - Honours in Business Administration - MBA - Certificate in Labour Relations - WITS International Executive Development Programme - Gaming Executive Development Programme	External	29 September 2020	N/A	3/3

Name	Qualifications	Internal/ external	Date appointed	Date Resigned	No. of Meetings attended
Mr. Nala Mhlongo	- Chartered Global Management Accountant (CGMA) - Chartered Management Accountant (CMA) - Chartered Accountant CA(SA) - Advance Taxation Certificate - B.Com - B.Com (Hons)	External	29 September 2020	N/A	3/3
Ms Margaret Phiri	- Chartered Accountant CA(SA) - CTA/B.Compt (Hons) - B.Com Accounting	External	29 September 2020	N/A	2/3
Mr. Shami Kholong	- BA (Law) - LLB (Bachelor of Law) - BA Honours - Project Management Certificate - Certificate in Corporate Governance - Masters in Business Leadership - Certificate In International Commercial Arbitration - Certificate in Construction Adjudication	External	29 September 2020	N/A	3/3
Mr. Sathie Gounden	- B.Compt - Higher Diploma in Accounting - Chartered Accountant CA(SA) - Chartered Director CD(SA) - Certificate in Forensic Accounting and Fraud - Graduate of the Chartered Secretaries Institute - Executive Leadership Development Institute - Accredited Mediator	External	30 November 2020	N/A	1/1

II. AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee (“the Committee”) is established as an independent statutory committee in terms of the Public Finance Management Act (PFMA). The Committee functions within approved terms of reference and complies with relevant legislation, regulation and governance codes.

The Committee submits this report for the financial year ended 31 March 2021, as required by the Treasury Regulations 3.1.9 and 3.1.13 (b) and (c) issued in terms of sections 38 (1) (a)(i) and 76(4)(d) of the PFMA.

AUDIT AND RISK COMMITTEE MEMBERSHIP

The Committee consists of five Independent Members and is chaired by Ms Doris Dondur. All members have been newly appointed during the second half of the financial year under review.

The Committee is required to meet at least four times per annum as per its approved terms of reference. Four (4) meetings were held for the financial year ended 31 March 2021.

AUDIT AND RISK COMMITTEE RESPONSIBILITY

The Audit and Risk Committee is satisfied that it has complied with its responsibilities as outlined in Section 38(1) (a) of the PFMA and Treasury Regulation 3.1. The Committee also reports that it has adopted and reviewed formal terms of reference as its Audit Committee charter, and has discharged all its responsibilities as contained therein.

The Committee has to date not yet met with the Executive Authority and has hence not been able to raise issues of which could impact on the organisational performance and the spending of the budget.

THE EFFECTIVENESS OF INTERNAL CONTROL SYSTEMS

The PFMA requires the Accounting Officer to ensure that the department has and maintains effective, efficient and transparent systems of financial, risk management and internal control, whilst it is the Committee's role to review the effectiveness of internal controls and oversee risk management. Reviews on the effectiveness of the internal controls were conducted and they covered financial, operational, compliance and risk assessment.

In line with the PFMA, Internal Audit provides the Committee and management with reasonable assurance that the internal controls are appropriate and effective. This is achieved by evaluating internal controls to determine their effectiveness and efficiency, and by developing recommendations for enhancement or improvement. Our review of the findings of the Internal Audit work, which was based on the enterprise risk assessments conducted at the department, revealed certain short comings in mitigating those risks, which were brought to the attention of the department.

Through our analysis of the audit reports and engagement with the department we can report that the system of internal controls for the period under review was not entirely adequate and effective in improving the control environment and to reduce the risk to an acceptable level.

RISK MANAGEMENT

The Risk Management Policy and Strategy for the department are currently under review to ensure that they comply with the National Treasury Framework for managing risks.

The Strategic Risk Assessment for 2020/21 had not been concluded as at the end of the financial year. Consequently, the Risk Assessment report including the risk register were not approved by the Accounting Officer and only tabled at the Audit Committee for endorsement after the financial year end.

The department does not yet have a functional Risk Management Committee. Once such internal Committee is established, the Audit and risk Committee will in future be able to comment on the effectiveness of Risk management within the department which must be aligned to the organisational objectives and performance of the department.

The Committee concluded that management must take risk management seriously and embed the culture in their day-to-day activities to ensure that the strategic objectives of the department are achieved.

As part of integrated reporting and to compliment and improve risk management, the department has adopted a Combined Assurance Model aim at providing a basis for identifying areas of potential assurance gaps by bringing identified specific level of assurances to ensure that all risk gaps are dealt with accordingly and provide better co-ordination of assurance providers' activities which in turn will:

- reduce the risk of assurance “fatigue”;
- Highlight areas of duplication; and
- Create opportunities for cost savings.

This will enable the Audit and Risk Committee with a much better basis for exercising its oversight in future financial periods.

THE EFFECTIVENESS OF INTERNAL AUDIT

Internal Audit is responsible for reviewing and providing assurance on the adequacy and effectiveness of the internal control environment across all of the significant areas of the department and its operations.

The Committee is responsible for ensuring that the department’s internal audit function is independent and has the necessary resources, skills, standing and authority within the department to enable it to discharge its responsibilities effectively. The Committee remains concerned about the capacity within the internal audit unit but the discussions in this regard are on-going with Management.

The Committee reviews and approves the Internal Audit Plan annually. Internal audit’s activities are measured against the approved internal audit plan and the Chief Audit Executive tables progress reports in this regard to the Committee.

A periodic annual assessment for the 2020/21 financial year was conducted in accordance with the IIA standards and the Internal Audit Methodology on the following audits:

- High Level Review of Annual Financial Statements (2019/20)
- Annual Performance Review (2019/20)
- Performance Information Review (Quarter 4 of 2019/20)
- Strategic Planning Review
- Performance Information Review (Quarter 1 of 2020/21)
- Follow up Review – Energy and Resources
- Covid-19 Risk Compliance Audit Review
- Follow up Review – Transnet Related
- Follow up Review – Financial Assessment and Investment Support
- Performance Information Review (Quarter 2 of 2020/21)
- Performance Information Review (Quarter 3 of 2020/21)

In the year under review, the Internal Audit Activity developed and implemented a risk based strategic and operational coverage plan that encompassed the following areas:

Auditable Area
1. High Level Review of Annual Financial Statements & Annual Performance Review (2019/20)
2. Performance Information Review (Quarter 4 of 2019/20)
3. Departmental Planning Review
4. Performance Information Review (Quarter 1 of 2020/21)
5. Transnet Related Review
6. Covid-19 Compliance Risk
7. Financial Management Review
8. Financial Assessment & Investment Support: Follow up Review
9. Performance Information Review (Quarter 2 of 2020/21)
10. Performance Information Review (Quarter 3 of 2020/21)
11. Follow-Up on Review of the office of the DG
12. Supply Chain and Asset Management
13. Business Enhancement Services: Follow-up Review
14. Governance & Legal Assurance- Follow-Up Review
15. Follow-Up on Internal Audit and External Audit Findings
16. Eskom Related Follow-Up Review

The table below summaries the internal audit overall opinion which was determined based on the audit results for the financial year under review:

No	Process	Opinion
I	Control Environment	Adequate and Partially Effective

QUALITY OF MANAGEMENT AND MONTHLY / QUARTERLY REPORTS SUBMITTED IN TERMS OF THE ACT AND THE DIVISION OF REVENUE ACT

The department presented and reviewed the financial management and performance (predetermined objectives) reports at its Quarterly Review Meetings. These reports were also tabled and reviewed at the Audit and Risk Committee meetings. The Audit and Risk Committee reviewed these reports and raised questions and issues for clarity and explanations.

EVALUATION OF FINANCIAL STATEMENTS

The Committee reviewed the Annual Financial Statements of the department and is satisfied that they comply with the applicable Accounting Standards and that the accounting policies used are appropriate. The Annual Financial Statements were reviewed with the following focus:

- Significant financial reporting judgements and estimates
- Clarity and completeness of disclosure and whether disclosures made have been set properly in context;
- Changes in the Accounting Policies and Practices;
- Significant adjustments resulting from the Audit;
- Compliance with accounting standards and legal requirements;
- Explanation for the accounting treatment adopted;
- Reasons for year-on-year fluctuations;
- Asset valuations and revaluations; and
- Re-assessment of the useful life of the assets.

The review of Annual Financial Statements and the Annual Report for the 2020/21 Financial Year was done at the Committee's meeting held on 28 July 2021.

15.6 EXTERNAL AUDIT: AUDITOR - GENERAL SOUTH AFRICA

The Committee, in consultation with the Accounting Officer, noted the terms of the Auditor -General South Africa's engagement letter, audit strategy and audit fees in respect of the 2020/21 financial year.

The Committee also monitored the implementation of the action plans to address matters arising from the Management Report issued by the Auditor-General South Africa for the 2019/20 Financial Year.

The Audit Committee has also had in committee meetings with the Auditor-General of South Africa.

The Committee has reviewed the department's implementation plan for audit issues raised in the previous year and concluded that such plan is partially effective as many of the audit findings have not been adequately resolved.

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

GENERAL

The Committee strongly recommends that the department must prioritise the adequate and effective implementation and frequent monitoring of the audit action plans for both internal and external audit in order to achieve the required effectiveness in governance, accountability and clean administration.

CONCLUSION

The Committee has reviewed the Auditor-General of South Africa's management and audit reports for the financial year ended 31 March 2021 and concurs with their conclusions. The Committee therefore accepts the audit opinion and conclusion expressed by the Auditor-General of South Africa on the annual financial statements, annual performance report and annual report.

Signed on behalf of the Audit and Risk Committee by:



Ms Doris Dondur

Chairman of the Audit and Risk Committee

Date: 11 August 2021



12. B-BBEE COMPLIANCE PERFORMANCE

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

Has the Department applied any relevant Code of Good Practice (B-BBEE Certificate Level 1 – 8) with regard to the following:		
Criteria	Response Yes/No	Discussion
Determining qualification criteria for the issuing of licences, concessions, or other authorisations in respect of economic activity in terms of any law?	No	Not applicable to the Department
Developing and implementing a preferential procurement policy?	Yes	The Department's bids and RFQs stipulate pre-qualifications for prospective bidders in terms of PPPFA (2017)
Determining qualification criteria for the sale of state-owned enterprises?	N/A	Negotiations are ongoing and are informed by the transformation B-BBEE requirements
Developing criteria for entering into partnerships with the private sector?	No	There is no partnership agreement that the Department has entered into with the private sector
Determining criteria for the awarding of incentives, grants and investment schemes in support of B-BBEE?	No	Not applicable to the department



HUMAN RESOURCE MANAGEMENT

PART

D

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: Strategic Human Resources and Office Management is responsible for rendering a management support service to the Department. It provides services relating to organisational development, HR planning and policy, HR administration and practices, HR development, employment relations and wellness, as well as security and facility management.

The Director-General was appointed during the 2020/21 financial year, which will bring stability to the Department, and address the high vacancy rate.

2.2 The status of human resources in the Department

The current organisational structure of the Department is 214 posts, including the Minister and Deputy Minister. Due to some changes in the strategic objectives of the Department as stated in the Strategic Plan 2020/21 to 2024/25, minor amendments need to be made to the approved organisational structure that was implemented on 1 January 2019. This is currently in process and will be finalised during 2021/22. The envisaged amendments will be within the current budget structure of the three Programmes. The HR Plan of the Department will be reviewed in line with the changes once the process is finalised. The overall staff turnover rate for 2020/21 increased to 10% from 7.3% in the previous financial year. By the end of the financial year 2020/21, the vacancy rate was 21%, an increase of 6% from the 2019/20 financial year.

The high vacancy rate is at the executive level, causing instability in the Department, and is of concern. The filling of posts will be prioritised since a number of Directorates are understaffed, which places an extra burden on other staff because of the additional workload.

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. During the filling of the vacancies, the Department will focus on its Employment Equity Targets and appointment of youth.

2.3 HR priorities for the year under review

During the year under review, Human Resources committed itself to the following:

The appointment of the Director-General during the 2020/21 financial year, which brought stability within the Department. Two posts of Chief Specialist (Deputy Director-General level) have been advertised and are in the process of being filled, while other vacancies on executive level will be addressed in the 2021/22 financial year.

Training interventions as committed to in the Annual Performance Plan were achieved, contributing to skills development and capacity building within the Department, despite the pandemic of COVID-19 that disrupted normal processes.

Priorities that arose as a result of the COVID-19 pandemic, which brought about additional matters that had to be given precedence, such as remote working arrangements and compliance to the implementation of DPSA Guidelines for Containment/ Management of the Corona Virus within the public service. This ensures the mitigation of the impact on the employees within the Department and on service delivery. In this regard, the Director-General appointed a Departmental Steering Committee, which advises and monitors daily compliance on COVID-19 related matters.

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

The Minister and newly appointed Director-General identified a number of shortcomings in the approved organisational structure, due to some changes to the strategic objectives of the Department as captured in the Strategic Plan 2020/21 to 2024/25. Minor amendments need to be made to the approved organisational structure that was implemented on 1 January 2019. The process of identifying changes that need to be made to the approved organisational structure will be finalised during 2021/22 financial year. The envisaged amendments and skills required will be addressed through capacity development within the Department by specific training initiatives, or through the appointment of persons with specialist skills when filling vacancies.

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 2021/22 financial year to ensure that capacity is built in the Department. Human Resources also intends to redirect the internship programme to focus on and grow the skills that are needed in Core Units.

2.5 Employee performance management

The Department continues to monitor organisational and individual performance to ensure alignment and achievement of strategic goals. Individual performance agreements were aligned to organisational targets and Government performance directives for SMS and Non-SMS employees within the Department.

The performance of employees is monitored and assessed through the performance management system. The policy on Performance Management and Development for Non-SMS employees was aligned to the amended DPSA directives.

2.6 Employee wellness programmes

A structured employee wellness programme was implemented within the Department over the last few years. Quarterly interventions as well as training and awareness campaigns took place and a service provider has been appointed to provide employee wellness support services on a 24-hour basis. During the quarterly wellness interventions, HIV/AIDS testing and counselling, TB screening, diabetics, body mass index, hypertension and cholesterol testing were conducted. Quarterly interventions comprising health and wellness challenges were rolled out in support of the annual health calendar.

During the COVID-19 lockdown continual awareness was maintained through communications such as newsflashes, through which. Employees were encouraged to attend online webinars on changes in the working environment and how to cope with the implications of COVID-19. These were presented by service providers at no cost.

2.7 Employment equity

The Department of Public Enterprises is doing well in complying with the national Employment Equity Targets. There is still a strong focus on the representation of women in senior management positions and people with disabilities in the Department. While the Department has a fully functional Employment Equity Committee to assist in addressing its equity gaps, affirmative action measures will have to be implemented to fast track the representation of the designated groups and the Departmental targets.

2.8 Policy development

The Chief Directorate has contributed towards policy development and implementation. Eight policies have been reviewed/developed for the year under review. Due to internal controls implemented in identified areas, a significant reduction in audit findings has resulted.

2.9 Labour Relations

The Employee Relations Unit has managed to inculcate a culture of compliance to ethical standards and expected behaviour. This has resulted in an increase of internal dispute resolutions since the 2019/20 financial year, due to continuous proactive awareness creation through dedicated Employee Relations Training and Awareness initiatives.

2.10 Achievement and challenges

The greatest achievement during the period under review was the permanent appointment of a Director-General, which has and will continue to bring about stability within the Department.

The main challenge remains the high vacancy rate, especially on executive level.

