public enterprises

Department:
Public Enterprises
REPUBLIC OF SOUTH AFRICA

ANNUAL REPORT
2021/2022

DENEL

SOUTH AFRICAN AIRWAYS

public enterprises

Department:
Public Enterprises
REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF PUBLIC ENTERPRISES

VOTE 10

ANNUAL REPORT

2021/22 FINANCIAL YEAR

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PART A:
GENERAL INFORMATION

1. DEPARTMENT'S GENERAL INFORMATION

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2. LIST OF ABBREVIATIONS/ACRONYMS

ABBREVIATION	DESCRIPTION
AA	Accounting Authority
AEMFC	African Exploration Mining and Finance Corporation
AFS	Annual Financial Statements
AGM	Annual General Meeting
AGSA	Auditor-General of South Africa
AO	Accounting Officer
APIR	Annual Performance Information Report
APP	Annual Performance Plan
AR	Annual Report
ARC	Audit and Risk Committee
ARMSCOR	Armaments Corporation of South Africa
BAC	Bid Adjudication Committee
B-BBEE	Broad-Based Black Economic Empowerment
BEC	Bid Evaluation Committee
BRP	Business Rescue Plan
BSC	Bid Specification Committee
CAPEX	Capital Expenditure
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CoI	Conflict of Interest
CoJ	City of Johannesburg
CPA	Certified Public Accountant
CRO	Chief Restructuring Officer
CSD	Central Supplier Database
CSI	Corporate Social Investment
DAFF	Department of Agriculture, Forestry and Fisheries
DALRRD	Department of Agriculture, Land Reform and Rural Development
DBSA	Development Bank of South Africa
DCS	Department of Correctional Services
DDG	Deputy Director-General
DFFE	Department of Forestry, Fisheries and the Environment
DFI	Development Finance Institutions
DG	Director-General
DIRCO	Department of International Relations and Cooperation
DM	Deputy Minister

ABBREVIATION	DESCRIPTION
DMRE	Department of Mineral Resources and Energy (previously DoE)
DoD	Department of Defence
DoEL	Department of Employment and Labour
DoT	Department of Transport
DoW	Department of Women
DPE	Department of Public Enterprises
DPSA	Department of Public Service and Administration
DTIC	Department of Trade Industry and Competition
EA	Executive Authority
EA	Enterprise Architecture
EAF	Energy Availability Factor
ECDPWI	Eastern Cape Department of Public Works and Infrastructure
EE	Employment Equity
EHW	Employee Health and Wellness
EIA	Environmental Impact Assessment
EIP	Environment Implementation Plan
EPP	Electricity Pricing Policy
ERA	Electricity Regulation Act
ERM	Enterprise Risk Management
ERP	Enterprise Resource Planning
ERRP	Economic Recovery and Reconstruction Plan
Eskom	Electricity Supply Commission
FSCA	Financial Sector Conduct Authority
GBV	Gender-Based Violence
GCE	Group Chief Executive
GDP	Gross Domestic Product
GEMS	Government Employees Medical Scheme
GEYODI	Committee on Gender, Youth and Persons with Disabilities
GFB	General Freight Business
GM	General Manager
HoD	Head of Department
HR	Human Resources
HRI	Human Resources Information
HRP	Human Resource Plan
GSMB	Government Shareholder Management Bill
IAA	Internal Audit Activity

ABBREVIATION	DESCRIPTION
ICT	Information and Communication Technology
IPAP	Industrial Policy Action Plan
IT	Information Technology
JET	Just Energy Transition
JV	Joint Venture
MDS	Market Demand Strategy
MoI	Memorandum of Incorporation
MoU	Memorandum of Understanding
MTEF	Medium-Term Expenditure Framework
MTSF	Medium-Term Strategic Framework
NCR	National Credit Regulator
NDIC	National Defence Industry Council
NDP	National Development Plan
NERSA	National Energy Regulator of South Africa
NIPP	National Industrial Participation Programme
NWDPWRT	North West Department of Public Works Roads and Transport
NPA	National Ports Authority
NPC	National Planning Commission
NRF	National Revenue Fund
NSDP	National Skills Development Plan
NSG	National School of Government
NT	National Treasury
NUM	National Union of Mineworkers
OEM	Original Equipment Manufacturer
OHS	Occupational Health and Safety
PC	Portfolio Committee
PIC	Public Investment Corporation
PFMA	Public Finance Management Act
PMDS	Performance Management and Development System
PMP	Pretoria Metal Pressings
PPP	Public-Private Partnerships
PRASA	Passenger Rail Agency of South Africa
PRC	Presidential Review Commission
PSEC	Presidential State-Owned Enterprise Council
PSJV	Pooling and Sharing Joint Venture
PwDs	People with Disabilities