3. HUMAN RESOURCES OVERSIGHT STATISTICS

3.1 Personnel related expenditure

Table 3.1.1 Personnel expenditure by programme for the period 1 April 2020 to 31 March 2021

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	118 405,00	68 383,00	292,00	3 332,00	57,80	712,00
DPE: SOC: Governance & Assurance	37 227,00	28 110,00	0,00	3 397,00	75,50	1 004,00
DPE: Business Enhancement	77 758 066,00	44 672,00	0,00	17 201,00	0,10	971,00
Total as on Financial Systems (BAS)	77 913 698,00	141 165,00	292,00	23 930,00	0,20	830,00

Table 3.1.2 Personnel costs by salary band for the period 1 April 2020 to 31 March 2021

Salary band	Personnel expenditure	% of total personnel cost	No of Employees	Average personnel cost per employee
	R'000			R'000
Unskilled (Levels 1-2)	166,00	0,10	1,00	166 000,00
Skilled (Levels 3-5)	3 188,00	2,30	13,00	245 231,00
Highly Skilled Production (Levels 6-8)	21 151,00	15,00	46,00	459 804,00
Highly Skilled Supervision (Levels 9 - 12)	46 915,00	33,20	63,00	744 683,00
Senior and Top Management (Levels 13 -16)	69 745,00	49,40	47,00	1 483 936,00
Total	141 165,00	99,90	170,00	830 382,00

Table 3.1.3 Salaries, overtime, homeowner's allowance and medical aid by programme for the period 1 April 2020 to 31 March 2021

Programme	Salaries		Overtime		Homeowners 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	61 501,00	97,70	54,00	0,10	970,00	1,50	1 558,00	2,50
DPE: SOC: Governance & Assurance	25 630,00	92,90	0,00	0,00	136,00	0,50	420,00	1,50
DPE: Business Enhancement, Transformation and Industrialisation	40 222,00	92,70	0,00	0,00	566,00	1,30	775,00	1,80
Total	127 353,00	90,20	54,00	0,00	1 740,00	1,20	2 841,00	2,00

Table 3.1.4 Salaries, overtime, homeowner's allowance and medical aid by salary band for the period 1 April 2020 to 31 March 2021

Programme	Salaries		Overtime		Homeowners allowance		Medical aid	
	Amount R'000	Salaries as a % of personnel costs	Amount R'000	Overtime as a % of personnel costs	Amount R'000	HOA as a % of personnel costs	Amount R'000	Medical aid as a % of personnel cost
Unskilled (Levels 1-2)	165,00	99,40	0,00	0,00	0,00	0,00	0,00	0,00
Skilled (Levels 3-5)	2 702,00	84,80	0,00	0,00	87,00	2,70	182,00	5,70
Highly Skilled Production (Levels 6-8)	17 199,00	81,20	47,00	0,20	711,00	3,40	1 215,00	5,70
Highly Skilled Supervision (Levels 9-12)	40 991,00	87,30	7,00	0,00	595,00	1,30	1 107,00	2,40
Senior Management (Levels 13-16)	66 296,00	95,00	0,00	0,00	348,00	0,50	359,00	0,50
TOTAL	127 353,00	90,20	54,00	0,00	1 740,00	1,20	2 841,00	2,00

3.2 Employment and vacancies

Table 3.2.1 Employment and vacancies by programme as at 31 March 2021

Programme	Number of posts on approved establishment	Number of posts filled	Vacancy rate	Number of employees additional to the establishment
DPE:Administration Permanent	119,00	96,00	19,30	2,00
DPE: SOC Governance Assurance and Performance	36,00	28,00	22,20	1,00
DPE: Business Enhancement, Transformation and Industrialisation	59,00	46,00	22,00	2,00
TOTAL	214,00	170,00	21%	5,00

Table 3.2.2 Employment and vacancies by salary band as at 31 March 2021

Salary band	Number of posts on approved establishment	Number of posts filled	Vacancy rate	Number of employees additional to the establishment
Lower Skilled (Levels 1-2)	2,00	1,00	50,00	0,00
Skilled (Levels 3-5)	13,00	12,00	7,70	1,00
Highly Skilled Production (Levels 6-8)	52,00	47,00	9,60	0,00
Highly Skilled Supervision (Levels 9-12)	72,00	61,00	15,30	2,00
Senior Management (Levels >= 13)	73,00	47,00	35,60	2,00
Other Occupations	2,00	2,00	0,00	0,00
Total	214,00	170,00	20,60	5,00

Table 3.2.3 Employment and vacancies by critical occupations programme as at 31 March 2021

Critical occupation	Number of posts on approved establishment	Number of posts filled	Vacancy rate	Number of employees additional to the establishment
Administrative Related Permanent	33,00	27,00	18,20	2,00
Cleaners in offices, workshops, hospitals etc. Permanent	4,00	3,00	25,00	0,00
Client Information Clerks, Switchboard, Receptionists Permanent	4,00	3,00	25,00	1,00
Communication and Information Related Permanent	5,00	5,00	0,00	0,00
Finance and Economics Related Permanent	13,00	10,00	23,10	0,00
Financial Clerks and Credit Controllers Permanent	7,00	7,00	0,00	0,00
Food Services Aids and Waiters Permanent	5,00	4,00	20,00	0,00
Head of Department/ Chief Executive Officer Permanent	1,00	1,00	0,00	0,00
Human Resources and Organisation Development and Related Professionals Permanent	12,00	10,00	16,70	0,00
Information Technology Related Permanent	8,00	5,00	37,50	0,00
Library Mail and Related Clerks Permanent	8,00	7,00	12,50	0,00
Logistical Support Personnel Permanent	6,00	6,00	0,00	0,00
Messengers, Porters and Deliverers Permanent	2,00	2,00	0,00	0,00
Secretaries and other Keyboard Operating Clerks Permanent	29,00	29,00	0,00	0,00
Security Officers Permanent	2,00	2,00	0,00	0,00
Senior Managers Permanent	73,00	47,00	35,60	2,00
Other Occupations	2,00	2,00	0,00	0,00
TOTAL	214	170	21,00	5,00

3.3 Filling of SMS posts

Table 3.3.1 SMS post information as at 31 March 2021

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	1	0	0	0
Salary Level 16	2	1	50	1	50
Salary Level 15	7	2	29	5	71
Salary Level 14	20	16	80	4	20
Salary Level 13	43	27	63	16	37
TOTAL	73	64	74	26	36

Table 3.3.2 SMS post information as at 30 September 2020

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	1	100	0	0
Salary Level 16	1	1	50	1	50
Salary Level 15	7	2	29	5	71
Salary Level 14	20	17	85	3	15
Salary Level 13	43	28	53	15	35
TOTAL	73	49	67	24	33

Table 3.3.3 Advertising and filling SMS posts for the period 1 April 2020 to 31 March 2021

SMS Level	Advertising	Filling of posts	
	Number of vacancies per level advertised in six months of becoming vacant	Number of vacancies per level filled in six months of becoming vacant	Number of vacancies per level not filled in six months but filled in 12 months
Director-General/HOD	0	0	0
Salary Level 16	0	0	0
Salary Level 15	2	0	0
Salary Level 14	0	0	0
Salary Level 13	4	0	0
TOTAL	6	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 2020 to 31 March 2021

Reasons for vacancies not advertised within six months
Some vacant posts could not be advertised due to the amendments to the structure in process.

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

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 2020 to 31 March 2021

Reasons for vacancies not advertised within six months
The non-filling of vacancies cannot be attributed to a conduct short-coming but rather to developments in the Department.

Reasons for vacancies not filled within six months
The non-filling of vacancies cannot be attributed to a conduct short-coming but rather to developments in the Department.

3.4 Job Evaluation

Table 3.4.1 Job Evaluation by salary band for the period 1 April 2020 to 31 March 2021

Salary band	Number of posts approved	Number of jobs evaluated	% of posts evaluated by salary bands	Posts upgraded		Posts downgraded	
				Number	% of posts evaluated	Number	% of posts evaluated
Unskilled (Levels 1-2)	2,00	0,00	0,00	0,00	0,00	0,00	0,00
Skilled (Levels 3-5)	13,00	0,00	0,00	0,00	0,00	0,00	0,00
Highly skilled production (Levels 6-8)	52,00	0,00	0,00	0,00	0,00	0,00	0,00
Highly skilled supervision (Levels 9-12)	72,00	0,00	0,00	0,00	0,00	0,00	0,00
Senior Management Service Band A	43,00	0,00	0,00	0,00	0,00	0,00	0,00
Senior Management Service Band B	20,00	0,00	0,00	0,00	0,00	0,00	0,00
Senior Management Service Band C	9,00	0,00	0,00	0,00	0,00	0,00	0,00
Senior Management Service Band D	1,00	0,00	0,00	0,00	0,00	0,00	0,00
Deputy Minister	1,00	0,00	0,00	0,00	0,00	0,00	0,00
Minister	1,00	0,00	0,00	0,00	0,00	0,00	0,00
TOTAL	214,00	0,00	0,00	0,00	0,00	0,00	0,00

Table 3.4.2 Profile of employees whose positions were upgraded due to their posts being upgraded for the period 1 April 2020 to 31 March 2021

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 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 for the period 1 April 2020 to 31 March 2021

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

3.5 Employment changes

Salary band	Number of employees at beginning of period 1 April 2020	Appointments and transfers into the Department	Terminations and transfers out of the Department	Turnover rate
Unskilled (Levels 1-2)	1	0	0	0
Skilled (Levels 3-5)	13,00	2,00	2,00	15,40
Highly skilled production (Levels 6 - 8)	48,00	1,00	4,00	8,30
Highly skilled supervision (Levels 9-12)	61,00	3,00	2,00	3,30
Senior Management Services Bands A	30,00	0,00	4,00	13,30
Senior Management Services Bands B	18,00	0,00	3,00	16,70
Senior Management Service Bands C	4,00	2,00	2,00	50,00
Senior Management Service Bands D	3,00	1,00	1,00	33,30
Deputy Minister	1,00	0,00	0,00	0,00
Minister	1,00	0,00	0,00	0,00
TOTAL	180,00	9,00	18,00	10,00

Table 3.5.2 Annual turnover rates by critical occupation for the period 1 April 2020 to 31 March 2021

Critical occupation	Number of employees at beginning of period April 2020	Appointments and transfers into the Department	Terminations and transfers out of the Department	Turnover rate
Administrative related Permanent	28,00	3,00	1,00	3,60
Cleaners in offices workshops, hospitals etc. Permanent	3,00	1,00	2,00	66,70
Client Information Clerks, Switchboard Receptionists Permanent	4,00	1,00	1,00	25,00
Communication and Information Related Permanent	6,00	0,00	0,00	0,00
Finance and Economics Related Permanent	12,00	0,00	1,00	8,30
Financial Clerks and Credit Controllers Permanent	7,00	0,00	0,00	0,00
Food Services Aids and Waiters Permanent	4,00	0,00	0,00	0,00
Head of Department/Chief Executive Officer Permanent	0,00	1,00	0,00	0,00
Human Resources, and Organisation Development and Related Professionals Permanent	11,00	0,00	0,00	0,00
Information Technology Related Permanent	5,00	0,00	0,00	0,00
Library Mail and Related Clerks Permanent	8,00	0,00	0,00	0,00
Logistical Support Personnel Permanent	6,00	0,00	0,00	0,00
Messengers, Porters and Deliverers Permanent	2,00	1,00	0,00	0,00
Security Officers Permanent	2,00	0,00	0,00	0,00
Secretaries and Keyboard Operating Clerks Permanent	25,00	0,00	3,00	12,00
Senior Managers Permanent	55,00	2,00	10,00	18,20
Other Occupations	2,00	0,00	0,00	0,00
TOTAL	180,00	9,00	18,00	10,00

Table 3.5.3 Reasons why staff left the department for the period 1 April 2020 to 31 March 2021

Termination type	Number	% of Total Resignation
Death	0	0
Resignation	16	89
Expiry of contract	1	5.5
Dismissal – operational changes	0	0
Dismissal – misconduct	0	0
Dismissal – inefficiency	0	0
Discharged due to ill-health	0	0
Retirement	0	0
Transfer to other Public Service Departments	1	5.5
Other	0	0
TOTAL	18	100
Total number of employees who left as a % of total employment	180	10

Table 3.5.4 Promotions by critical occupation for the period 1 April 2020 to 31 March 2021

Occupation	Employees 1 April 2020	Promotion to another salary level	Salary level promotions as a % of employees by occupation	Progressions to another notch within a salary level	Notch progression as a % of employees by occupation
Administrative Related Permanent	27	0	0	15	56
Cleaners in offices, workshops, hospitals etc. Permanent	3	0	0	0	0
Client Information Clerks, Switchboard, Receptionists Permanent	4	0	0	0	0
Communication and Information Related Permanent	6	0	0	4	67
Finance and Economics Related Permanent	13	0	0	12	92
Financial Clerks and Credit Controllers Permanent	7	0	0	6	86
Food Services Aids and Waiters Permanent	4	0	0	3	75
Head of Department/Chief Executive Officer Permanent	0	0	0	0	0
Human Resources and Organisation Development and Related Professions Permanent	11	0	0	5	45
Information Technology Related Permanent	5	0	0	3	60
Library Mail and Related Clerks Permanent	8	0	0	4	50
Logistical Support Personnel Permanent	6	0	0	3	50
Messengers, Porters and Deliverers Permanent	2	0	0	1	50
Security Officers Permanent	2	0	0	2	100
Secretaries and Keyboard Operating Clerks Permanent	25	0	0	19	76
Senior Managers Permanent	55	0	0	35	64
Other Occupations	2	0	0	0	0
TOTAL	180	0	0	112	62

Table 3.5.5 Promotions by salary band for the period 1 April 2020 to 31 March 2021

Occupation	Employees 1 April 2020	Promotion to another salary level	Salary level promotions as a % of employees by occupation	Progressions to another notch within a salary level	Notch progression as a % of employees by occupation
Lower skilled (Levels 1-2)	1	0	0	0	0
Skilled (Levels 3-5)	13	0	0	5	38
Highly skilled production (Levels 6-8)	48	0	0	35	73
Highly skilled supervision (Levels 9-12)	61	0	0	37	61
Senior Management (Levels 13-16)	55	0	0	35	64
Other Occupations	2	0	0	0	0
Total	180	0	0	112	62

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 2020

Occupational category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, senior officials and managers Permanent	29	2	2	0	20	1	1	2	57
Professionals Permanent	15	0	1	0	16	1	0	4	37
Technicians and associate professionals Permanent	11	0	0	1	12	0	0	2	26
Clerks Permanent	12	0	0	0	33	1	0	1	47
Service and sales workers Permanent	5	1	0	0	9	1	0	0	16
Total	72	3	3	1	90	4	1	9	183

Table 3.6.2 Total number of employees (including employees with disabilities) in each of the following occupational bands as at 31 March 2021

Occupational category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	3	0	1	0	1	0	0	0	5
Senior Management	18	2	0	0	21	1	1	1	44
Professionally qualified and experienced specialists and mid-management	16	0	1	0	16	1	0	3	37

Occupational Band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	21	0	0	1	42	1	0	3	68
Semi-skilled and discretionary decision-making	4	1	0	0	10	1	0	0	16
Unskilled and defined decision-making	0	0	0	0	0	0	0	0	0
TOTAL	62	3	2	1	90	4	1	7	170

Table 3.6.3 Recruitment for the period 1 April 2020 to 31 March 2021

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	1	1	0	0	0	0	0	0	2
Professionally qualified and experienced specialists and mid-management	2	0	0	0	1	0	0	0	3
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	0	0	0	0	0	0	0	0	0
Semi-skilled and discretionary decision-making	1	0	0	0	1	0	0	0	2
Unskilled and defined decision-making	0	0	0	0	1	0	0	0	1
TOTAL	5	1	0	0	3	0	0	0	9

Employees with disabilities	0	0	0	0	0	0	0	0	0
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Table 3.6.4 Promotions for the period 1 April 2020 to 31 March 2021

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	0	0	0	0	0
Semi-skilled and discretionary decision-making	0	0	0	0	0	0	0	0	0
Unskilled and defined decision-making	0	0	0	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0	0	0	0
Employees with disabilities	0	0	0	0	0	0	0	0	0

Table 3.6.5 Terminations for the period 1 April 2020 to 31 March 2021

Occupational Band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	1	0	1	0	0	0	0	1	3
Senior Management	4	1	0	0	2	0	0	0	7
Professionally qualified and experienced specialists and mid-management	2	0	0	0	0	0	0	0	2
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	1	0	0	0	3	0	0	0	4
Semi-skilled and discretionary decision-making	0	0	0	0	2	0	0	0	2
Unskilled and defined decision-making	0	0	0	0	0	0	0	0	0
TOTAL	8	1	1	0	7	0	0	1	18

Table 3.6.6 Disciplinary action for the period 1 April 2020 to 31 March 2021

Disciplinary action	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Negligence	3	0	0	0	2	0	0	0	5
Insubordination	1	0	0	0	0	0	0	0	1
Absenteeism	2	0	0	0	0	0	0	0	2
Total	6	0	0	0	2	0	0	0	8

Table 3.6.7 Skills development for the period 1 April 2017 to 31 March 2018

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 Associated 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 disabilities	1	0	0	0	0	0	0	2	3

3.7 Signing of performance agreements by SMS members

Table 3.7.1 Signing of performance agreements by SMS members as at 31 May 2020

SMS level	Total number of funded SMS posts	Total number of SMS members	Total number of signed performance agreement	Signed performance agreements as % of total number of SMS members
Director-General/HOD	1	1	0	0
Salary Level 15	9	2	2	100
Salary Level 14	22	17	17	100
Salary Level 13	43	27	27	100
TOTAL	75	47	46	98

Table 3.7.2 Reasons for not having concluded a performance agreement with all SMS members as at 31 March 2021

Reasons
Performance agreements could not be submitted by 31 May 2020 due to the COVID-19 pandemic and subsequent lockdown. However, the Department of Public Service and Administration granted extension to the submission of performance agreements in Circulars 17 and 32 of 2020. The numbers indicated above relate to the signing of performance agreements as at 31 October 2020, in line with Circular 32 of 2020. The performance agreement of the Head of Department was signed after 31 October 2020, as the incumbent was newly appointed.

Table 3.7.3 Disciplinary steps taken against SMS members for not having concluded performance agreements as at 31 March 2021

Reasons
None.

3.8 Performance Rewards

Table 3.8.1 Performance rewards by race, gender and disability for the period 1 April 2020 to 31 March 2021

Race and Gender	Beneficiary Profile			Cost	
	No of beneficiaries	Number of employees	% of total within group	Cost R'000	Average cost per employee
African					
Male	9	67	13	518	57
Female	18	94	19	292	16
Female	0	1	0	0	0
Male	0	2	0	0	0
Coloured					
Female	1	4	25	43	43
Male	0	3	0	0	0
White					
Female	2	9		90	45
Male	0	1	0	0	0
TOTAL	30	181	17	943	31

Table 3.8.2 Performance rewards by salary band for personnel below senior management level for the period 1 April 2020 to 31 March 2021

Salary band	Beneficiary profile			Cost		Total cost as a % of the total personnel expenditure
	Number of beneficiaries	Number of employees	% of total within salary bands	Total cost (R'000)	Average cost per employee	
Lower skilled (Levels 1-2)	0	1	0	0	0	0
Skilled (Levels 3-5)	0	12	0	0	0	0
Highly skilled production (Levels 6-8)	13	51	25	187	14	0.13
Highly skilled supervision (Levels 9-12)	11	62	18	379	34	0.3
Total	24	126	19	566	24	0.4

Table 3.8.3 Performance rewards by critical occupation for the period 1 April 2020 to 31 March 2021

Critical occupation	Beneficiary profile			Cost	
	Number of beneficiaries	Number of employees	% of total within salary bands	Total cost (R'000)	Average cost per employee
Administrative Related	3	25	12	96	32
Client Information Clerks, Switchboard, Receptionists	0	2	0	0	0
Communication and Information Related	1	6	17	21	21
Financial and Economics Related	2	13	15	62	31
Financial and Related Professionals	0	0	0	0	0

Critical occupation	Beneficiary profile			Cost	
	Number of beneficiaries	Number of employees	% of total within salary bands	Total cost (R'000)	Average cost per employee
Financial Clerks and Credit Controllers	1	7	14	13	13
Food Services Aids	0	8	0	0	0
Head of Department/Chief Executive Officer	0	0	0	0	0
Human Resources Related	2	10	20	33	17
Information Technology Related	2	6	33	53	26
Library Mail and Related Clerks	1	8	12	13	13
Material-recording and Transport Clerks	1	6	17	28	28
Messengers, Porters and Deliverers	0	4	0	0	0
Secretaries & other Keyboard Operating Clerks	10	29	34	235	23
Security Officers	1	2	1	11	11
Senior Managers	6	55	11	378	63
Total	30	181	17	943	31

Table 3.8.4 Performance-related rewards (cash bonus) by salary band for Senior Management level for the period 1 April 2020 to 31 March 2021

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	3	30	10	176	59	0.12
Band B	3	19	16	202	67	0.14
Band C	0	5	0	0	0	0
Band D	0	1	0	0	0	0
Total	6	55	11	378	63	0.3

3.9 Foreign workers

Table 3.9.1 Foreign workers by salary band for the period 1 April 2020 to 31 March 2021

Salary band	1 April 2020		31 March 2021		Change	
	Number	% of total	Number	% of total	Number	% Change
Lower skilled (Levels 3-5)	0	0	0	0	0	0
Highly skilled production (Levels 6-8)	0	0	0	0	0	0
Highly skilled supervision (Levels 9-12)	0	0	0	0	0	0
Senior Management (Levels 13-16)	3	100	2	100	1	33
Total	3	100	2	100	1	33

Table 3.9.2 Foreign workers by major occupation for the period 1 April 2020 to 31 March 2021

Major occupation	1 April 2020		31 March 2021		Change	
	Number	% of total	Number	% of total	Number	% Change
Senior Management	3	100	2	100	1	33
Total	3	100	2	100	1	33

3.10 Leave utilisation

Table 3.10.1 Sick leave for the period 1 January 2020 to December 2020

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)
Lower skilled (Levels 1-2)	6,00	33,30	1,00	0,80	6,00	4,00
Skilled (Levels 3-5)	65,00	87,70	7,00	5,30	9,00	65,00
Highly skilled production (Levels 6-8)	244,00	71,70	42,00	31,80	6,00	413,00
Highly skilled supervision (Levels 9-12)	218,00	67,90	46,00	34,80	5,00	634,00
Top and senior management (Levels 13-16)	209,00	81,30	36,00	27,30	6,00	1 057,00
TOTAL	742,00	74,40	132,00	100,00	6,00	2 173,00

Table 3.10.2 Disability leave (temporary and permanent) for the period 1 January 2020 to 31 December 2020

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 (Levels 3-5)	203,00	100,00	1	50	203	218
Highly skilled production (Levels 6-8)	0,00	0,00	0,00	0,00	0,00	0,00
Highly skilled supervision (Levels 9-12)	0,00	0,00	0,00	0,00	0,00	0,00
Top and senior management (Levels 13-16)	27,00	100,00	1	50	27	142
TOTAL	230,00	100,00	2	100	115	360

Table 3.10.3 Annual leave for the period 1 January 2020 to 31 December 2020

Salary Band	Total days taken	Number of employees using annual leave	Average per employee
Lower skills (Levels 1-2)	20,00	1,00	20,00
Skilled (Levels 3-5)	184,92	13,00	14,00
Highly skilled production (Levels 6-8)	1073,00	52,00	21,00
Highly skilled supervision (Levels 9-12)	1390,00	62,00	22,00
Senior management (Levels 13-16)	969,84	51,00	19,00
Total	3 637,76	179,00	20,00

Table 3.10.4 Capped leave for the period 1 January 2020 to 31 December 2020

Salary Band	Total days of capped leave taken	Number of employees using capped leave	Average number of days taken per employee	Average capped leave per employee as on 31 March 2021
Skilled (Levels 3-5)	0,00	0,00	0,00	0,00
Highly skilled production (Levels 6-8)	7,00	1,00	7,00	20,00
Highly skilled supervision (Levels 9-12)	0,00	0,00	0,00	33,00
Senior management (Levels 13-16)	0,00	0,00	0,00	34,00
Total	7,00	1,00	7,00	29,00

Table 3.10.5 Leave payout for the period 1 April 2020 to 31 December 2021

Reason	Total amount (R'000)	Number of employees	Average per employee (R'000)
Discounting with resignation (workdays)	329,00	5,00	66,00
Total	329	5,00	

3.11 HIV/AIDS & Health Promotion Programmes

Table 3.11.1 Steps taken to reduce the risk of occupational exposure

Units/categories of employees identified to be at high risk of contracting HIV and related diseases (if any)	Key steps taken to reduce the risk
There are no high-risk categories of employees identified in the Department. The risk is regarded as being applicable to all employees	Quarterly voluntary counselling and testing (VCT) and awareness initiatives

Table 3.11.2 Details of health promotion and HIV/AIDS programmes (employees 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 I of the Public Service Regulations, 2001? If so, provide her/his name and position.	X		Henriette Strauss. Acting Chief Director: Strategic Human Resources and Office Management
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		Two employees are dedicated to the Unit. Annual budget allocated: R1 119 000
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		Through its Employee Wellness Programme, the Department has put the following in place: A 24-hour Counselling Service focusing on: - Emotional and personal difficulties - HIV/AIDS - General health issues - Bereavement and loss - Family and relationships, - Psycho-social counselling - Change management - Financial matters - Legal concerns - Career counselling - Violence and trauma

Question	Yes	No	Details, if yes
4. Has the Department established a committee as contemplated in Part VI E.5 (e) of Chapter I of the Public Service Regulations, 2001? If so, please provide the names of the members of the committee and the stakeholders they represent.		X	There is no Committee established, matters related to EHW are referred to Chief Director: SHR & OM.
5. Has the Department reviewed its employment policies and practices to ensure that these do not unfairly discriminate against employees on the basis of their HIV status? If so, list the employment policies/practices reviewed.	X		HIV & AIDS and TB Policy - Employee Health and Wellness (EHW) Policy - Recruitment Policy - Leave Policy - Performance Development and Management System (PMDS)
6. Has the Department introduced measures to protect HIV-positive employees or those perceived to be HIV-positive from discrimination? If so, list the key elements of these measures.	X		Employees in the Department are not obliged to disclose their HIV status. The department is not recording names
7. Does the Department encourage its employees to undergo voluntary counselling and testing (VCT)? If so, list the results that you have achieved.	X		46 employees tested in the 2020/2021 financial year through our stakeholders GEMS.
8. Has the Department developed measures/indicators to monitor & evaluate the impact of its health promotion programme? If so, list these measures/indicators.			The Department reports quarterly on the number of employees participating in wellness activities including employees undergoing EHW Counselling services.

3.12 Labour Relations

Table 3.12.1 Collective agreements for the period 1 April 2020 to 31 March 2021

Subject matter	Date
Total number of Collective agreements	0

Table 3.12.2 Misconduct and disciplinary hearings finalised for the period 1 April 2020 to 31 March 2021

Outcomes of disciplinary hearings	Number	% of total
Correctional counselling	0	0
Verbal warning	0	0
Written warning	2	33
Final written warning	1	17
Suspended without pay	1	17
Fine	0	0
Demotion	0	0
Dismissal	0	0
Not guilty	0	0
Case withdrawn	2	33
Total	6	100

Total number of disciplinary hearings finalised	6
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Table 3.12.3 Types of misconduct addressed at disciplinary hearings for the period 1 April 2020 to 31 March 2021

Type of misconduct	Number	% of total
Absenteeism	2	40
Insubordination	1	20
Negligence	2	40
Total	5	100

Table 3.12.4 Grievances logged for the period 1 April 2020 to 31 March 2021

Grievances	Number	% of total
Number of grievances resolved	3	0
Number of grievances not resolved	1	100
TOTAL NUMBER OF GRIEVANCES LODGED	4	100

Table 3.12.5 Disputes logged with councils for the period 1 April 2020 to 31 March 2021

Disputes	Number	% of total
Number of disputes upheld	0	0
Number of disputes dismissed	2	50
Number of disputes pending	2	50
TOTAL NUMBER OF DISPUTES LODGED	4	100

Table 3.12.6 Strike action for the period 1 April 2020 to 31 March 2021

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 2020 to 31 March 2021

Number of people suspended	3
Number of people whose suspension exceeded 30 days	3
Average number of days suspended	160
Cost of suspension(R'000)	R1 307 603

3.13 Skills Development

Table 3.13.1 Training needs identified for the period 1 April 2020 to 31 March 2021

Occupational category	Gender	Number of employees as at 1 April 2020	Training needs identified at start of the reporting			
			Internship	Skills programmes and other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	22	0	3	1	4
	Male	0	0			
Professionals	Female	20	0	25	5	30
	Male	17	0			
Technicians and associate professionals	Female	14	0	14	1	15
	Male	10	0			
Administration/Clerks	Female	34	0	5	3	8
	Male	12	0			
Elementary occupations	Female	11	0	0	0	0
	Male	5	0			
Sub Total	Female	101	0	0	0	0
	Male	69	0			
Total		170	0	37	10	49

Table 3.13.2 Training provided for the period 1 April 2020 to 31 March 2021

Occupational category	Gender	Number of employees as at 1 April 2020	Training needs identified at start of the reporting			
			Internship	Skills programmes and other short courses	Other forms of training	Total
Legislators, senior officials and managers	Female	22	0	32	25	57
	Male	25	0			
Professionals	Female	20	0	38	15	53
	Male	17	0			
Technicians and associate professionals	Female	14	0	42	32	74
	Male	10	0			
Clerks	Female	34	0	44	16	60
	Male	12	0			
Elementary occupations	Female	11	0	8	6	14
	Male	5	0			
Sub Total	Female	101	0	0	0	0
	Male	69	0			
Total		170	0	164	94	258

Table 3.14.1 Injury on duty for the period 1 April 2020 to 31 March 2021

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

3.15 Utilisation of Consultants

Project title	Total number of consultants that worked on project	Duration (workdays)	Contract value
Information security project	13		819 057.41
Provide IT technical support services (as and when the need arises)	2	9	266 326.56
Software support and maintenance	4	130	299 920.00
Maintenance and support of the open text e-docs DM system	3	22	243 052.50
Provide legal advice to the Department on matters related to SAA	24	92	1 150 000.00
Development of a board performance evaluation framework	4	101	815 925.00
Development of a state-linked remuneration survey	17	732	941 850.00
Design, hosting and management of DPE website and Intranet	4	365	281 491.25
Impact assessment study on corporate social investment (CSI) projects undertaken by state-owned companies reporting to the DPE	6	728	445 683.81
Development of a SOC risk and integrity management framework	6	126	1 546 154.70
Investigation into possible irregular expenditure	12	161	646 251.30

Total number of projects	Total individual consultants	Total Duration Work days	Total contract value in Rand
11	92	2 466	7 455 712.53

Table 3.15.2 Analysis of consultant appointments using appropriated funds, in terms of historically disadvantaged individuals (HDIs) for the period 1 April 2020 to March 2021

Project title	Percentage ownership HDI groups	Percentage management by HDI groups	Number of consultants from HDI groups that work on the project
Provide IT technical support services (as and when the need arises)	100	100	2
Software support and maintenance	51	51	3
Maintenance and support of the open text e-docs DM system	51	51	1

Project title	Percentage ownership HDI groups	Percentage management by HDI groups	Number of consultants from HDI groups that work on the project
Provide legal advice to the Department on matters related to SAA	15.81	19.2	13
Development of a board performance evaluation framework	51	51	2
Development of a state-linked remuneration survey	47	47	8
Design, hosting and management of DPE website and Intranet	100	33	1
Impact assessment study on corporate social investment (CSI) projects undertaken by State-owned companies reporting to the DPE	100	100	6

Table 3.15.3 Report on consultant appointments using donor funds for the period 1 April 2019 to 31 March 2020

None

Table 3.15.4 Analysis of consultant appointments using donor funds, in terms of historically disadvantaged individuals (HDIs) for the period 1 April 2019 to 31 March 2020

None

3.15 Severance packages

Table 3.16.1 Granting of employee-initiated severance packages for the period 1 April 2020 to 31 March 2021

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





FINANCIAL INFORMATION

PART

E

I. REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON VOTE NO. 10 DEPARTMENT OF PUBLIC ENTERPRISES

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Department of Public Enterprises set out on pages 100 to 156, which comprise the appropriation statement, statement of financial position as at 31 March 2021, the statement of financial performance, statement of changes in net assets, and cash flow statement for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department of Public Enterprises as at 31 March 2021, 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 1 of 1999 (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the department in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

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

Irregular expenditure

7. As disclosed in note 25 of the financial statements, the department incurred irregular expenditure amounting to R32 588 000 relating to the prior period as the department did not follow a proper tender process.

Other matter

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

Unaudited supplementary schedules

9. The supplementary information set out on pages 157 to 171 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion on them.

Responsibilities of the accounting officer for the financial statements

10. 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.
11. In preparing the financial statements, the accounting officer is responsible for assessing the department's ability to continue as a going concern, disclosing, as applicable, matters relating to 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

12. 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.

13. 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

14. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programme presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
15. My procedures address the usefulness and reliability of the reported performance information, which must be based on the department's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the department enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or 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.
16. 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 programme presented in the department's annual performance report for the year ended 31 March 2021:

Programmes	Pages in the annual performance report
Programme 3: business enhancement and industrialisation	31 – 50

17. 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.
18. I did not identify any material findings on the usefulness and reliability of the reported performance information for this programme:
- Programme 3: business enhancement and industrialisation

Other matters

19. I draw attention to the matters below.

Achievement of planned targets

20. Refer to the annual performance report on pages 23 to 50 for information on the achievement of planned targets for the year and management's explanations provided for the under/over achievement of targets.

Adjustment of material misstatements

21. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of 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

22. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the department's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
23. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements, performance reports and annual reports

24. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 40(1)(b) of the PFMA. Material misstatements of disclosure items identified by the auditors in the submitted financial statement were corrected, resulting in the financial statements receiving an unqualified opinion.

Other information

25. 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.
26. 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 on it.
27. 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 programme presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
28. 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 nothing to report in this regard.

Internal control deficiencies

29. 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. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.
30. Management did not adequately implement internal review controls regarding financial reporting resulting in material misstatements in the financial statements that were subsequently corrected.