ABBREVIATION	DESCRIPTION
RDM	Rheinmetall Denel Munition
RE	Renewable Energy
RIMF	Risk and Integrity Management Framework
RFI	Request For Information
RFQ	Request For Quotation
SAFCOL	South African Forestry Company Ltd
SAA	South African Airways
SAAT	South African Airways Technical
SADC	Southern African Development Community
SA EXPRESS	South African Express Airways
SAPS	South African Police Service
SCM	Supply Chain Management
SCOPA	Standing Committee on Public Accounts
SEP	Safety and Emergency Procedures
SHEQ	Safety, Health, Risk and Environment
SHERQ	Safety Health Environment Risk and Quality
SIS	Strategic Intent Statement
SIU	Special Investigations Unit
SLA	Service Level Agreement
SMB	Shareholder Management Bill
SMME	Small, Medium Micro Enterprise
SMS	Senior Management Service
SOC	State-Owned Company
SOE	State-Owned Enterprises
SONA	State of the Nation Address
SP	Strategic Plan
SSEG	Small-Scale Embedded Generation
STEM	Science, Technology, Engineering and Maths
TFR	Transport Freight Rail
TFG	Transformation Framework and Guidelines
TMPS	Total Measurement Procurement Spend
TNPA	Transnet National Ports Authority
ToR	Terms of Reference
TFR	Transnet Freight Rail
VCT	Voluntary Counselling and Testing
VSP	Voluntary Severance Package
WSP	Workplace Skills Plan

3. FOREWORD BY THE MINISTER

President Cyril Ramaphosa mandated the Department of Public Enterprises (DPE) to restructure and re-purpose essential State-Owned Enterprises (SOEs). The following SOEs form part of the DPE portfolio: Eskom, Transnet, Denel, SAA, SAX, SAFCOL, and Alexkor. They are positioned to become instruments for inclusive economic growth and leadership in infrastructure development across the country, which will be an anchor for the Government's Economic Reconstruction and Recovery Plan (ERRP).

This Annual Report (AR) covers the fiscal year, April 2021 to March 2022. The impact of the Covid-19 pandemic was still devastating. The July unrest of 2021 led to massive disruption of businesses' supply chains and people's livelihoods.

The changes brought in, and the recovery from the damages caused by State capture to the operations of SOEs are bearing fruit. The Boards, and Management of the SOEs, have had to spend considerable time improving the organizations' financial status, operations, and culture, including responding to changes in their specific markets. The Commission of Inquiry into State Capture Report revealed the extent and depth of corruption that visited our SOEs.

Together with SOEs, the Government is already taking action on the recommendations by referring cases to law enforcement agencies, professional bodies, and other relevant state organs. The efforts are intended to facilitate criminal prosecution, civil recoveries, prohibition from practicing, prohibition from accessing State procurement opportunities and employment, and dismissal of those who may still be present in the SOEs. However, we are aware of new forms of state capture and corruption emerging all the time.

For example, there is still corruption in supply of coal to Eskom, as overpricing of parts and other commodities sold to Eskom is still a big problem. In this regard, syndicates continue to divert resources away from Eskom. Notwithstanding these challenges, the focus of Eskom is to improve operational efficiency, ensuring the sustainability of power stations. Furthermore, Government, together with Eskom, is implementing the Presidential Energy Crisis Interventions to resolve the current energy supply challenges. This includes getting external experts, and former Eskom employees to mentor and work with the power station Managers to improve the reliability of the plants.

The debt of municipalities is increasing, and efforts are underway to reclaim monies owed to Eskom. The restructuring of Eskom into three utilities owned by Eskom Holdings (generation, transmission, and distribution), is proceeding. Functional separation of Transmission was concluded in December 2021. The Transmission Company is being corporatised and will be operational by December 2022.

Eskom and Just Energy Transition (JET)

Eskom has started working on repurposing power stations that have reached their end of life. The power stations include Komati and Camden power stations. The last unit at Komati is scheduled for shutdown at the end of September 2022. Komati power station is the flagship project for the Just Energy Transition (JET) programme in Eskom and the country. Studies have been undertaken to quantify the socio-economic impact of the repurposing of Komati to areas where workers and surrounding communities live. Their living conditions should not be made worse by the shutting down of coal power stations. Engagements

are ongoing with local businesses on promoting collaboration to localise and industrialise technologies that are used for repurposing, which include microgrid assembly plants and Agrivoltaics. Other engagements are ongoing with International Stakeholders and the Presidential Climate Change Commission to ensure a comprehensive plan is developed for the energy transition. To optimise the "Just" element of the transition, the development of an integrated plan will require funding from both Government and International Stakeholders.

Supply Chain disruptions

The Ukraine/Russia war has resulted in a steep rise in energy prices across the globe. Inflation is on an upward path in developed countries, including South Africa. We have witnessed the rising cost of living for poor households, and in the same vein, businesses are barely surviving.

Supply Chains and logistics networks around the world have been severely disrupted by Covid-19 lockdowns, resulting in a shortage of spare parts and other critical products. As commodity prices have increased, Transnet's freight operations have had to increase to meet the rising demands from our various ports, including Saldanha Bay, Ngqura, Richards Bay, and Durban.Transnet's primary constraint was the availability of locomotives, coupled with the theft of cables and signaling equipment along its rail lines.

Presidential State-Owned Enterprises Council

The Presidential State-Owned Council (PSEC) has been hard at work. At the 2022 State of the Nation Address (SONA), the President announced that Government will adopt a centralised Shareholder model for its key, commercial SOCs. To implement this initiative, preparatory work has begun for the establishment of a Holding Company to house strategic SOEs and to exercise coordinated Shareholder oversight. Legislation governing SOEs is being developed. PSEC developed criteria to determine which SOEs should be considered strategic and critical for future development, as well as to determine which SOEs are to be retained, consolidated, or disposed of. PSEC will also identify strategic SOEs that will be part of Holdco.