Auditor General

Pretoria

17 August 2021



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 programme 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 the accounting officer
 - 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 relating to events or conditions that may cast significant doubt on the ability of the Department of Public Enterprises to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a department to cease operating as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

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

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APPROPRIATION STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

Appropriation per programme									
2020/21							2019/20		
Voted Funds and Direct Charges	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
Programme									
1. Administration	142 481	-		142 481	118 405	24 076	83.1%	163 121	149 077
2. State-owned Companies Governance Assurance and Performance	45 454	-		45 454	37 227	8 227	81.9%	41 613	36 880
3. Business Enhancement, Transformation and Industrialisation	77 418 971	-	-	77 418 971	77 347 768	71 203	99.9%	56 678 296	56 660 432
Programme Sub-total	77 606 906	-	-	77 606 906	77 503 400	103 506	99.9%	56 883 030	56 846 389
Direct charges	410 298	-	-	410 298	410 298	-	100%	-	-
TOTAL	78 017 204	-	-	78 017 204	77 913 698	103 506	99.9%	56 883 030	56 846 389

2020/21						2019/20		
	Final Appropriation	Actual Expenditure				Final Appropriation	Actual Expenditure	
TOTAL (brought forward)	78 017 204	77 913 698				56 883 030	56 846 389	
Reconciliation with statement of financial performance								
ADD								
Departmental receipts	10 739					109		
Aid assistance	6 631					11 345		
Actual amounts per statement of financial performance (total revenue)	78 177 969					56 894 484		
Actual amounts per statement of financial performance (total expenditure)		77 913 698					56 846 389	

Appropriation per economic classification									
2020/21								2019/20	
	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
Economic classification									R'000
Current payments	261 874	(2 744)	-	259 130	212 933	46 197	82.2%	270 148	233 991
Compensation of employees	185 196	(1 019)	-	184 177	141 165	43 012	76.6%	170 228	149 189
Salaries and wages	169 140	(2 695)	-	166 445	127 353	39 092	76.5%	154 388	135 027
Social contributions	16 056	1 676	-	17 732	13 812	3 920	77.9%	15 840	14 162
Goods and services	76 678	(1 725)	-	74 953	71 768	3 185	95.8%	99 920	84 803
Administrative fees	638	(256)	-	382	381	1	99.8%	561	545
Advertising	201	13	-	214	212	2	99.3%	243	237
Minor assets	381	(46)	-	335	323	12	96.4%	598	590
Audit costs: External	4 763	(1 247)	-	3 516	3 516	-	100.0%	3 852	3 851
Bursaries: Employees	659	(211)	-	448	448	-	100.0%	548	548
Catering: Departmental activities	147	(51)	-	96	60	36	62.7%	224	139
Communication	3 554	(210)	-	3 344	3 090	254	92.4%	3 550	3 081
Computer services	6 107	1 975	-	8 082	8 081	1	100.0%	6 719	6 702
Consultants: Business and advisory services	24 802	2 225	-	25 027	23 930	1 097	95.6%	20 655	12 151
Legal services	4 497	1 544	-	6 041	6 040	1	100.0%	14 552	14 211
Contractors	1 723	106	-	1 829	1 802	27	98.5%	3 028	1 466
Agency and support / outsourced services	131	9	-	140	140	-	100.0%	394	391
Entertainment	43	(32)	-	11	-	11	-	32	-
Fleet services	816	(270)	-	546	545	1	99.9%	1 070	1 070
Consumable supplies	274	297	-	571	554	17	97.0%	663	625

DEPARTMENT OF PUBLIC ENTERPRISES
VOTE 10
APPROPRIATION STATEMENT
FOR THE YEAR ENDED 31 MARCH 2021

Appropriation per economic classification (continued)									
	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	2019/20	
								Final Appropriation R'000	Actual expenditure R'000
Consumable: Stationery, printing and office supplies	1 220	93	-	1 313	1 312	1	99.9%	1 156	1 081
Operating leases	12 571	958	-	13 529	13 520	9	99.9%	13 376	13 367
Property payments	4 650	(603)	-	4 047	3 996	51	98.7%	4 982	4 980
Transport provided: Department activity	17	(17)	-	-	-	-	-	-	-
Travel and subsistence	5 446	(1 522)	-	3 924	2 384	1 540	60.8%	19 557	15 728
Training and development	1 000	(700)	-	300	292	8	97.5%	862	849
Operating payments	2 605	(1 565)	-	1 040	1 033	7	99.3%	2 249	2 244
Venues and facilities	411	(206)	-	205	97	108	47.5%	974	873
Rental and hiring	22	(9)	-	13	11	2	82.3%	75	75
Transfers and subsidies	168	1 019	-	1 187	1 180	7	99.4%	8 607	8 128
Municipalities	17	-	-	17	14	3	79.8%	15	15
Municipal bank accounts	17	-	-	17	14	3	79.8%	15	15
Public corporations and private enterprises	-	-	-	-	-	-	-	4 002	3 574
Public corporations	-	-	-	-	-	-	-	2 977	2 976
Other transfers to public corporations	-	-	-	-	-	-	-	2 977	2 976
Private enterprises	-	-	-	-	-	-	-	1 025	598
Other transfers to private enterprises	-	-	-	-	-	-	-	1 025	598
Appropriation per economic classification (continued)	-	-	-	-	-	-	-	1 025	598

APPROPRIATION STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

2020/21							2019/20		
	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	151	1 019	-	1 170	1 167	3	99.7%	4 590	4 539
Social benefits	151	1 019	-	1 170	1 167	3	99.7%	4 590	4 539
Payments for capital assets	3 516	1 719	-	5 235	5 234	1	100.0%	4 233	4 228
Machinery and equipment	3 516	1 719	-	5 235	5 234	1	100.0%	4 200	4 197
Transport equipment	-	1 568	-	1 568	1 568	-	100.0%		
Other machinery and equipment	3 516	151		3 667	3 666	1	100.0%	4 200	4 197
Intangible assets	-	-	-	-	-	-	-	33	31
Payments for financial assets	77 751 646	6	-	77 751 652	77 694 351	57 301	99.9%	56 600 042	56 600 041

DEPARTMENT OF PUBLIC ENTERPRISES
VOTE 10
APPROPRIATION STATEMENT
FOR THE YEAR ENDED 31 MARCH 2021

Programme 1: Administration										2019/20	
2020/21											
	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		
Sub programme											
I.1 Ministry	26 441	(10)	-	26 431	23 391	3 040	88.5%	42 115	39 367		
I.2 Management	10 341	272	-	10 613	5 775	4 838	54.4%	11 466	10 962		
I.3 Communications	33 888	2 683	-	36 571	32 899	3 672	90.0%	31 817	28 864		
I.4 Chief Financial Officer	19 880	902	-	20 782	18 757	2 025	90.3%	21 193	20 784		
I.5 Human Resources	27 851	(3 368)	-	24 483	17 593	6 890	71.9%	29 805	24 355		
I.6 Internal Audit	6 086	(114)	-	5 972	3 896	2 076	65.2%	7 338	5 539		
I.7 Corporate Services	3 982	(165)	-	3 817	2 297	1 520	60.2%	4 050	3 870		
I.8 Office Accommodation	14 012	(200)	-	13 812	13 797	15	99.9%	15 337	15 335		
Total for sub programmes	142 481	-	-	142 481	118 405	24 076	83.1%	163 121	149 077		
Economic classification											
Current payments	138 878	(1 840)	-	137 038	112 968	24 070	82.4%	151 597	137 608		
Compensation of employees	92 349	(115)	-	92 234	68 383	23 851	74.1%	85 421	72 107		
Salaries and wages	84 528	(1 516)	-	83 012	61 501	21 511	74.1%	77 907	65 115		
Social contributions	7 821	1 401	-	9 222	6 882	2 340	74.6%	7 514	6 992		
Goods and services	46 529	(1 725)	-	44 804	44 585	219	99.5%	66 176	65 501		
Administrative fees	638	(256)	-	382	381	1	99.8%	533	517		
Advertising	201	13	-	214	212	2	99.3%	243	237		
Minor assets	381	(46)	-	335	323	12	96.3%	598	590		
Audit costs: External	4 763	(1 247)	-	3 516	3 516	-	100.0%	3 852	3 851		
Bursaries: Employees	659	(211)	-	448	448	-	100.0%	548	548		
Catering: Departmental activities	105	(42)	-	63	60	3	95.6%	168	106		

APPROPRIATION STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

Programme 1: Administration (continued)									
2020/21								2019/20	
	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
Communication	2 770	(119)	-	2 651	2 635	16	99.4%	2 676	2 667
Computer services	6 107	1 975	-	8 082	8 081	1	100.0%	6 719	6 702
Consultants: Business and advisory services	2 001	1 368	-	3 369	3 332	37	98.9%	4 345	4 311
Legal services	1 417	(633)	-	784	784	-	100.0%	9 237	9 231
Contractors	1 723	(74)	-	1 649	1 623	26	98.4%	536	491
Agency and support / outsourced services	131	9	-	140	140	-	99.6%	394	391
Fleet services	816	(270)	-	546	545	1	99.9%	1 070	1 070
Consumable supplies	274	297	-	571	554	17	97.0%	663	625
Consumable: Stationery, printing and office supplies	1 220	93	-	1 313	1 312	1	99.9%	1 142	1 068
Operating leases	12 571	958	-	13 529	13 520	9	99.9%	13 376	13 367
Property payments	4 650	(603)	-	4 047	3 996	51	98.7%	4 982	4 980
Transport provided: Department activity	17	(17)	-	-	-	-	-	-	-
Travel and subsistence	2 306	(330)	-	1 976	1 955	21	99.0%	11 431	11 116
Training and development	1 000	(700)	-	300	292	8	97.5%	862	849
Operating payments	2 457	(1 675)	-	782	778	4	99.5%	2 053	2 049
Venues and facilities	300	(206)	-	94	87	7	92.4%	673	663
Rental and hiring	22	(9)	-	13	11	2	82.3%	75	75
Transfers and subsidies	87	115	-	202	197	5	97.4%	7 249	7 199
Municipalities	17	-	-	17	14	3	79.8%	15	15

APPROPRIATION STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

Programme 1: Administration (continued)									
2020/21							2019/20		
	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
Municipal bank accounts	17	-	-	17	14	3	79.8%	15	15
Public corporations and private enterprises	-	-	-	-	-	-	-	2 977	2 976
Public corporations	-	-	-	-	-	-	-	2 977	2 976
Other transfers to public corporations	-	-	-	-	-	-	-	2 977	2 976
Households	70	115	-	185	183	2	99.0%	4 257	4 208
Social benefits	70	115	-	185	183	2	99.0%	4 257	4 208
Payments for capital assets	3 516	1 719	-	5 235	5 234	1	100.0%	4 233	4 228
Machinery and equipment	3 516	1 719	-	5 235	5 234	1	100.0%	4 200	4 197
Transport equipment	-	1 568	-	1 568	1 568	-	100.0%	-	-
Other machinery and equipment	3 516	151	-	3 667	3 666	1	100.0%	200	4 197
Intangible assets	-	-	-	-	-	-	-	33	31
Payments for financial assets	-	6	-	6	6	-	100.0%	42	41

APPROPRIATION STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

I.1 Ministry									
2020/21							2019/20		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
Economic classification	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments	26 441	(125)	-	26 316	23 276	3 040	88.4%	41 959	39 259
Compensation of employees	23 504	(115)	-	23 389	20 349	3 040	87.0%	23 095	20 465
Goods and services	2 937	(10)	-	2 927	2 927	-	100.0%	18 864	18 794
Transfers and subsidies	-	115	-	115	115	-	100.0%	156	108
Households	-	115	-	115	115	-	100.0%	156	108

I.2 Management									
2020/21							2019/20		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
Economic classification	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments	10 341	272	-	10 613	5 775	4 838	54.4%	7 397	6 894
Compensation of employees	9 898	-	-	9 898	5 079	4 819	51.3%	6 074	5 630
Goods and services	443	272	-	715	697	18	97.4%	1 323	1 264
Transfers and subsidies	-	-	-	-	-	-	-	4 069	4 068
Households	-	-	-	-	-	-	-	4 069	4 068

APPROPRIATION STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

I.3 Communications								2019/20	
2020/21									
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
Economic classification	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments	30 388	2 557	-	32 945	29 274	3 671	88.9%	30 200	27 251
Compensation of employees	18 895	-	-	18 895	15 258	3 637	80.7%	17 477	14 644
Goods and services	11 493	2 557	-	14 050	14 016	34	99.8%	12 723	12 607
Transfers and subsidies	20	-	-	20	19	1	95.0%	19	19
Households	20	-	-	20	19	1	95.0%	19	19
Payments for capital assets	3 480	126	-	3 606	3 606	-	100.0%	1 598	1 594
Machinery and equipment	3 480	126	-	3 606	3 606	-	100.0%	1 565	1 563
Intangible assets	-	-	-	-	-	-	-	33	31

I.4 Chief Financial Officer								2019/20	
2020/21									
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
Economic classification	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments	19 813	(697)	-	19 116	17 095	2 021	89.4%	18 725	18 317
Compensation of employees	12 532	-	-	12 532	10 516	2 016	83.9%	11 832	11 522
Goods and services	7 281	(697)	-	6 584	6 579	5	99.9%	6 893	6 795
Transfers and subsidies	67	-	-	67	63	4	94.0%	15	15
Provinces and municipalities	17	-	-	17	14	3	79.8%	15	15
Households	50	-	-	50	49	1	98.9%	-	-

FOR THE YEAR ENDED 31 MARCH 2021

1.5 Human Resources									
2020/21									
	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	27 815	(3 368)	-	24 447	17 558	6 889	71.8%	26 591	21 143
Compensation of employees	19 568	-	-	19 568	12 797	6 771	65.4%	19 694	14 469
Goods and services	8 247	(3 368)	-	4 879	4 761	118	97.6%	6 897	6 674
Transfers and subsidies	-	-	-	-	-	-	-	2 990	2 989
Public corporations and private enterprises	-	-	-	-	-	-	-	2 977	2 976
Households	-	-	-	-	-	-	-	13	13
Payments for capital assets	36	-	-	36	35	1	98.1%	224	223
Machinery and equipment	36	-	-	36	35	1	98.1%	224	223

FOR THE YEAR ENDED 31 MARCH 2021

1.7 Corporate Services									
2020/21									
	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	3 982	(165)	-	3 817	2 297	1 520	60.2%	4 050	3 870
Compensation of employees	3 787	-	-	3 787	2 293	1 494	60.6%	3 416	3 278
Goods and services	195	(165)	-	30	4	26	11.8%	634	592

Programme 2: State-owned Companies Governance Assurance and Performance									
2020/21							2019/20		
	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
Sub programme									
2.1 Management	2 918	-	-	2 918	1 851	1 067	63.4%	2 989	1 978
2.2 Legal	14 334	-	-	14 334	11 640	2 694	81.2%	13 714	11 104
2.3 Governance	13 657	713	-	14 370	12 563	1 807	87.4%	12 451	11 627
2.4 Financial Assessment and Investment Support	14 545	(713)	-	13 832	11 173	2 659	80.8%	12 459	12 172
Total for sub programmes	45 454	-	-	45 454	37 227	8 227	81.9%	41 613	36 880
Economic classification									
Current payments	45 454	(36)	-	45 418	37 191	8 227	81.9%	40 299	35 995
Compensation of employees	34 798	(36)	-	34 762	28 110	6 652	80.9%	31 659	28 198
Salaries and wages	31 777	(174)	-	31 603	25 630	5 973	81.1%	28 599	25 762
Social contributions	3 021	138	-	3 159	2 479	680	78.5%	3 060	2 436
Goods and services	10 656	-	-	10 656	9 081	1 575	85.2%	8 640	7 797
Catering: Departmental activities	9	-	-	9	-	9	-	17	9
Communication	293	-	-	293	186	107	63.5%	288	175
Consultants: Business and advisory services	6 040	(2 030)	-	4 010	3 397	613	84.7%	1 663	1 663
Legal services	3 080	2 177	-	5 257	5 256	1	100.0%	5 256	4 923
Contractors	-	180	-	180	179	1	99.5%	-	-
Entertainment	11	-	-	11	-	11	-	-	-

Programme 2: State-owned Companies Governance Assurance and Performance									
2020/21							2019/20		
	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	1 150	(327)	-	823	53	770	6.4%	1 324	1 000
Operating payments	2	-	-	2	-	2	-	-	-
Venues and facilities	71	-	-	71	11	61	14.8%	92	28
Transfers and subsidies	-	36		36	36	-	-	1 314	885
Public corporations and private enterprises	-	-	-	-	-	-	-	1 025	598
Private enterprises	-	-	-	-	-	-	-	1 025	598
Other transfers to private enterprises	-	-	-	-	-	-	-	1 025	598
Households	-	36	-	36	36	-	100.0%	289	287
Social benefits	-	36	-	36	36	-	100.0%	289	287
Total	45 454	-	-	45 454	37 227	8 227	81.9%	41 613	36 880

2.1 Management									
2020/21							2019/20		
	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
Economic classification									
Current payments	2 918	-	-	2 918	1 851	1 067	63.4%	2 896	1 886
Compensation of employees	2 787	-	-	2 787	1 847	940	66.3%	2 591	1 762
Goods and services	131	-	-	131	4	127	2.8%	305	124
Transfers and subsidies	-	-	-	-	-	-	-	93	92
Households	-	-	-	-	-	-	-	93	92