Conclusion

To conclude, I would like to thank the Department, our colleagues in various parts of government, and PSEC members for their cooperation during this financial year. Since recovering from State capture is not an easy task, the Department has worked well with the Boards, and Management of the SOEs in our portfolio as many are returning to sustainability and improving their operations. A long and difficult road lies ahead, requiring courage, resilience, and a clear sense of purpose.

I also thank the portfolio committee and the select committees of the Department of Public Enterprises for their collaboration and cooperation during this process. The work continues as we remain focused on restoring the crucial SOEs to full functionality and sustainability in the years ahead.

Pravin Gordhan, MP
Minister of Public Enterprises

4. REPORT OF THE DEPUTY MINISTER

The SOEs in our portfolio, are important instruments for transformation and inclusive growth as envisioned in the ERRP.

Our SOEs, however, have not been performing well in executing their mandates holistically, and have therefore not contributed to economic growth as expected. This, is in part due to the impact of Covid-19, low growth, and low investment in infrastructure, which compounded the economic challenges facing the country.

The potential, and the role of SOEs cannot be under-estimated. With well-functioning SOEs, our economy will benefit as they are important economic drivers and enablers.

The Department continues to implement the Reform and Restructuring programme for our SOEs, so that they play their strategic role in the implementation of the ERRP, thus providing the much-needed services to key sectors of the economy.

In light of the Government's constrained financial situation, the Boards, and Management of our SOEs, have had to find innovative ways to restructure and stabilise the companies without the assistance of the fiscus.

This innovative structuring has been observed at Denel, the arms manufacturer, where the Board and Management are implementing a revised turnaround plan that will set up the company for a growth trajectory. Employee morale at Denel has been adversely affected by the non-payment of salaries, and a significant number of critical skills have been lost. Denel is looking to pay outstanding employees' salaries from the Denel Medical Benefit Trust which has accrued interest, and negotiations are underway with the unions, beneficiaries and trustees to access the funds, and hopefully salaries should be paid out in the next financial year.

In the aviation space, our SOE was greatly impacted by the global lockdowns that countries implemented to curb the spread of the Covid-19 pandemic. Our aviation assets have also not been spared. Most companies including SA Express Airways found themselves facing liquidation. However, there was hope for a buyer for SA Express, and albeit, the deal did not materialise.

The Business Rescue process is proceeding well at Mango, and we will see the end results in the next financial year.

The State diamond miner, Alexkor, with the leadership of the Board, and new Management, has undertaken cost cutting initiatives in pursuit of preserving the remaining cash reserves for the future.

Various funding models for the expansion of the diamond mining operations are being considered to revitalise the joint venture diamond operations, and redress the challenges of high turnover of top Executive Management.

The South African Forestry Company SOC Limited (SAFCOL) has turned its fortunes around, and continues to provide the communities it operates around with, with much needed infrastructure as part of its Corporate Social Investment programme. Timbadola Sawmill remains key to achieving its objective of the Forestry Masterplan, which includes encouraging sector growth, investment, job creation, and competitiveness, and seeks to realise a 50:50 revenue split between logs sales and processed products.

SAFCOL was able to build a state-of-the-art clinic valued more than R3 million, for the benefit of the Graskop community, and surrounding areas in Mpumalanga. The number of patients visiting the clinic has increased from 700, to almost 1 500 per month.

The Company has empowered more than 84 Black-Owned companies by offering technical training and non-financial support.

This is evidence of the societal benefits that can be accrued to South Africans when SOEs are stabilised and financially viable.

As part of the Department's commitment to the Government's mandate to reduce poverty, unemployment, and inequality, we will continue to implement the structural reforms needed at our SOEs.

G.P. MASUALLE

Phumulo Masualle, MP
Deputy Minister of Public Enterprises

5. REPORT OF THE ACCOUNTING OFFICER

OVERVIEW OF THE OPERATIONS OF THE DEPARTMENT

The key priorities outlined in the National Development Plan(NDP), Medium Term Strategic Framework (MTSF) and the Economic Reconstruction and Recovery Plan (ERRP) remain to be the guiding documents for the execution of the Sixth Administration priorities. The Department continues to support the MTSF and ERRP intentions through the high-impact interventions that aims to stimulate equitable and inclusive growth.

The state of the global economy has had an adverse impact on the South African economy and this was reflected by the decline in the performance of the productive sectors. South Africa had a weak economic position prior the Covid-19 pandemic, where the Growth Domestic Product (GDP) declined by 6.4% during the 2020/21 financial year. This was a sharp decline from what was experienced during the global financial crisis and as a result, the South African economy had struggled to recover to growth levels.

Amidst all of these, the role of the State continues to be essential in ensuring business viability of the entities. State interventions within the context of a developmental State, are crucial to economic development, particularly in light of the large scale of investments required and the associated risks.

Investments by the State-Owned Companies (SOCs) plays a fundamental role to support demand in the economy, and to build capacity required for economic growth. The Government, through the SOCs needs to create a path towards a conducive environment for industrialisation and localisation through a strategic partnership with the private sector.

SOCs therefore, are an important catalyst of economic development through their investments in infrastructure, such as rail, ports and electricity. In order to drive economic development and improve service delivery, their presence in South Africa is essential. Due to operational inefficiencies and unstable financial positions, several of these SOCs are under tremendous strain.