FOR THE YEAR ENDED 31 MARCH 2021

2.3 Governance									
2020/21									
2019/20									
	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	13 657	713	-	14 370	12 563	1 807	87.4%	12 451	11 627
Compensation of employees	10 683	-	-	10 683	8 908	1 775	83.4%	9 641	8 820
Goods and services	2 974	713	-	3 687	3 655	32	99.1%	2 810	2 807

2.4 Financial Assessment and Investment Support									
2020/21								2019/20	
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
Economic classification	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments	14 545	(749)	-	13 796	11 137	2 659	80.7%	12 430	12 143
Compensation of employees	12 519	(36)	-	12 483	11 002	1 481	88.1%	11 656	11 493
Goods and services	2 026	(713)	-	1 313	135	1 178	10.3%	774	650
Transfers and subsidies									
Households	-	36	-	36	36	-	100.0%	29	29

Programme 3: Business Enhancement, Transformation and Industrialisation									
2020/21								2019/20	
	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	56 010 941	759	-	56 011 700	56 010 568	1 132	100.0%	49 015 722	49 013 553
3.2 Research and Economic Modelling	9 430	113	-	9 543	6 626	2 917	69.4%	10 324	6 669
3.3 Transport and Defence	21 374 749	-	-	21 374 749	21 311 881	62 868	99.7%	7 620 807	7 619 180
3.4 Business Enhancement Services	23 851	(872)	-	22 979	18 692	4 287	81.3%	31 443	21 030
Total for sub programmes	77 418 971	-	-	77 418 971	77 347 768	71 204	99.9%	56 678 296	56 660 432
Economic classification									
Current payments	77 542	(868)	-	76 674	62 774	13 900	81.9%	78 252	60 388
Compensation of employees	58 049	(868)	-	57 181	44 672	12 509	78.1%	53 148	48 884
Salaries and wages	52 835	(1 005)	-	51 830	40 222	11 608	77.6%	47 882	44 150
Social contributions	5 214	137	-	5 351	4 450	901	83.2%	5 266	4 734
Goods and services	19 493	-	-	19 493	18 101	1 392	92.9%	25 104	11 504
Administrative fees	-	-	-	-	-	-	-	28	28
Catering: Departmental activities	33	(9)	-	24	-	24	-	39	25
Communication	491	(91)	-	400	269	131	67.3%	586	239
Consultants: Business and advisory services	16 761	887	-	17 648	17 201	447	97.5%	14 647	6 177
Legal services	-	-	-	-	-	-	-	59	58
Contractors	-	-	-	-	-	-	-	2 492	975
Entertainment	32	(32)	-	-	-	-	-	32	-

APPROPRIATION STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

Programme 3: Business Enhancement, Transformation and Industrialisation									
2020/21								2019/20	
	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
Consumable: Stationery, printing and office supplies	-	-	-	-	-	-	-	14	13
Travel and subsistence	1 990	(865)	-	1 125	376	749	33.4%	6 802	3 612
Operating payments	146	110	-	256	255	1	99.7%	196	195
Venues and facilities	40	-	-	40	-	40	-	209	182
Transfers and subsidies	81	868	-	949	947	2	99.8%	44	44
Households	81	868	-	949	947	2	99.8%	44	44
Social benefits	81	868	-	949	947	2	99.8%	44	44
Payments for financial assets	77 341 348	-	-	77 341 348	77 284 047	57 301	99.9%	56 600 000	56 600 000
Total	77 418 971	-	-	77 418 971	77 347 768	71 203	99.9%	56 678 296	56 660 432

3.1 Energy Resources									
2020/21								2019/20	
	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
Economic classification									
Current payments	10 941	759	-	11 700	10 568	1 132	90.3%	15 722	13 553
Compensation of employees	9 891	1 022	-	10 913	10 440	473	95.7%	11 835	11 738
Goods and services	1 050	(263)	-	787	128	659	16.2%	3 887	1 815
Payments for financial assets	56 000 000	-	-	56 000 000	56 000 000	-	100.0%	49 000 000	49 000 000

FOR THE YEAR ENDED 31 MARCH 2021

3.3 Transport and Defence									
2020/21							2019/20		
	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	33 320	-	-	33 320	27 754	5 566	83.3%	20 807	19 180
Compensation of employees	15 790	-	-	15 790	10 863	4 927	68.8%	13 065	12 005
Goods and services	17 530	-	-	17 530	16 891	639	96.4%	7 742	7 175
Transfers and subsidies	81	-	-	81	80	1	99.2%	-	-
Households	81	-	-	81	80	1	99.2%	-	-
Payments for financial assets	21 341 348	-	-	21 341 348	21 284 047	57 301	99.7%	7 600 000	7 600 000

3.4 Business Enhancement Services									
2020/21							2019/20		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
Economic classification	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Current payments	23 851	(1 740)	-	22 111	17 825	4 286	80.6%	31 399	20 986
Compensation of employees	23 188	(1 890)	-	21 298	17 031	4 267	80.0%	20 448	18 756
Goods and services	663	150	-	813	794	19	97.7%	10 951	2 230
Transfers and subsidies	-	868	-	868	867	1	99.9%	44	44
Households	-	868	-	868	867	1	99.9%	44	44

Direct Charges									
2020/21							2019/20		
	Adjusted Appropriation	Shifting of Funds	Virement	Final Appropriation	Actual Expenditure	Variance	Expenditure as % of final appropriation	Final Appropriation	Actual expenditure
Sub-programme	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
Direct charges	410 298	-	-	410 298	410 298	-	100%	-	-
Total Sub-programme	410 298	-	-	410 298	410 298	-	100%	-	-
Economic classification	410 298	-	-	410 298	410 298	-	100%	-	-
Payments for financial assets	-	-	-	-	-	-	-	-	-

NOTES TO THE APPROPRIATION STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

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

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

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

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

3. Detail on payments for financial assets

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

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

4.1 Per programme	Final Appropriation	Actual Expenditure	Variance R'000	Variance as a % of Final Appropriation
Administration	142 481	118 405	24 076	16.9%
State-owned Companies Governance Assurance and Performance	45 454	37 227	8 227	18.1%
Business Enhancement, Transformation and Industrialisation	77 418 971	77 347 768	71 203	0.9%
Programme Sub-total	77 606 906	77 503 400	103 506	0.1%
Direct charges	410 298	410 298	-	0%
Total	78 017 204	77 913 698	103 506	0.1%

4.2 Per economic classification	Final Appropriation	Actual Expenditure	Variance	Variance as a % of Final Appropriation
	R'000	R'000	R'000	R'000
Current payments	259 130	212 933	46 197	17.8%
Compensation of employees	184 177	141 165	43 012	23.4%
Goods and services	74 953	71 768	3 185	4.3%
Transfers and subsidies	1 187	1 180	7	0.6%
Provinces and municipalities	17	14	3	20.2%
Households	1 170	1 167	3	0.3%
Payments for capital assets	5 235	5 234	1	0.0%
Machinery and equipment	5 235	5 234	1	0.0%
Payments for financial assets	77 751 652	77 694 351	57 301	0.1%
	78 017 204	77 913 698	103 506	0.1%

The under expenditure primarily relates to compensation of employees due to vacant posts and payments for financial assets which is as a result of unspent funds for SAX (R20 million) and SAA (37 million).

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2021

	Note	2020/2021 R'000	2019/20 R'000
REVENUE			
Annual appropriation	1	77 606 906	56 883 030
Statutory appropriation	2	410 298	-
Departmental revenue	3	10 739	109
Aid assistance	4	6 631	11 345
TOTAL REVENUE		78 034 574	56 894 484
EXPENDITURE			
Current expenditure			
Compensation of employees	5	141 165	149 189
Goods and services	6	71 768	84 803
Total current expenditure		212 933	233 992
Transfers and subsidies			
Transfers and subsidies	8	1 180	8 128
Total transfers and subsidies		1 180	8 128
Expenditure for capital assets			
Tangible assets	9	5 234	4 197
Intangible assets	9	-	31
Total expenditure for capital assets		5 234	4 228
Payments for financial assets	7	77 694 351	56 600 041
TOTAL EXPENDITURE		77 913 698	56 846 389
SURPLUS FOR THE YEAR		120 876	48 095
Reconciliation of Net Surplus for the year			
Voted funds		103 506	36 641
Annual appropriation		103 506	36 641
Departmental revenue and NRF Receipts	3	10 739	109
Aid assistance	4	6 631	11 345
SURPLUS FOR THE YEAR		120 876	48 095

Note	2020/2021 R'000	2019/20 R'000
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ASSETS

Current assets

		2 981 526	207 307
Cash and cash equivalents	10	2 714 526	206 495
Prepayments and advances	11	28	790
Receivables	12	266 972	22

Non-current assets

		266 693 248	188 998 923
Investments	13	266 692 479	188 998 133
Receivables	12	769	790

TOTAL ASSETS

269 674 774	189 206 230
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LIABILITIES

Current liabilities

		2 981 253	207 055
Voted funds to be surrendered to the Revenue Fund	14	103 506	36 641
Departmental revenue and NRF Receipts to be surrendered to the Revenue Fund	15	30	-
Payables	16	2 700 810	138
Aid assistance unutilised	4	176 907	170 276

Non-current liabilities

Payables	17	371	371
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TOTAL LIABILITIES

2 981 624	207 426
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NET ASSETS

266 693 150	188 998 804
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Note	2020/2021 R'000	2019/20 R'000
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Represented by:

Capitalisation reserve		266 692 479	188 998 133
Recoverable revenue		671	671

TOTAL

266 693 150	188 998 804
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STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 MARCH 2021

	Note	2020/2021 R'000	2019/20 R'000
Capitalisation Reserves			
Opening balance		188 998 133	132 398 133
Transfers:			
Movement in Equity		77 694 346	56 600 000
Closing balance		266 692 479	188 998 133
Recoverable revenue			
Opening balance		671	671
Closing balance		671	671
TOTAL		266 693 150	188 998 804

Note: Movement in Equity includes an amount of R56 billion (ESKOM), R20.975 billion (SAA), R576 million (Denel) and R143 million (SAX) for settlement of government guaranteed debts and SAA's implementation of business rescue plan.

Recoverable revenue of R671 thousand is for debts owed to the department.

Note	2020/2021 R'000	2019/20 R'000
	77 766 956	56 894 484
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		
Annual appropriated funds received	1.1 77 606 906	56 883 030
Statutory appropriated funds received	2 143 395	
Departmental revenue received	3 8 753	109
Interest received	1 271	
Aid assistance received	4 6 631	11 345
Net decrease in working capital	2 701 387	49
Surrendered to Revenue Fund	(47 350)	(48 232)
Current payments	(212 933)	(233 992)
Payments for financial assets	(77 694 351)	(56 600 041)
Transfers and subsidies paid	(1 180)	(8 128)
Net cash flow available from operating activities	18 2 512 529	4 140
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for capital assets	9 (5 234)	(4 228)
Proceeds from sale of capital assets	3.2 715	-
(Increase) in investments	(77 694 346)	(56 600 000)
decrease in non-current receivables	21	40
Net cash flows from investing activities	(77 698 844)	(56 604 188)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in net assets	77 694 346	56 600 000
Net cash flows from financing activities	77 694 346	56 600 000
Net increase/(decrease) in cash and cash equivalents	2 508 031	(48)
Cash and cash equivalents at beginning of period	206 495	206 543
Cash and cash equivalents at end of period	9 2 714 526	206 495

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.

7.2 Departmental revenue

Departmental revenue is recognised in the statement of financial performance when received and is subsequently paid into the relevant revenue fund, unless stated otherwise.

Any amount owing to the relevant revenue fund at the reporting date is recognised as a payable in the statement of financial position.

7.3 Accrued departmental revenue

Accruals in respect of departmental revenue (excluding tax revenue) are recorded in the notes to the financial statements when:

it is probable that the economic benefits or service potential associated with the transaction will flow to the department; and the amount of revenue can be measured reliably.

The accrued revenue is measured at the fair value of the consideration receivable.

Accrued tax revenue (and related interest and / penalties) is measured at amounts receivable from collecting agents.

Write-offs are made according to the department's debt write-off policy

8 Expenditure**8.1 Compensation of employees****8.1.1 Salaries and wages**

Salaries and wages are recognised in the statement of financial performance on the date of payment.

8.1.2 Social contributions

Social contributions made by the department in respect of current employees are recognised in the statement of financial performance on the date of payment.

Social contributions made by the department in respect of ex-employees are classified as transfers to households in the statement of financial performance on the date of payment.

8.2 Other expenditure

Other expenditure (such as goods and services, transfers and subsidies and payments for capital assets) is recognised in the statement of financial performance on the date of payment. The expense is classified as a capital expense if the total consideration paid is more than the capitalisation threshold.

8.3 Accruals and payables not recognised

Accruals and payables not recognised are recorded in the notes to the financial statements at cost at the reporting date.

8.4 Leases**8.4.1 Operating leases**

Operating lease payments made during the reporting period are recognised as current expenditure in the statement of financial performance on the date of payment. Operating lease payments received are recognised as departmental revenue.

The operating lease commitments are recorded in the notes to the financial statements.

Operating lease payments received are recognised as departmental revenue.

8.4.2 Finance leases

Finance lease payments made during the reporting period are recognised as capital expenditure in the statement of financial performance on the date of payment. Finance lease payments received are recognised as departmental revenue. The finance lease commitments are recorded in the notes to the financial statements and are not apportioned between the capital and interest portions.

Finance lease assets acquired at the end of the lease term are recorded and measured at the lower of:

- cost, being the fair value of the asset; or
- the sum of the minimum lease payments made, including any payments made to acquire ownership at the end of the lease term, excluding interest.

Finance lease payments received are recognised as departmental revenue.

9 Aid Assistance**9.1 Aid assistance received**

Aid assistance received in cash is recognised in the statement of financial performance when received. In-kind aid assistance is recorded in the notes to the financial statements on the date of receipt and is measured at fair value.

Aid assistance not spent for the intended purpose and any unutilised funds from aid assistance that are required to be refunded to the donor are recognised as a payable in the statement of financial position.

9.2 Aid assistance paid

Aid assistance paid is recognised in the statement of financial performance on the date of payment. Aid assistance payments made prior to the receipt of funds are recognised as a receivable in the statement of financial position.

10. Cash and cash equivalents

Cash and cash equivalents are stated at cost in the statement of financial position.

Bank overdrafts are shown separately on the face of the statement of financial position as a current liability.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held, other short-term highly liquid investments and bank overdrafts.

11 Prepayments and advances

Prepayments and advances are recognised in the statement of financial position when the department disburses the cash. Prepayments and advances are initially and subsequently measured at cost.

12 Loans and receivables

Loans and receivables are recognised in the statement of financial position at cost plus accrued interest, where interest is charged, less amounts already settled or written-off. Write-offs are made according to the department's write-off policy.

13. Investments

Investments are recognised in the statement of financial position at cost.

14 Financial assets**14.1 Financial assets (not covered elsewhere)**

A financial asset is recognised initially at its cost plus transaction costs that are directly attributable to the acquisition or issue of the financial asset.

At the reporting date, a department shall measure its financial assets at cost, less amounts already settled or written-off, except for recognised loans and receivables, which are measured at cost plus accrued interest, where interest is charged, less amounts already settled or written-off. To estimate the reduction in the recorded carrying value (cost of investment), the impairment of investment is calculated by determining the difference between the cost of investment and the net asset value at reporting date.

14.2 Impairment of financial assets

Where there is an indication of impairment of a financial asset, an estimation of the reduction in the recorded carrying value, to reflect the best estimate of the amount of the future economic benefits expected to be received from that asset, is recorded in the notes to the financial statements.

15 Payables

Payables recognised in the statement of financial position are recognised at cost.

16 Capital Assets**16.1 Immovable capital assets**

Immovable assets reflected in the asset register of the department are recorded in the notes to the financial statements at cost or fair value where the cost cannot be determined reliably. Immovable assets acquired in a non-exchange transaction are recorded at fair value at the date of acquisition. Immovable assets are subsequently carried in the asset register at cost and are not currently subject to depreciation or impairment.

Subsequent expenditure of a capital nature forms part of the cost of the existing asset when ready for use.

Additional information on immovable assets not reflected in the assets register is provided in the notes to financial statements.

16.2 Movable capital assets

Movable capital assets are initially recorded in the notes to the financial statements at cost. Movable capital assets acquired through a non-exchange transaction is measured at fair value as at the date of acquisition.

Where the cost of movable capital assets cannot be determined reliably, the movable capital assets are measured at fair value and where fair value cannot be determined; the movable assets are measured at R1.

All assets acquired prior to 1 April 2002 (or a later date as approved by the OAG) may be recorded at R1.