There are several restructuring interventions required within the DPE SOC portfolio, and adequate expertise and competencies are needed to undertake this work. The Restructuring Office is one of the mechanisms that will be used by the Department to support the corporatisation process of entities, in particular Eskom and Transnet National Ports Authority (TNPA).

In rail, Transnet is working swiftly towards enabling 3rd party access to the rail network, where the entity plans to publish a slot price for a limited number of container rail slots on the line between Johannesburg and Durban. In addition, Transnet remains focused on ensuring that the key industrial supply chains in the economy increase their competitiveness. Where required, Transnet will seek to attract partnerships to inject capital, technology and know-how, into the main supply chains within the economy to improve their reliability, and competitiveness. In this way, Transnet, working with partners, will ensure that the freight system is an enabler of growth and development.

During the year under review, Transnet has made notable improvements in revitalising underutilised branch lines to the private sector.

These include:

- the re-opening of the Cookhouse-Blaney branch line in October 2021. The line is expected to improve trade routes in the Eastern Cape and enable the transhipment of containers from Gqeberha to East London, and
- the concession of the Mthatha to Amabhele line to a Black Women-led Group in the private sector (Sbekhuza Women's Investment), which will provide additional rail access and capacity to

previously underserviced markets.

The restructuring of Eskom into three businesses, i.e., Generation, Transmission and Distribution was completed in December 2021. This will provide Eskom with an opportunity to be competitive and to attract private sector investments. In addition, the process of corporatising TNPA as an independent subsidiary of Transnet is well underway.

The SOE reform architecture is currently undergoing review, to ensure that the State has the capacity to implement its economic strategies. Given the strategic significance of SOEs, improving their performance will have a wider economic impact. The implementation of key identified reforms, will therefore be fundamental towards unlocking barriers impeding SOEs to support economic recovery.

The development of the Shareholder Management Bill (SMB), will play an instrumental role in guiding how SOEs should be governed to become viable SOEs and contribute meaningfully to the Government outcomes and priorities.

A Centre of Excellence to have Shareholder Management Advocacy to improve the quality of oversight going forward, will be established in the next financial year. Although lessons learnt are not enough to prescribe an oversight function, the execution of this function is a concern, and it requires urgent attention. In the past years, there was great emphasis on Governance, conversely there is a need to ensure that adequate skills and capacity are in place for sustainable performance throughput of SOC operations.

The Department in collaboration with other key Stakeholders, continues to work diligently towards developing a viable solution on Eskom's debt. This will be done by ensuring that important parameters are thoroughly scrutinised to reach a long-lasting solution. The debt solution will involve several levers that are likely to be interdependent, therefore it is critical that they are carefully tested and assessed. For the energy sector to attract investment, operational performance must improve, and tariffs must cover prudently incurred expenditures and provide a reasonable rate of return.

The scourge of rampant theft, vandalism, and sabotage of economically essential railway infrastructure and equipment, has significantly reduced Transport Freight Rail (TFR) capacity which continues to impede economic recovery. The vandalism of the infrastructure can also be seen in the destruction on electricity infrastructure, for example, transformers, sub-stations etc. These commercial losses, and criminal attacks on SOCs infrastructure and equipment, has cost the country's economy. This economic sabotage must be addressed aggressively by Government.

An integrated coordinated effort is currently being undertaken including law enforcement and defence, and role of whole state approach to protect economic infrastructure is currently underway.

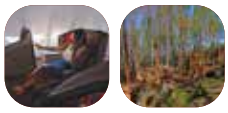
5.1 OVERVIEW OF THE FINANCIAL RESULTS OF THE DEPARTMENT

5.1.1 Departmental receipts

The table below provides a breakdown of the sources of revenue and performance for the 2021/22 financial year.

Table 1: Source of Revenue

Departmental receipts	2021/22			2020/21		
	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.	82	67	15	99	69	30
Interest, dividends and rent on land.	-	-	-	2	1 271	(1 269)
Sales of capital assets	-	-	-	65	715	(650)
Transaction in financial assets and liabilities.	459	552	(93)	128	8 684	(8 556)
TOTAL	**541**	**619**	**(78)**	**294**	**10 739**	**(10 445)**



Revenue Narrative

Departmental revenue has decreased from R10.7m in the 2020/21 financial year, to R619 000.00 in the 2021/22 financial year. This is due to a decrease in the sale of capital assets as well as transactions in financial assets and liabilities.

5.1.2 Programme Expenditure

The table below provides a high-level comparison of 2020/21 versus 2021/22 of the expenditure incurred by the Department against appropriated funds

Programme Name and Direct charges	2021/22			2020/21		
	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
Administration	138 777	121 078	17 699	142 481	118 405	24 076
SOC, Governance Assurance and Performance	54 900	47 434	7 466	45 454	37 227	8 227
Business Enhancement, Transformation, and Industrialisation	36 081 142	35 858 678	222 464	77 418 971	77 347 768	71 203
Sub-total	36 274 819	36 027 190	247 629	77 606 906	77 503 400	103 506
Direct charges	3 035 500	3 030 886	4 614	410 298	410 298	-
TOTAL	**39 310 319**	**39 058 076**	**252 243**	**78 017 204**	**77 913 698**	**103 506**

5.1.3 Expenditure Narrative

5.1.3.1 Voted Funds

The Department spent 99.4% (R39.1 billion of R39.3 billion) of the final appropriation, of which R250 million was for Departmental operations and R38.9 billion was for Equity injection for SOCs. The R38.9 billion was used by SOCs to settle Government guaranteed debt, of which R31.7 billion was for Eskom, R4.1 billion for South African Airways (SAA) and R3.1 billion for Denel. The under expenditure of R252.2 million primarily related to compensation to employees due to vacant posts, and to goods and services caused by reduced travelling because of the Covid-19 restrictions.