Movable capital assets are subsequently carried at cost and are not subject to depreciation or impairment.

Biological assets are subsequently carried at fair value. Subsequent expenditure that is of a capital nature forms part of the cost of the existing asset when ready for use.

16.3 Intangible assets

Intangible assets are initially recorded in the notes to the financial statements at cost. Intangible assets acquired through a non-exchange transaction are measured at fair value as at the date of acquisition.

Internally generated intangible assets are recorded in the notes to the financial statements when the department commences the development phase of the project.

Where the cost of intangible assets cannot be determined reliably, the intangible capital assets are measured at fair value and where fair value cannot be determined; the intangible assets are measured at R1.

All assets acquired prior to 1 April 2002 (or a later date as approved by the OAG) may be recorded at R1.

Intangible assets are subsequently carried at cost and are not subject to depreciation or impairment.

Subsequent expenditure of a capital nature forms part of the cost of the existing asset when ready for use.

17 Provisions and Contingents**17.1 Provisions**

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

17.2 Contingent liabilities

Contingent liabilities are recorded in the notes to the financial statements when there is a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not within the control of the department or when there is a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation or the amount of the obligation cannot be measured reliably.

17.3 Contingent assets

Contingent assets are recorded in the notes to the financial statements when a possible asset arises from past events, and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not within the control of the department.

17.4 Capital commitments

Capital commitments are recorded at cost in the notes to the financial statements.

18 Unauthorised expenditure

Unauthorised expenditure is recognised in the statement of financial position until such time as the expenditure is either:

- approved by Parliament or the Provincial Legislature with funding and the related funds are received; or
- approved by Parliament or the Provincial Legislature without funding and is written off against the appropriation in the statement of financial performance; or
- transferred to receivables for recovery.

Unauthorised expenditure is measured at the amount of the confirmed unauthorised expenditure.

19 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the total value of the fruitless and or wasteful expenditure incurred.

Fruitless and wasteful expenditure is removed from the notes to the financial statements when it is resolved or transferred to receivables or written off.

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.

20 Irregular expenditure

Irregular expenditure is recorded in the notes to the financial statements when confirmed after its assessment. 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.

Irregular expenditure is reduced from the note when it is either condoned by the relevant authority, transferred to receivables for recovery, not condoned and removed or written-off.

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.

21 Changes in accounting estimates and errors

Changes in accounting estimates are applied prospectively in accordance with MCS requirements.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with MCS requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the department shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

22 Events after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the financial statements.

The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the financial statements.

23 Capitalisation reserve

The capitalisation reserve comprises of financial assets and/or liabilities originating in a prior reporting period but which are recognised in the statement of financial position for the first time in the current reporting period. Amounts are recognised in the capitalisation reserves when identified in the current period and are transferred to the National/Provincial Revenue Fund when the underlying asset is disposed and the related funds are received.

24 Recoverable revenue

Amounts are recognised as recoverable revenue when a payment made in a previous financial year becomes recoverable from a debtor in the current financial year. Amounts are either transferred to the National/Provincial Revenue Fund when recovered or are transferred to the statement of financial performance when written-off.

25 Related party transactions

Related party transactions within the Minister's portfolio are recorded in the notes to the financial statements when the transaction is not at arm's length.

The number of individuals and the full compensation of key management personnel is recorded in the notes to the financial statements.

26 Inventories

At the date of acquisition, inventories are recognised at cost in the statement of financial performance.

Where inventories are acquired as part of a non-exchange transaction, the inventories are measured at fair value as at the date of acquisition.

Inventories are subsequently measured at the lower of cost and net realisable value or where intended for distribution (or consumed in the production of goods for distribution) at no or a nominal charge, the lower of cost and current replacement value.

The cost of inventories is assigned by using the weighted average cost basis.

27 Public-Private Partnerships

Public Private Partnerships are accounted for based on the nature and or the substance of the partnership. The transaction is accounted for in accordance with the relevant accounting policies.

A summary of the significant terms of the PPP agreement, the parties to the agreement, and the date of commencement thereof together with the description and nature of the concession fees received, the unitary fees paid, rights and obligations of the department are recorded in the notes to the financial statements.

28 Employee benefits

The value of each major class of employee benefit obligation (accruals, payables not recognised and provisions) is disclosed in the Employee benefits note.

29 Transfers of functions

Transfers of functions are accounted for by the acquirer by recognising or recording assets acquired and liabilities assumed at their carrying amounts at the date of transfer.

Transfers of functions are accounted for by the transferor by derecognising or removing assets and liabilities at their carrying amounts at the date of transfer.

PART B: EXPLANATORY NOTES

1. Annual Appropriation

1.1 Annual Appropriation

Included are funds appropriated in terms of the Appropriation Act (and the Adjustments Appropriation Act) for National Departments (Voted funds) and Provincial Departments:

Programmes and Direct charges	2020/21			2019/20		
	Final Appropriation	Actual Funds Received	Funds not requested/ not received	Final Appropriation	Appropriation received	Funds not requested / not received
	R'000	R'000	R'000	R'000	R'000	
Administration	142 481	142 481	-	163 121	163 121	-
State-owned Companies Governance Assurance and Performance	45 454	45 454	-	41 613	41 613	-
Business Enhancement, Transformation and Industrialisation	77 418 971	77 418 971	-	56 678 296	56 678 296	-
Total	77 606 906	77 606 906	-	56 883 030	56 883 030	-

2. Statutory Appropriation

Direct charges

Total

Actual Statutory Appropriation received

2020/2021	2019/20
R'000	R'000
410 298	-
410 298	-
143 395	-

An amount of R266 million was approved by the Minister of Finance as a direct charge against the National Revenue Fund in respect of South African Airways subsidiaries, however these funds were not received by the department.

3. Departmental revenue

Sales of goods and services other than capital assets

Interest

Sales of capital assets

Transactions in financial assets and liabilities

Departmental revenue collected

Note	2020/2021	2019/20
	R'000	R'000
3.1	69	65
3.2	1 271	-
3.3	715	-
3.4	8 684	44
	10 739	109

3.1 Sales of goods and services other than capital assets

Sales of goods and services produced by the department
Sales by market establishment
Other sales
Total

2020/2021	2019/20
R'000	R'000
69	65
40	37
29	28
69	65

3.2 Interest

Interest received
Total

2020/2021	2019/20
R'000	R'000
1 271	-
1 271	-

3.3 Sale of capital assets

Tangible assets
Machinery and equipment
Total

2020/2021	2019/20
R'000	R'000
715	-
715	-
715	-

3.4 Transactions in financial assets and liabilities

Other Receipts
Total

2020/2021	2019/20
R'000	R'000
8 684	44
8 684	44

4. Aid assistance

Opening Balance
Transferred from statement of financial performance
Closing Balance

2020/2021	2019/20
R'000	R'000
170 276	158 931
6 631	11 345
176 907	170 276

4.1 Analysis of balance by source

Aid assistance from other sources
Closing balance

2020/2021	2019/20
R'000	R'000
176 907	170 276
176 907	170 276

4.2 Analysis of balance

Aid assistance unutilised

Closing balance

2020/2021	2019/20
R'000	R'000
176 907	170 276
176 907	170 276

5. Compensation of employees**5.1 Salaries and Wages**

Basic salary

Performance award

Compensative/circumstantial

Other non-pensionable allowances

Total

2020/2021	2019/20
R'000	R'000
95 613	100 919
930	1 715
2 597	3 109
28 213	29 283
127 353	135 026

5.2 Social contributions**Employer contributions**

Pension

Medical

Bargaining council

Total

2020/2021	2019/20
R'000	R'000
10 871	11 429
2 923	2 717
18	17
13 812	14 163

Total compensation of employees

141 165	149 189
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Average number of employees

170	183
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6. Goods and services

	Note	2020/2021 R'000	2019/20 R'000
Administrative fees		382	544
Advertising		212	237
Minor assets	6.1	323	590
Bursaries (employees)		448	548
Catering		60	141
Communication		3 089	3 079
Computer services	6.2	8 083	6 702
Consultants: Business and advisory services		23 930	12 150
Legal services		6 039	14 211
Contractors		1 803	1 465
Agency and support / outsourced services		140	391
Audit cost – external	6.3	3 516	3 851
Fleet services		546	1 070
Consumables	6.4	1 866	1 705
Operating leases		13 520	13 367
Property payments	6.5	3 994	4 980
Rental and hiring		11	75
Travel and subsistence	6.6	2 384	15 730
Venues and facilities		97	873
Training and development		292	849
Other operating expenditure	6.7	1 033	2 245
Total		71 768	84 803

6.1 Minor assets**Tangible assets**

Machinery and equipment

Total

2020/2021 R'000	2019/20 R'000
323	590
323	590

6.2 Computer services

SITA computer services

External computer service providers

Total

2020/2021 R'000	2019/20 R'000
2 625	2 301
5 458	4 401
8 083	6 702

6.3 Audit cost – External

Regularity audits

Total

2020/2021 R'000	2019/20 R'000
3 516	3 851
3 516	3 851

6.4 Consumables

	2020/2021	2019/20
	R'000	R'000
Consumable supplies	554	624
Household supplies	269	424
Communication accessories	-	55
IT consumables	155	60
Other consumables	130	85
Stationery, printing and office supplies	1 312	1 081
Total	1 866	1 705

6.5 Property payments

	2020/2021	2019/20
	R'000	R'000
Municipal services	1 650	2 525
Property management fees	80	119
Other	2 264	2 336
Total	3 994	4 980

6.6 Travel and subsistence

	2020/2021	2019/20
	R'000	R'000
Local	2 159	11 364
Foreign	225	4 366
Total	2 384	15 730

6.7 Other operating expenditure

	2020/2021	2019/20
	R'000	R'000
Professional bodies, membership and subscription fees	506	1 007
Other	527	1 238
Total	1 033	2 245

7. Payments for financial assets

	2020/2021	2019/20
	R'000	R'000
Purchase of equity	77 694 345	56 600 000
Debts written off	6	41
Total	77 694 351	56 600 041

Note

7.1

Note: Purchase of equity includes an amount of R56 billion (ESKOM), R20.975 billion (SAA), R576 million (Denel) and R143 million (SAX) for settlement of government guaranteed debts and SAA's implementation of business rescue plan. The R2.7 billion for SAA Subsidiaries is reported in the annual financial statements as a payable and will be disbursed during 2021/22 financial year.

7.1 Debts written off

		2020/2021 R'000	2019/20 R'000
Nature of debts written off	Note		
Departmental debts written off	7	6	41
Total debt written off		6	41

8. Transfers and subsidies

		2020/2021 R'000	2019/20 R'000
Provinces and municipalities	Annexure 1A	14	15
Public corporations and private enterprises	Annexure 1D	-	3 574
Households	Annexure 1G	1 166	4 539
Total		1 180	8 128

9. Expenditure for capital assets

	Note	2020/2021 R'000	2019/20 R'000
Tangible assets		5 234	4 197
Machinery and equipment	29	5 234	4 197
Intangible assets		-	31
Software	30	-	31
Total		5 234	4 228

9.1 Analysis of funds utilised to acquire capital assets – 2020/21

	Voted funds R'000	Aid assistance R'000	Total R'000
Tangible assets	5 234	-	5 234
Machinery and equipment	5 234	-	5 234
Total	5 234	-	5 234

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9.2 Analysis of funds utilised to acquire capital assets – 2019/20

	Voted funds	Aid assistance	Total
	R'000	R'000	R'000
Tangible assets	4 197	-	4 197
Machinery and equipment	4 197	-	4 197
Intangible assets	31	-	31
Software	31	-	31
Total	4 228	-	4 228

10. Cash and cash equivalents

	2020/2021	2019/20
	R'000	R'000
Consolidated Paymaster General Account	2 537 562	36 162
Cash on hand	57	57
Investments (Domestic)*	176 907	170 276
Total	2 714 526	206 495

* An amount of R 176 million is ring fenced against the disbursement of funds to beneficiaries of Telkom Shares after Telkom was acquired by Government.

11. Prepayments and advances

	Note	2020/2021	2019/20
		R'000	R'000
Advances paid (Not expensed)	11.1	28	790
Total		28	790

11.2 Advances paid (Not expensed)

		Balance as at 1 April 2020	Less: Amount expensed in current year	Add or Less: Other	Add: Current Year advances	Balance as at 31 March 2021
		R'000	R'000	R'000	R'000	R'000
National departments	11	790	(762)	-	-	28
Total		790	(762)	-	-	28

		Balance as at 1 April 2019	Less: Amount expensed in current year	Add or Less: Other	Add: Current Year advances	Balance as at 31 March 2020
		R'000	R'000	R'000	R'000	R'000
National departments		643	(553)	-	700	790
Total		643	(553)	-	700	790

11.2 Prepayments (Expensed)

	Note	Amount as at 1 April 2020	Less: Received in the current year	Add or Less: Other	Add: Current Year prepayments	Amount as at 31 March 2021
		R'000	R'000	R'000	R'000	R'000
Goods and services		8 657	8 657	-	-	-
Total		8 657	8 657	-	-	-

	Note	Amount as at 1 April 2019	Less: Received in the current year	Add or Less: Other	Add: Current Year prepayments	Amount as at 31 March 2020
		R'000	R'000	R'000	R'000	R'000
Goods and services		8 657	-	-	-	8 657
Total		8 657	-	-	-	8 657

Prepayments (Expensed) include funds that were transferred to SAFCOL in 2016/17 for the development and implementation of six (6) community-based enterprise projects. These funds accumulated interest of R1.270 million and a total of R9.927 million was received by the department during 2020/21 financial year and have been transferred to the National Revenue Fund.

12. Receivables

		2020/21			2019/20		
		Current	Non-current	Total	Current	Non-current	Total
		R'000	R'000	R'000	R'000	R'000	R'000
Staff debt	12.1	11	3	14	24	15	39
Fruitless and wasteful expenditure	12.2	-	10	10	-	12	12
Other receivables	12.3	266 961	756	267 717	(2)	763	761
Total		266 972	769	267 741	22	790	812

12.1 Staff debt

	2020/2021	2019/20
	R'000	R'000
Other	14	39
Total	14	39

12.2 Fruitless and wasteful expenditure

	2020/2021	2019/20
	R'000	R'000
Opening balance	12	14
Less amounts recovered	(4)	-
Less amounts written off	(2)	(2)
Transfers from note 25 Fruitless and Wasteful expenditure	4	-
Total	10	12

12.3 Other receivables

	2020/2021	2019/20
	R'000	R'000
Suppliers	671	671
Ex-employees	143	92
National department	-	(2)
National Revenue Fund	266 903	-
Total	267 717	761

13. Investments**Non-Current****Shares and other equity**

	2020/2021	2019/20
	R'000	R'000
Alexkor SOC Ltd	400 000	400 000
Denel SOC Ltd	8 552 376	7 976 376
Eskom SOC Ltd	188 000 000	132 000 000
Safcol SOC Ltd	318 013	318 013
Transnet SOC Ltd	12 660 986	12 660 986
South African Express SOC Ltd	2 277 395	2 134 000
South African Airways SOC Ltd	54 483 709	33 508 758
Total non-current	266 692 479	188 998 133

Annexure 2A

Analysis of non-current investments

	2020/2021	2019/20
	R'000	R'000
Opening balance	188 998 133	132 398 133
Additions in cash	77 694 346	56 600 000
Closing balance	266 692 479	188 998 133

13.1 Impairment of investments

	2020/2021	2019/20
	R'000	R'000
Alexkor SOC Ltd	292 411	305 985
Denel	8 552 376	7 976 376
South African Express SOC Ltd	2 277 395	2 134 000
South African Airways SOC Ltd	54 483 709	33 508 758
Total	65 605 891	43 925 119

Note: To estimate the reduction in the recorded carrying value (cost of investment), the impairment of investment is calculated by determining the difference between the cost of investment and the net asset value at reporting date. The net asset value is not processed in the books of the department but recorded in the books of the SOC's.

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 R65.6 billion which is in respect of Alexcor, Denel, SAA and SA Express.

The total cost of investment in Denel, SAA and SA Express have been impaired wholly as the future economic benefits of these investments are reflected at negative asset values.

The other three SOC's have not been impaired since the cost of investment of Eskom, Transnet, SAFCOL are lower than their net asset value.

14. Voted funds to be surrendered to the Revenue Fund

	2020/2021	2019/20
	R'000	R'000
Opening balance	36 641	48 121
Transfer from statement of financial performance (as restated)	103 506	36 641
Paid during the year	(36 641)	(48 121)
Closing balance	103 506	36 641

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

	2020/2021	2019/20
	R'000	R'000
Opening balance	-	2
Transfer from Statement of Financial Performance (as restated)	10 739	109
Paid during the year	(10 709)	(111)
Closing balance	30	-

16. Payables – current

Amounts owing to other entities

Clearing accounts

Total

Note	2020/2021	2019/20
	R'000	R'000
	2 700 000	-
16.1	810	138
	2 700 810	138

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FOR THE YEAR ENDED 31 MARCH 2021

On 28 June 2021, the enactment of the Special Appropriation Act, 2021 brought about a legal obligation on the Department to incur expenditure to the value of R2,7billion in the 2020/2021 financial year.