5.1.3.2 Direct Charges against the National Revenue Fund (NRF)

The spending under direct charges against the National Revenue Fund (NRF) was 99.8% (R3.0361 billion of R3.036 billion) of the final appropriation. An additional amount of R112.5 million approved by National Treasury (NT) for settling of the guaranteed debt and interest payment, has not yet been allocated to the Department.

5.1.4 Virements and Roll overs

5.1.4.1 Virements

An amount of R16.84 million was shifted as virement within the vote from goods and services in Programme 1 and Programme 2, to payments for financial assets in Programme 3.

5.1.4.2 Roll overs

There was no roll over request submitted to NT.

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

An amount of R15.162 million is reported as unauthorised expenditure which was paid prior to obtaining approval. The Irregular Expenditure of R972 000.00 was incurred in the previous financial years, and R2.065 million in the current financial year. As a result of deficiencies in the appointment of a Service Provider, the Department is in the process of implementing corrective measures.

The fruitless and wasteful expenditure of R5 000.00 incurred in the previous financial years, is in the process of being investigated.

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

5.1.5 Future plans of the Department

The Department has a responsibility to implement the ERRP and MTSF priorities in an effort to rebuild, recover, and reinvent SOEs. The Department's plans include:

- to enhance the Governance and integrity in SOEs, and not only at Board level, but in all other levels,
- to introduce a new ownership model with the guidance of the Presidential SOE Council,
- to relentlessly focus on SOC operational improvements and efficiency,
- to contribute actively to economic transformation and the creation of new opportunities, and
- to encourage public-private partnerships that mobilise the necessary resources and skills to advance the SOE programs. Building constructive partnerships will play a crucial role to recover and rebuild SOEs.

5.1.6 Public Private Partnerships

The Department has no public-private partnership registered with NT.

5.1.7 Discounted activities/activities to be discontinued

None

5.1.8 New proposed activities

None

5.1.9 Supply Chain Management (SCM)

The Department did not experience unsolicited bid proposals during the 2021/22 financial year. Three Bid Committees (i.e Bid Specification Committee (BSC), Bid Evaluation Committee (BEC) and Bid Adjudication Committee (BAC), have been established to ensure compliance in the bidding process and the implementation of the Departmental Financial and SCM Policies and Delegations, to manage, and prevent Irregular Expenditure. In addition, a Contract Register is regularly updated, and notice of contract expiry is sent to the end-users prior to expiry date.

Challenges experienced by SCM, are delays in the award of tenders due to the Covid-19 pandemic, and processing of Request for Quotations (RFQs) due to non-response of Service Providers who were selected from the Central Supplier Database (CSD).

To address these challenges, the validity periods of the bids and contracts were extended. The Department will in future conduct some of the Bid Committees through a virtual procurement of goods, and services above R30 000 will also be published on the internal website and e-Tender portal for greater exposure.

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

None

5.1.11 Exemption and deviations received from National Treasury

One approval has been received from NT for the provision of technical assistance and advice to the Department, in order to meet the objectives of the Presidential State-owned Enterprises Council(PSEC).

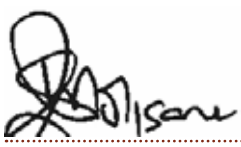
5.1.12 Events after the Reporting date

An amount of R15.160 million is recoverable from State-Owned Company (SOC) relating to funds that were transferred before 31 March 2022 year end, to avert an imminent threat of attaching State assets. As the transfer was carried out before securing the required approvals, and due to the urgency of the threat, the amount has been disclosed as unauthorised expenditure in Note 9. This will be cleared as soon as funds are received from the SOC.

Toto Investments Holdings (Pty) Ltd has served Court papers challenging the selection process of the preferred Strategic Equity Partner for SAA. An amount of R1 million is the estimated cost of defending the case of Toto Investments Holdings (Pty) Ltd.

5.1.13 Conclusion

The Department will continue to discharge its Mandate to enhance accountable, and good Governance codes by ensuring that they are embedded in SOEs. The implementation of the ERRP is central towards placing the economy on a new trajectory, as we focus on implementing priority interventions i.e., accelerating the structural reforms. The goal to relief pressure from the fiscus and finding innovative funding solutions is a work in progress.



Jacky Molisane
Acting Accounting Officer
Department of Public Enterprises (DPE)

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 the Annual Report (AR) are consistent.

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

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

The Annual Financial Statements (AFS) (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 AFS and the judgements made in this information.

The Accounting Officer is responsible for establishing and implementing a system of internal controls that has been designed to provide reasonable assurance as to the integrity and reliability of the Performance Information, the Human Resources Information (HRI) and the AFS.

The external auditors are engaged to express an independent opinion on the AFS.

In my opinion, the Annual Report fairly reflects the operations, the Performance Information, the HRI and the financial affairs of the Department for the financial year ended 31 March 2022.