The general principle for the recognition of expenditure in the financial statements of a department is set out in Chapter 8 of the Modified Cash Standard (MCS). According to Chapter 8, expenditure is recognised in the statement of financial performance on the date of payment (paragraph .09). The date of payment is defined as the date on which the expenditure is authorised for payment (but no later than the last day of the financial period). Since the R2,7billion has yet to be paid to SAA subsidiaries, any payment processed subsequent the enactment of the abovementioned Act will, in terms of Chapter 8, be recognised as an expense in the 2021/2022 financial year. Further, the financial system, BAS cannot backdate a payment into a previous financial year.

Chapter 9 of the MCS however acknowledges that a financial liability may arise out of legislation (paragraph .08). The legal requirement emanating from the Special Appropriation Act, 2021 would fall within the ambit of this provision. In complying with this, National Treasury has advised the Department to recognise a payable and a corresponding expense in 2020/2021 financial statements. When the funds are disbursed in the 2021/2022 financial year it will be to clear the liability rather than to incur an expense.

16.1 Clearing accounts

SARS
Pension Fund
Total

Note
16

2020/2021	2019/20
R'000	R'000
757	136
53	2
810	138

17. Payables – non-current

		2020/21				2019/20
		One to two years	Two to three years	More than three years	Total	Total
	Note	R'000	R'000	R'000	R'000	R'000
Advances received	17.1	-	-	371	371	371
Total		-	-	371	371	371

17.1 Advances received

Public entities
Total

2020/2021	2019/20
R'000	R'000
371	371
371	371

18. Net cash flow available from operating activities

	2020/2021	2019/20
	R'000	R'000
Net surplus as per Statement of Financial Performance	120 876	48 095
Add back non cash/cash movements not deemed operating activities	2 391 653	(43 955)
(Increase)/decrease in receivables	(266 950)	58
(Increase)/decrease in prepayments and advances	762	(147)
Increase in payables – current	2 700 672	138
Proceeds from sale of capital assets	(715)	-
Expenditure on capital assets	5 234	4 228
Surrenders to Revenue Fund	(47 350)	(48 232)
Net cash flow generated by operating activities	2 512 529	4 140

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

	2020/2021	2019/20
	R'000	R'000
Consolidated Paymaster General account	2 537 562	36 162
Cash on hand	57	57
Cash with commercial banks (Local)	176 907	170 276
Total	2 714 526	206 495

20. Contingent liabilities

	Note	2020/2021	2019/20
		R'000	R'000
Liable to			
Other guarantees	Annex 3A	312 244 282	353 086 632
Claims against the department	Annex 3B	593 681	575 536
Intergovernmental payables (unconfirmed balances)	Annex 5	41	-
Total		312 838 004	353 662 168

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 all guarantees that were issued to Public Entities under its control. Any payment under a guarantee will be a direct charge against the National Revenue fund via the Department.

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

Public Sector Labour Dispute: The Labour Appeal Court (LAC) declared the salary increases for the 2020/2021 financial year unlawful and invalid. The LAC ruling has been appealed and referred to the Constitutional Court. The ruling by the Constitutional Court will confirm if the department will be obligated to pay the salary increases in dispute.

21. Capital commitments

	2020/2021	2019/20
	R'000	R'000
Class of assets		
Computer Equipment	30	2 544
Other machinery and equipment	-	12
Total	30	2 556

22. Accruals and payables not recognised

22.1 Accruals

			2020/2021	2019/20
			R'000	R'000
Listed by economic classification				
	30 Days	30+ Days	Total	Total
Goods and services	5 314	-	5 314	834
Capital assets	-	-	-	14
Total	5 314	-	5 314	848

Listed by programme level

	2020/2021	2019/20
	R'000	R'000
Administration	558	842
SOC Governance Assurance & Performance	4 750	6
Business Enhancement & Industrialisation	6	-
Total	5 314	848

22.2 Payables not recognised

			2020/2021	2019/20
			R'000	R'000
Listed by economic classification				
	30 Days	30+ Days	Total	Total
Goods and services	117	-	117	-
Total	117	-	117	-

Listed by programme level

	2020/2021	2019/20
	R'000	R'000
Administration	114	-
SOC Governance Assurance & Performance	1	-
Business Enhancement & Industrialisation	2	-
Total	117	-

Included in the above totals are the following:

	Note	2020/21	2019/20
		R'000	R'000
Confirmed balances with other departments	Annex 5	4 741	-
Total		4 741	-

23. Employee benefits

	2020/2021	2019/20
	R'000	R'000
Leave entitlement	8 879	6 418
Service bonus	2 975	3 021
Performance awards	921	1 277
Capped leave	1 476	1 525
Total	14 251	12 241

24. Lease commitments**24.1 Operating leases**

2020/21	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	-	-	7 304	334	7 638
Later than 1 year and not later than 5 years	-	-	-	140	140
Total lease commitments	-	-	7 304	474	7 778

2019/20	Specialised military equipment	Land	Buildings and other fixed structures	Machinery and equipment	Total
	R'000	R'000	R'000	R'000	R'000
Not later than 1 year	-	-	12 012	394	12 406
Later than 1 year and not later than 5 years	-	-	7 304	466	7 770
Total lease commitments	-	-	19 316	860	20 176

The Department entered into an operating lease arrangement for services such as office accommodation and photo copier machines.

Buildings and Other Fixed Structures: This is a three (3) year lease agreement for office accommodation with the inception date of 1 October 2018.

Machinery and equipment: This is also a three (3) year lease agreement for 23 photo copier machines with different inception dates.

The Department has not entered into any new lease arrangements in 2020/21 financial year.

24.2 Finance leases

2020/21	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	-	-	-	194	194
Later than 1 year and not later than 5 years	-	-	-	116	116
Total lease commitments	-	-	-	310	310

2019/20	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	-	-	-	21	21
Later than 1 year and not later than 5 years	-	-	-	9	9
Total lease commitments	-	-	-	30	30

The finance lease relates to cell phone contracts.

The amount of R30 000 disclosed in 2019/20 financial year was omitted in the previous report.

25. Irregular expenditure**25.1 Reconciliation of irregular expenditure**

Opening balance
Add: Irregular expenditure – relating to prior year
Less: Prior year amounts condoned
Closing balance
Analysis of closing balance
Prior years
Total

2020/2021	2019/20
R'000	R'000
-	821
32 588	
-	(821)
32 588	-
32 588	-
32 588	-

25.2 Details of current and prior year irregular expenditure – added current year (under determination and investigation)

Incident	Disciplinary steps taken/criminal proceedings	2020/21 R'000
Material deficiencies in the appointment of a service provider	Criminal proceedings commenced	32 587
Contract amount exceeded	Disciplinary steps in progress	1
Total		32 588

25.3 Details of irregular expenditure under assessment (not included in the main note)

Incident	2020/21 R'000
Forensic Investigation Services	972
Total	972

26. Fruitless and wasteful expenditure**26.1 Reconciliation of fruitless and wasteful expenditure**

	Note	2020/2021 R'000	2019/20 R'000
Opening balance		731	713
Fruitless and wasteful expenditure – relating to current year		-	27
Fruitless and wasteful expenditure – relating to prior year	26.2	1 010	-
Less: Amounts recoverable	12.2	(4)	-
Less: Amounts written off		-	(9)
Less: Fruitless and wasteful expenditure – relating to prior year	26.3	(1 723)	-
Closing balance		14	731

26.2 Details of current and prior year fruitless and wasteful expenditure – added current year

Incident	Disciplinary steps taken/criminal proceedings	2019/20 R'000
Cancellation of a conference	Disciplinary steps have been taken	1 010
Total		1 010

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26.3 Details of fruitless and wasteful expenditure -relating to prior year

Incident	2020/21 R'000
Production of DPE documentary and Storage of the production set	713
Cancellation of a conference	1 010
Total	1 723

The closing balance of the fruitless and wasteful expenditure has been decreased with an amount R1.7 million. This expenditure occurred in the previous financial years and has been included as part of the irregular expenditure amount of R32 million as the two relate to the same matter. Therefore, recovery of this fruitless expenditure will be addressed through the corrective measure of the irregular expenditure process.

27. Related party transactions

27.1 Revenue received

	Note	2020/2021	2019/20
		R'000	R'000
Transactions in financial assets and liabilities	3	8 656	-
Interest received		1 271	-
Total		9 927	-

The department received an amount of R9 million which was disbursed to SAFCOL in 2016/17 for the development and implementation of six (6) community-based enterprise projects. These funds were returned to the department during 2020/21 financial year and have been transferred to the National Revenue Fund.

27.2 Payments made

	Note	2020/2021	2019/20
		R'000	R'000
ESKOM	7	56 000 000	49 000 000
SAA		20 974 951	5 500 000
SAX		143 395	300 000
Denel		576 000	1 800 000
Total		77 694 346	56 600 000

27.3 Year end balances arising from revenue

	Note	2020/2021	2019/20
		R'000	R'000
Payable to related parties	Annexure 8B	371	371
Total		371	371

The amount of R371 thousand (2019/20) in respect of 16 days of activism against women and child abuse (related parties) has been restated.

27.4 Other

Guarantees issued

Annexure 3A

Total

2020/2021	2019/20
R'000	R'000
14 619 528	38 737 199
14 619 528	38 737 199

Related party relationship and the nature thereof

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

28. Key management personnel

Political office bearers

Officials:

Level 15 to 16

Level 14 (incl. CFO if at lower level)

Total

No. of Individuals	2020/2021	2019/20
	R'000	R'000
2	4 379	3 895
6	8 433	15 475
22	27 678	26 193
	40 491	45 563

29. Movable Tangible Capital Assets

MOVEMENT IN MINOR ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2021

	Opening balance	Value adjustments	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
MACHINERY AND EQUIPMENT	42 379	(49)	5 234	2 105	45 459
Transport assets	8 529	-	1 568	(1 827)	8 270
Computer equipment	19 889	154	2 969	-	23 012
Furniture and office equipment	4 694	731	190	(261)	5 354
Other machinery and equipment	9 267	(934)	507	(17)	8 823
TOTAL MOVABLE TANGIBLE CAPITAL ASSETS	42 379	(49)	5 234	(2 105)	45 459

Movable Tangible Capital Assets under investigation

Included in the above total of the movable tangible capital assets per the asset register are assets that are under investigation:

Machinery and equipment

Number	Value
	R'000
36	630

The lost assets were reported to the SAPS and are under investigation for either write off or recovery depending on the outcome.

29.1 Additions

ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2021

	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	5 234	-	-	-	5 234
Transport assets	1 568	-	-	-	1 568
Computer equipment	2 969	-	-	-	2 969
Furniture and office equipment	190	-	-	-	190
Other machinery and equipment	507	-	-	-	507
TOTAL ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS	5 234	-	-	-	5 234

29.2 Disposals

DISPOSALS OF MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2021

	Sold for cash	Non-cash disposal	Total disposals	Cash Received Actual
	R'000	R'000	R'000	R'000
MACHINERY AND EQUIPMENT	1 839	266	2 105	715
Transport assets	1 827		1 827	714
Furniture and office equipment		261	261	
Other machinery and equipment	12	5	17	1
TOTAL DISPOSAL OF MOVABLE TANGIBLE CAPITAL ASSETS	1 839	266	2 105	715

Note: "Sold for cash" is the cost price of the asset and the "Actual Cash Received" is the actual amount received from the asset disposals.

29.3 Movement for 2019/20

MOVEMENT IN TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2020

	Opening balance	Prior period error	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
MACHINERY AND EQUIPMENT	38 730		4 197	(548)	42 379
Transport assets	6 118	-	2 411		8 529
Computer equipment	18 989	-	1 307	(407)	19 889
Furniture and office equipment	4 746	-	80	(132)	4 694
Other machinery and equipment	8 877	-	399	(9)	9 267
TOTAL MOVABLE TANGIBLE CAPITAL ASSETS	38 730	-	4 197	(548)	42 379

29.4 Minor assets

MOVEMENT IN MINOR ASSETS PER THE ASSET REGISTER FOR THE YEAR ENDED AS AT 31 MARCH 2021

	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	-	64	-	5 523	-	5 587
Value adjustments	-	(2)	-	262	-	260
Additions	-	-	-	323	-	323
Disposal	-	-	-	(40)	-	(40)
TOTAL MINOR ASSETS	-	62	-	6 068	-	6 130

	Specialised military assets	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Total
Number of RI minor assets				161		161
Number of minor assets at cost		19		3 737		3 756
TOTAL NUMBER OF MINOR ASSETS		19		3 898		3 917

Minor Capital Assets under investigation

Included in the above total of the minor capital assets per the asset register are assets that are under investigation:

Machinery and equipment

Number	Value
	R'000

17

49

The lost assets were reported to the SAPS and are under investigation for either write off or recovery depending on the outcome.

MOVEMENT IN MINOR ASSETS PER THE ASSET REGISTER FOR THE YEAR ENDED AS AT 31 MARCH 2020

	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	-	64	-	5 414	-	5 478
Additions	-	-	-	590	-	590
Disposal	-	-	-	(481)	-	(481)
TOTAL MINOR ASSETS	-	64	-	5 523	-	5 587

30. Intangible Capital Assets

MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2021

	Opening balance	Value adjustments	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
SOFTWARE	3 684	-	-	-	3 684
TOTAL INTANGIBLE CAPITAL ASSETS	3 684	-	-	-	3 684

30.1 Movement for 2019/20

MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2019/20

	Opening balance	Prior period error	Additions	Disposals	Closing Balance
	R'000	R'000	R'000	R'000	R'000
SOFTWARE	3 653	-	31	-	3 684
TOTAL INTANGIBLE CAPITAL ASSETS	3 653	-	31	-	3 684

31. Prior Period Errors**31.1 Correction of prior period errors**

Note	Amount before error correction	Prior period error	Restated Amount
	2019/20	2019/20	2020/21
	R'000	R'000	R'000
Liabilities:			
Finance lease	24.2	-	30
Net effect		-	30
Other:			
Related Parties (Payable)	27.3	-	371
Prepayment (Expensed)	11.2	-	8 657
Net effect		-	9 028

The Prepayment (Expensed) of R8.657 million relate to Funds transferred to SAFCOL during 2016/17 financial year and this was an omission in the prior year.

32. BROAD BASED BLACK ECONOMIC EMPOWERMENT PERFORMANCE

The table below is information on compliance with the B-BBEE Act.

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

Criteria	Response Yes/No	Discussion
Determining qualification criteria for the issuing of licences, concessions or other authorisation in respect of economic activity in terms of any law	No	Not applicable to the department
Developing and implementing a preferential procurement policy?	Yes	The department's bids and RFQs stipulate pre-qualifications for prospective bidders in terms of PPPFA (2017)
Determining qualification criteria for the sale of state-owned enterprises?	N/A	Negotiations are ongoing and are informed by the transformation B-BBEE requirements
Developing criteria for entering into partnerships with the private sector?	No	There is no partnership agreement that the department has entered into with the private sector
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	No	Not applicable to the department

33. COVID 19 Response Expenditure

Goods and services

Total

Note	2020/21	2019/20
Annexure 11	R'000	R'000
	410	-
	410	-

The department has spent R410 thousand in relation to the Covid-19 pandemic. This was for sanitisation of office building and purchases of protective items for officials e.g. masks, sanitisers, Temperature scanners etc.