Yours faithfully

Jacky Molisane

Acting Accounting Officer
Department of Public Enterprises (DPE)

7. STRATEGIC OVERVIEW

7.1 Vision

To create an enabling environment in which SOCs add real economic value by focussing 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 our citizens,
- they secure investment and funding for strategic industrial development, and
- they align with National developmental objectives.

7.3 Values

DPE is guided by the following sets of values:

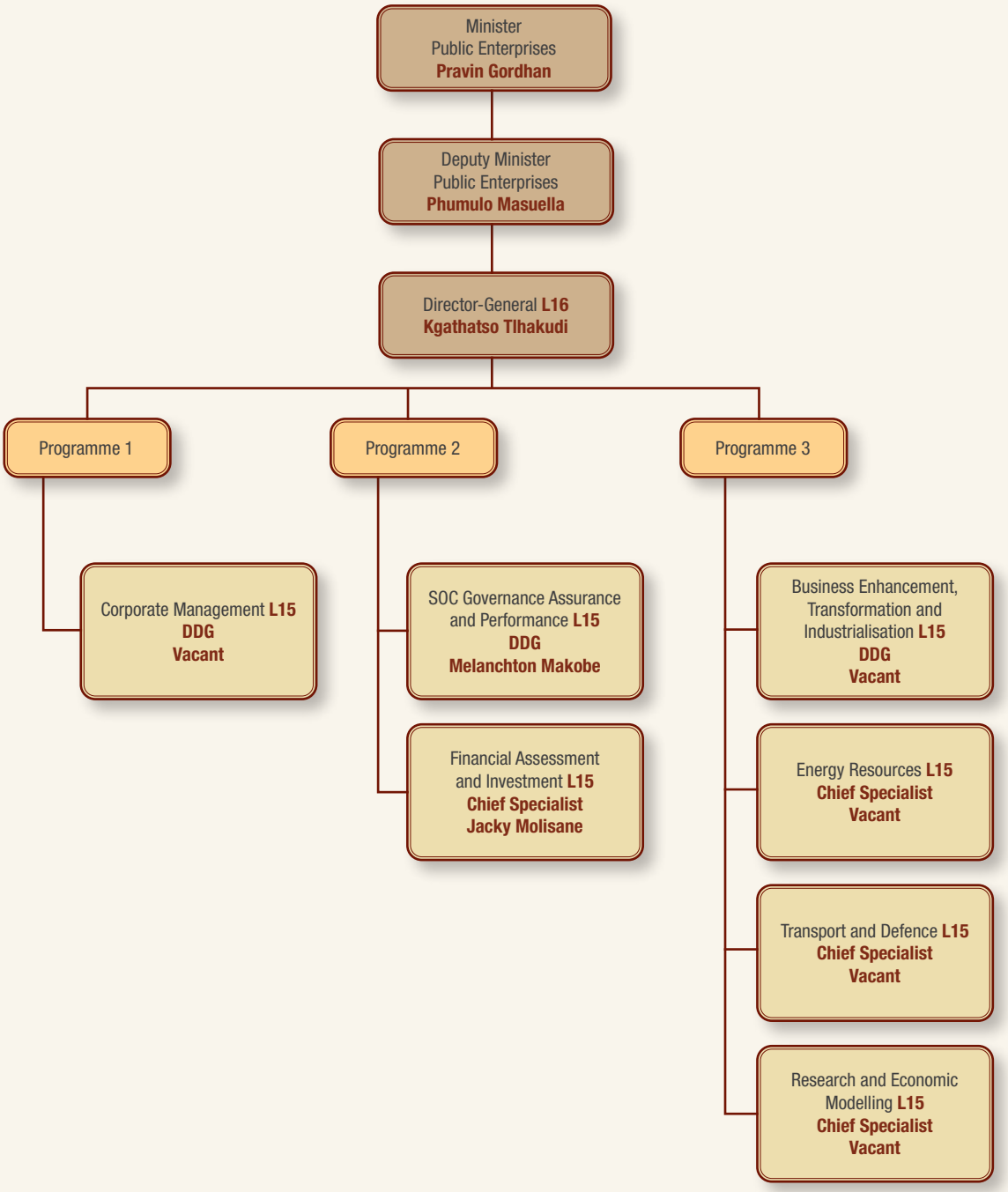
- Trusting - Having confidence in the character, ability, strength, and commitment of each other,
- Enabling - Fostering an environment that supports our people, our economy, and our nation,
- Caring - Treating employees and others with concern, kindness, and empathy,
- Leading - Providing clear direction,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

8. LEGISLATIVE AND OTHER MANDATES

The DPE is mandated to perform Shareholder oversight on behalf of Government over six SOCs that play a key role in enabling economic growth, creating jobs and promoting the industrialisation and transformation of the economy. All the SOCs are established in terms of their own enabling Legislation which sets out the purpose, mandate, and objectives for which they are founded, except for Denel which does not have its own specific enabling Legislation, but is guided by the provision in the Companies Act, 2008.

In terms of section 63 (2) of the PFMA (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



10. STATE-OWNED COMPANIES REPORTING TO THE MINISTER

Six SOCs report to the Minister of Public Enterprises through an arranged Governance, which gives the SOC the autonomy to operate within their Mandate, but also to ensure that these SOCs are aligned to the key Government policies and priorities. These SOCs therefore remain to be an important instrument for Government to draw public value creation, and to support key Government policies and economic development.

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

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

PART B:
PERFORMANCE INFORMATION

1. OVERVIEW OF DEPARTMENTAL PERFORMANCE

1.1 Service Delivery Environment

The Department has a responsibility of ensuring that there are efforts in rebuilding and reinventing State-owned Entities(SOEs) to support Government's triple priorities i.e., reduce unemployment, poverty, and inequality. In addition, the Department has a Mandate to oversee the process of enhancing Governance and integrity of our SOEs, and implement the structural reforms required within the network industries.

Given the challenging environment in which State-owned Companies (SOCs) operate, resolute measures are required to address the SOCs financial and operational difficulties. While these setbacks persist, the Department has remained committed to address them using effective Governance instruments to ensure proper Governance, and Management of SOCs' oversight. As the Shareholder, the Department continues to place particular focus on strengthening SOC Boards to ensure they comprise credible, and capable individuals with unimpeachable ethics and integrity.

Denel is a critical supplier of sovereign and strategic capabilities ensuring security of supply to the DoD. Shifts in geopolitical dynamics in Europe, Asia and other parts of the world further justify the significance for the country to preserve and grow its current industrial defence capabilities to meet its own requirements and to grow exports.

Denel has been confronted with grave liquidity challenges which have adversely affected its operations. As a result, Denel lost a significant number of critical skills which affected several strategic defence industrial capability areas. Denel's challenges are having an adverse effect on the sustainability of the local defence industry ecosystem.

Due to these financial challenges, Denel has lost a significant number of critical skills. Several strategic defence-industrial capabilities have been affected by this. As a systems integrator that is supported by an extensive local supplier base, Denel's challenges are having an adverse effect on the sustainability of the local defence industry.

The impetus to return Denel to a sound footing is underway. The SOC appointed a Chief Restructuring Officer(CRO) to accelerate the vital measures required to return the entity to sustainability. To this effect, Denel has developed a comprehensive restructuring plan with a plausible roadmap and strategic actions. The proposed future structure for Denel's core capabilities, is to have a direct link to the dimensions of defence with land, air and more complex Integrated Systems grouping to exploit new opportunities and emerging technologies.

Critical success factors include Shareholder injection, strategic partnerships, disposal of non-core assets, optimisation of internal business processes and footprints. Denel was able to unlock over R900 million from its medical trust. This injection has allowed the SOC to address some legacy obligations such as outstanding salary payments to employees and some creditors including statutory obligations as well as support operations.

The need to restructure Eskom is driven by an evolving South African energy market and policy landscape. The restructuring will augment Eskom's business model, and place Eskom in a path to long-term sustainability, addressing the "fit for purpose" question. The implementation of the Eskom Roadmap resulted in the formation of new independent Transmission, Generation and Distribution subsidiaries wholly owned by Eskom. The functional separation of three divisions (generation, transmission, and distribution) was completed according to the roadmap deliverables. In December 2021, Eskom's Transmission Company was corporatised as a wholly owned subsidiary of Eskom.

The restructuring of Eskom was further supported by the proposed amendments to the Electricity Regulation Act (ERA) and the Electricity Pricing Policy (EPP) which is estimated to be finalised by the end of the 2022/23 financial year.

In the 2021/22 financial year, a decision to corporatise Transnet National Ports Authority (TNPA) as a subsidiary of Transnet, was endorsed by the Department of Public Enterprises (DPE) and Department of Transport (DoT). The process of ensuring that TNPA is established as a wholly subsidiary of Transnet is underway.

South African Airways SOC Limited (SAA) successfully exited the Business Rescue process in April 2021, and relaunched operations both domestically and regionally. The airline commenced its operations in

September 2021. The subsidiaries of SAA namely, Air Chefs, Mango Airlines and SAA Technical, undertook restructuring processes aimed at improving efficiencies and financial performance of the entities. Mango Airlines commenced Business Rescue proceedings in August 2021, as part of a process of ensuring the successful restructuring of the airline.

South African Forestry Company Ltd (SAFCOL) continue to support economic transformation to achieve a more inclusive, effective and efficient economy within communities in which the SOCs operate. The people of Graskop and surrounding areas, received a state-of-the-art clinic valued at more than R3 million. The number of patients visiting the clinic increased from 700 to almost 1 500 per month. The Company has empowered more than 84 Black-Owned companies by offering technical training and non-financial support. SAFCOL has supported unemployed youth to establish their own co-operative and as a result, this has created 12 permanent jobs and income for Limpuma Furniture manufacturing co-operative. The Company has concluded a partnership framework with nine land claimant communities in the Vhembe District to ensure economic inclusion and participation in SAFCOL's value chain.

1.2 Service Delivery Improvement Plan

The Department does not provide direct service to South African citizens, as the SOCs are the main contributors towards service delivery. Through its oversight function and tools, the Department has created a mechanism of ensuring that SOCs deliver on Government priorities as stipulated in the Key Policy documents.

1.3 Organisational Environment

The Department had challenges in filling vacant positions within the planned turnaround times. This was because of budget cuts implemented by National Treasury (NT) where the Department had 12 unfunded positions on the approved organisational structure. The impact of the baseline reductions, has without a doubt, put pressure on the Department's Human Resource (HR) capacity.