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

ANNEXURE 1A

STATEMENT OF CONDITIONAL GRANTS AND OTHER TRANSFERS PAID TO MUNICIPALITIES

NAME OF MUNICIPALITY	GRANT ALLOCATION				TRANSFER			SPENT				2019/20		
	DoRA and other transfers	Roll Overs	Adjustments	Total Available	Actual Transfer	Funds Withheld	Re-allocations by National Treasury or National Department	Amount received by municipality	Amount spent by municipality	Unspent funds	% of available funds spent by municipality	Division of Revenue Act	R'000	Actual transfer R'000
City of Tshwane Metropolitan Municipality	-	-	-	-	14	-	-	-	-	-	-	-	-	15
TOTAL	-	-	-	-	14	-	-	-	-	-	-	-	-	15

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

ANNEXURE 1D

STATEMENT OF TRANSFERS/SUBSIDIES TO PUBLIC CORPORATIONS AND PRIVATE ENTERPRISES

NAME OF PUBLIC CORPORATION/PRIVATE ENTERPRISE	TRANSFER ALLOCATION							2019/20	
	Adjusted Appropriation Act	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	Capital	Current	Final Appropriation
	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000
Public Corporations									
Transfers									
Department of Public Works	-	-	-	-	-	-	-	-	2 976
Total	-	-	-	-	-	-	-	-	2 976
Private Enterprises									
Transfers									
EY Stuart	-	-	-	-	-	-	-	-	598
Total	-	-	-	-	-	-	-	-	598
TOTAL	-	-	-	-	-	-	-	-	3 574

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

ANNEXURE IG

STATEMENT OF TRANSFERS TO HOUSEHOLDS

	TRANSFER ALLOCATION				EXPENDITURE		2019/20
	Adjusted Appropriation Act	Roll Overs	Adjustments	Total Available	Actual Transfer	% of Available funds Transferred	
HOUSEHOLDS	R'000	R'000	R'000	R'000	R'000	%	Final Appropriation R'000
Transfers							
Leave Gratuity	299	-	-	299	299	100%	471
Retirement benefit	-	-	-	-	-	-	4 068
Settlement payment	867	-	-	867	867	100%	-
TOTAL	1 166	-	-	1 166	1 166		4 539

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

ANNEXURE 1H

STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS RECEIVED

NAME OF ORGANISATION	NATURE OF GIFT, DONATION OR SPONSORSHIP	2020/21	2019/20
		R'000	R'000
Received in kind			
Strategy Execution Advisors	Technical advisory services	2 350	-
TOTAL		2 350	-

The Department received donation in kind of R1.9 million (\$130 000) and R450 000 for the contracting of Strategy Execution Advisors (SEA). SEA provides technical advisory services to assist the department with the establishment of the Delivery Design Unit as well as creation of a results-based framework intended to support the repurposing of the state-owned enterprises environment. The donation in kind was approved and accepted by the accounting officer in terms of Treasury Regulation 21.2.1.

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

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 2020/21	% Held 2019/20	Number of shares held		Cost of investment		Net Asset value of investment		Profit/(Loss) for the year		Losses guaranteed
				2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	
National/Provincial Public Entity												
Alexkor Limited	2	100	100	400 000 000	400 000 000	400 000	400 000	107 589	94 015	20 686	(109 384)	No
Denel (Pty) Ltd	2	100	100	*1 225 057 663	1 225 057 663	8 552 376	7 976 376	(3 792 000)	(1 568 000)	(1 515 000)	(1 672 000)	No
Eskom Limited	2	100	100	188 000 000 001	132 000 000 001	188 000 000	132 000 000	2 146 240 000	185 863 000	(17 610 000)	(20 502 000)	No
SAFCOL Limited	2	100	100	318 013 254	318 013 254	318 013	318 013	3 062 450	3 139 249	(54 082)	(66 335)	No
Transnet Limited	2	100	100	12 660 986 310	12 660 986 310	12 660 986	12 660 986	124 427 000	130 227 000	(7 691 000)	3 938 000	No
South African Express Airways	2	100	100	**452	452	2 277 395	2 134 000	-	-	-	-	-
South African Airways	2	100	100	***13 126 336 960	13 008 758 154	54 483 709	33 508 758	(4 118 000)	(13 082 000)	(8 097 000)	(5 186 000)	No
TOTAL				215 730 395 216	159 612 815 834	266 692 479	188 998 133	334 311 039	304 673 264	(34 946 396)	(23 597 719)	

Note:

*The number of shares held in respect of Denel excludes shares still to be issued for R576 million investment in 2020/21 financial year.

**The number of shares held in respect of SAX excludes shares still to be issued for R1.692 billion investment from 2018/19 to 2020/21 financial years.

***The number of shares held in respect of SAA excludes shares still to be issued for R20.975 billion investment in 2020/21 financial year.

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

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	
		2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
Controlled entities									
Alexkor Limited	Mining	400 000	400 000	107 589	94 015	189 000	189 000	-	-
Denel (Pty) Ltd	Manufacturing of Arms	8 552 376	7 976 376	(3 792 000)	(1 568 000)	-	-	-	-
Eskom Limited	Energy	188 000 000	132 000 000	214 624 000	185 863 000	-	-	-	-
SAFCOL Limited	Forestry	318 013	318 013	3 062 450	3 139 249	-	-	-	-
Transnet Limited	Transport	12 660 986	12 660 986	124 427 000	130 227 000	-	-	-	-
South African Express Airways (Pty)Ltd	Transport	2 277 395	2 134 000	-	-	-	-	-	-
South African Airways	Transport	54 483 709	33 508 758	(4 118 000)	(13 082 000)	-	-	-	-
TOTAL		266 692 479	188 998 133	334 311 039	304 673 264	189 000	189 000	-	-

Note: The net asset value of the investment and profit/loss for the year ended 31 March 2021 is based on provisional amounts and is still subject to the SOCs external audit process and therefore subject to change.

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

ANNEXURE 3A

STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2021 – LOCAL

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2020	Guarantees draw downs during the year	Guarantees repayments/ cancelled/ reduced during the year	Revaluation due to foreign currency movements	Closing balance 31 March 2021	Revaluations due to inflation rate movements	Accrued guaranteed interest for year ended 31 March 2021
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Other									
SAX	SAX Convenants breached	123 000	123 000	-	(123 000)	-	-	-	-
	Working Capital	-	-	-	-	-	-	-	-
	Letters of Credit	40 300	40 300	-	(20 395)	-	19 905	-	-
Sub-total	Utilised (R19.905 million)	163 300	163 300	-	(143 395)	-	19 905	-	-
SAA	SAA Recapitalisation	1 300 000	784 665	-	(328 643)	-	456 022	-	15 902
	Going Concern 1	1 600 000	1 526 000	-	(1 224 897)	-	301 103	-	20 668
	Going Concern 2	5 006 000	4 105 800	-	(1 155 239)	-	2 950 561	-	104 600
	Going Concern 3	6 488 000	6 401 370	-	(4 358 887)	-	2 042 483	-	103 192
	Going Concern 4	4 720 000	4 719 800	-	(3 985 965)	-	733 835	-	20 338
Sub-total	Utilised: R6.484 billion	19 114 000	17 537 635	-	(11 053 631)	-	6 484 004	-	264 700
	Unutilised: R1.6 billion								

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

Guarantor institution	Guaranteee in respect of	Original guaranteed capital amount R'000	Opening balance 1 April 2020 R'000	Guarantees draw downs during the year R'000	Guarantees repayments/cancelled/reduced during the year R'000	Revaluation due to foreign currency movements R'000	Closing balance 31 March 2021 R'000	Revaluations due to inflation rate movements R'000	Accrued guaranteed interest for year ended 31 March 2021 R'000
Denel	Note Programme	3 430 000	3 430 000	-	-	-	3 430 000	-	-
	General Facility	1 000 000	1 000 000	-	(1 000 000)	-	-	-	-
	Egypt Missile Export Contract	2 500 000	2 500 000	-	(2 500 000)	-	-	-	-
Sub-total	Utilised: R3.430 billion	6 930 000	6 930 000	-	(3 500 000)	-	3 430 000	-	-
Eskom	Eskom bonds – ES23	-	19 783 754	100	-	-	19 783 854	-	360 700
	Eskom bonds – ES26	-	32 897 940	6 200	-	-	32 904 140	-	1 284 790
	Eskom bonds – ES33	-	34 529 610	12 800	-	-	34 542 410	-	119 678
	Eskom bonds – ES42	-	20 908 661	385 900	-	-	21 294 561	-	785 671
	Eskom bonds – EL28	-	5 278 241	1 000 000	-	-	6 278 241	3 367 830	101 925
	Eskom bonds – EL29	-	3 709 000	944 000	-	-	4 653 000	2 296 801	48 514
	Eskom bonds – EL30	-	3 664 990	731 000	-	-	4 395 990	1 855 293	24 625
	Eskom bonds – EL31	-	4 076 329	767 000	-	-	4 843 329	1 756 305	45 690
	Eskom Bonds - EL36	-	3 753 000	884 000	-	-	4 637 000	1 473 526	22 788
	Eskom Bonds - EL37	-	3 838 000	605 000	-	-	4 443 000	1 411 877	21 835
	Paper Issued Float Rate Notes	-	4 000 000	-	(2 000 000)	-	2 000 000	-	27 329

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2020	Guarantees draw downs during the year	Guarantees repayments/ cancelled/ reduced during the year	Revaluation due to foreign currency movements	Closing balance 31 March 2021	Revaluations due to inflation rate movements	Accrued guaranteed interest for year ended 31 March 2021
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Short Term Notes	Utilised	139 775 526	-	5 625 000	-	(5 625 000)	-	-	-
	Unutilised portion	5 224 474	-	-	-	-	-	-	-
	Sub-total	145 000 000	142 064 525	5 336 000	(7 625 000)	-	139 775 525	12 161 632	2 843 546
	Unutilised (R5.224 billion)								
	TOTAL	171 207 300	166 695 460	5 336 000	(22 322 026)	-	149 709 434	12 161 632	3 108 246

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

ANNEXURE 3A (continued)

STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2021 – FOREIGN

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2020	Guarantees draw downs during the year	Guarantees repayments/ cancelled/ reduced during the year	Revaluation due to foreign currency movements	Closing balance 31 March 2021	Revaluations due to inflation rate movements	Accrued guaranteed interest for year ended 31 March 2021
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Other									
Transnet	Euro-Rand medium term note(Tranche1) #	2 000 000	2 000 000	-	-	-	2 000 000	-	256 685
	Euro-Rand medium term note(Tranche2) #	1 500 000	1 500 000	-	-	-	1 500 000	-	411
Sub-total	Utilised: R3.5 billion	3 500 000	3 500 000	-	-	-	3 500 000	-	257 096
Eskom	AfDB (ZAR)	10 630 000	6 784 146		(714 121)		6 070 025	-	39 856
	AfDB (EUR)	10 262 457	11 345 608	63 553	(1 178 063)	(1 182 666)	9 048 432	-	-
	World Bank (IBRD) USD	2 311 982	441 909	953 369	(39 156)	(163 834)	1 192 288	-	3 082
	World Bank (IBRD) ZAR	23 088 883	31 006 935	-	(1 679 786)	-	29 327 149	-	1 150 126
	AfDB -SERE USD	73 649	124 787	-	(9 796)	(20 756)	94 235	-	145
	Afdb -CTF USD	809 510	757 302	-	-	(130 948)	626 354	-	253
	World Bank (IBRD) CTF (USD250m)	1 992 925	624 975	-	-	(108 067)	516 908	-	538
	AfDB ZAR (Private Sector)	1 800 000	1 133 333	-	(133 333)	-	1 000 000	-	8 069

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2020	Guarantees draw downs during the year	Guarantees repayments/ cancelled/ reduced during the year	Revaluation due to foreign currency movements	Closing balance 31 March 2021	Revaluations due to inflation rate movements	Accrued guaranteed interest for year ended 31 March 2021
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
	AFDB USD (Private Sector)	2 581 034	2 946 940	-	(313 004)	(483 314)	2 150 622	-	5 163
	AFD (ZAR) - Sere	980 840	704 979	-	(61 303)	-	643 676	-	18 719
	AFD (ZAR)	2 273 055	2 273 055	-	-	-	2 273 055	-	85 575
	KFW DFI (ZAR)	3 934 500	3 737 775	-	(393 450)	-	3 344 325	-	1 851
	KFW (USD)	1 353 380	-	-	-	-	-	-	-
	MIGA	8 463 525	9 204 214	-	(397 546)	(1 036 220)	7 770 448	-	15 865
	AfDBA loan (USD)	148 250	159 031	-	-	(35 719)	123 312	-	631
	AfDB B loan (USD)	14 306 125	17 264 767	-	(8 973)	(2 976 351)	14 279 443	-	72 912
	AfDB Senior Unsecured ZAR	5 292 354	4 704 315	-	(294 020)	-	4 410 295	-	54 480
	CDB Short-Term (USD)-Medupi	20 131 950	17 890 950	7 025 613	-	(4 052 299)	20 864 264	-	35 941
	CDB Long-Term (USD)-Kusile	32 998 500	26 621 734	755 219	-	(4 692 615)	22 684 338	-	30 922
	USD 1 bn bond	14 115 000	17 890 950	-	-	(3 093 600)	14 797 350	-	129 783
	Syndicate loan -Credit Facility Agreement	-	15 000 000	-	(15 000 000)	-	-	-	-
	AFDB ZAR (Public Sector)	2 886 000	-	255 269	-	-	255 269	-	2 027
	AFDB USD (Public Sector)	346 000	-	8 536	-	(347)	8 189	-	16
	AFD Tranche 1	1 441 305	-	-	-	-	-	-	-

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

Guarantor institution	Guarantee in respect of	Original guaranteed capital amount	Opening balance 1 April 2020	Guarantees draw downs during the year	Guarantees repayments/ cancelled/ reduced during the year	Revaluation due to foreign currency movements	Closing balance 31 March 2021	Revaluations due to inflation rate movements	Accrued guaranteed interest for year ended 31 March 2021
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
	New Development Bank (NDB)	2 534 184	193	221 969	-	(43)	371 929	-	14
	Unutilised portion	40 244 591	-	-	-	-	-	-	-
Sub-total		164 755 408	170 810 887	9 283 528	(20 222 551)	(18 019 958)	141 851 906	-	1 655 968
TOTAL		208 499 999	174 310 887	9 283 528	(20 222 551)	(18 019 958)	145 351 906	-	1 913 064

Note:

SA Express utilised the full amount of R163.3 million guarantees that were available at the beginning of the 2020/21 financial year. An amount of R143.4 million guarantees were cancelled during the year after Government settled the lessors and lenders call on the guarantee. Government therefore remains with a R19 million of guarantees exposure to SA Express.

SAA had R19.1 billion of guarantees available to the airline at the beginning of the 2020/21 financial year. A total of R17.5 billion of guarantees had been utilised leaving a balance of R1.6 billion of unutilized guarantees. During the year, from a total of R17.5 billion utilised guarantees, a total of R1.1 billion guarantees have since been cancelled as guaranteed debts are paid off. Government exposure to SAA guarantee is therefore currently at R6.4 billion.

Denel has fully utilised its guarantees and has nil unutilised guarantees. Denel current guarantees will expire at the end of September 2023 and have a five year term. The expired guarantees R1 billion and R2.5 billion were for bridging finance and export contract, respectively.

Eskom is borrowing under the R350 billion Guarantee Framework Agreement (GFA).

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

ANNEXURE 3B

STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2021

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 2020 R'000	R'000	R'000	R'000	31 March 2021 R'000
Claims against the department					
Equity Alliance (Pty) Ltd vs Government of RSA	572 000	-	-	-	572 000
Labour Disputes	3 536	1 255	10	-	4 781
Zam Projects	-	16 900	-	-	16 900
TOTAL	575 536	18 155	10	-	593 681

Note: The claim from Equity Alliance (Pty) Ltd against Government of RSA is for the purchase of shares from Transnet.

The claim from Zam Projects against the department is for alleged breach of contract on events management services.

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

ANNEXURE 5

INTER-GOVERNMENT PAYABLES

GOVERNMENT ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		TOTAL		Cash in transit at year end 2020/ 21	
	31/03/2021	31/03/2020	31/03/2021	31/03/2020	31/03/2021	31/03/2020	Payment date up to six (6) working days before year end	Amount
	R'000	R'000	R'000	R'000	R'000	R'000		R'000
DEPARTMENTS								
Current								
Department of Justice	4 741	-	-	-	4 741	-	-	-
School of Government	-	-	41	-	41	-	-	-
TOTAL	4 741	-	41	-	4 782	-	-	-

ANNEXURE 8A

INTER-ENTITY ADVANCES PAID (note 10)

ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		TOTAL	
	31/03/2021	31/03/2020	31/03/2021	31/03/2020	31/03/2021	31/03/2020
	R'000	R'000	R'000	R'000	R'000	R'000
NATIONAL DEPARTMENTS						
Department of International Relations and Cooperations	28	-	-	790	28	790
TOTAL	28	-	-	790	28	790

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

ANNEXURE 8B

INTER-ENTITY ADVANCES RECEIVED (note 16)

ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		TOTAL	
	31/03/2021	31/03/2020	31/03/2021	31/03/2020	31/03/2021	31/03/2020
	R'000	R'000	R'000	R'000	R'000	R'000
PUBLIC ENTITIES						
Non-Current						
16 days of activism against women and child abuse	-	-	371	371	371	371
TOTAL	-	-	371	371	371	371

ANNEXURE 11

COVID 19 RESPONSE EXPENDITURE Per quarter and in total

Expenditure per economic classification	2020/21				2019/20	
	Q1	Q2	Q3	Q4	Total	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Goods and services	247	44	102	17	410	-
<i>List all applicable SCOA level 4 items</i>						
Minor assets	8	2	-	-	10	-
Communication	1	2	-	-	3	-
Consumables	148	13	102	17	280	-
Property payments	90	19	-	-	109	-
Training and development	-	8	-	-	8	-
TOTAL COVID 19 RESPONSE EXPENDITURE	247	44	102	17	410	-

[illegible]



PUBLIC ENTERPRISES



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