The Department's focus over the medium-term, will largely be on enhancing its capabilities in performing its oversight role over SOCs, by ensuring that the pool of highly skilled professionals is augmented. In order to ensure the DPE is staffed with capable individuals, the Department will embark on filling key strategic positions.

To support the economic transformation and job creation as one of the Medium-Term Strategic Framework(MTSF) priorities, during the 2021/22 financial year, the Department commenced with the roll-out of its internship programme, and appointed interns with effect from 1 April 2022 for a period of 24 months. The programme focused on empowering individuals with technical knowledge of the industry and various fields. This is an opportunity for the Department to invest in the next generation through teaching and mentoring a prospective workforce.

1.4 Key Policy Developments and Legislative changes

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

2. INSTITUTIONAL STRATEGIC OUTCOMES

OUTCOMES	PERFORMANCE OUTCOME
Strengthen the Governance system of SOCs and promote institutional alignment in the execution of the oversight function.	The Presidential State-owned Enterprise Council (PSEC) was established in 2020/21 financial year and has made progress in line with the approved objectives. In order to give effect to its Mandate, the PSEC is, at present, organised into three workstreams, namely: i) Governance; ii) Consolidation and Crisis Management, and iii) Finance tasks to provide oversight and strategic support towards the repositioning and revitalisation of the SOEs. To date, the work-streams have considered the work previously done on SOCs reforms to build on the existing work, placing emphasis on the Presidential Review Commission (PRC) recommendations, and the National Planning Commission (NPC) position papers and case study. PSEC recommended that Government adopt a centralised Shareholder Management model by establishing a Holding Company. A Shareholder Management Bill which will be finalised and submitted to Cabinet in 2022/23 financial year is being developed.
Improved Governance and accountability.	Good Governance codes continue to be embedded within the SOEs. In this regard, an integrity and consequence management framework has been developed to establish clear guidelines and expectation of the Shareholder. This framework, which will manage conflict of interest in the SOCs were solidified. The quest to recover stolen money has yielded progress, where some of the responsible officials are being prosecuted.
Increase the contribution of SOCs to support transformation of the South African economy.	The DPE's Transformation Framework and Guidelines (TFG) continue to serve as a guide for SOCs within the DPE portfolio, to align their socio-economic related interventions to support achievement of the National transformation agenda. SOCs in the portfolio adequately comply with the reporting requirements for Employment Equity (EE), in terms of all Legislative provisions associated with the EE Act, including making submissions of the EE Plans and Reports to the Department of Employment and Labour (DoEL). The Department has developed a reporting tool as a mechanism to strengthen monitoring EE implementation, and ensure standardisation of reporting, and enable in-depth analysis of SOCs' contribution. The Department is also supporting interventions initiated by the Department of Women (DoW), Youth, and Persons with Disabilities (PwDs), to address gender disparities and advance the empowerment of gender, youth and persons with disabilities (GEYODI) through various initiatives in the Department and SOCs. Thus, the Department will continue to leverage SOC preferential procurement towards empowerment of designated groups, albeit still experiencing challenges especially regarding empowerment through companies owned by youth and PwDs, which was further aggravated by both financial and economic constraints, as well as the impact of Covid-19 during the period under review. The Department and SOCs, are however expected to increase procurement spend towards a 40% women empowerment threshold, as current oversight is in alignment to Broad-Based Black Economic Empowerment (B-BBEE) Act requirements.
Economic transformation and job creation.	The SOCs skills and training development towards achieving priorities, as outlined in various policy frameworks and strategies such National Development Plan (NDP), National Skills Development Plan (NSDP), MTSF, and Economic Reconstruction and Recovery Plan (ERRP), remain one of the critical levers in addressing the triple challenges of unemployment, poverty and inequality. In the past two years, the training environment was also not spared, like any other economic sectors, from the constraints imposed by the Covid-19 pandemic. Due to limited training investments, SOCs' capacity to accept an increased number of learners into the system was reduced. The Department continue to establish, and strengthen, partnerships with public and private sector role players as an innovative strategy for sustaining SOCs training operations, and optimisation of training facilities with excess capacity. The Department has concluded Memorandum of Understandings(MoUs) with the Eastern Cape Department of Public Works and Infrastructure (ECDPWI), and the North West Department of Public Works Roads and Transport (NWDPWRT) towards mitigating risks associated with SOCs financial constraints, as part of optimising training facilities of Eskom and Transnet. However, training through collaborations with both ECDPWI and NWDPWRT will only commence once Service Level Agreements (SLAs) are concluded with the two SOCs.

OUTCOMES	PERFORMANCE OUTCOME
Position SOCs to support the industrialisation of the SA economy.	The development of industrial capabilities to support SOCs' core Mandate, is critical to reversing the de-industrialisation curve. Over the years, these has been many factors that contributed to the de-industrialisation and this include electricity constraints and a rapid increase in administered prices. To date, Government has shown support through various initiatives, such as the introduction of the amendment of the B-BBEE Act 46 of 2013 and amended Codes of Good Practice. For these policies to have a desired impact, SOCs has been playing a major role to increase local content. On the one hand, SOCs continue to face challenges in ensuring various procurement leverage programmes are utilised for localisation of critical industrial capabilities. Leveraging Government and private sector procurement is a powerful instrument to promote economic growth, job creation, and industrial capability development. Furthermore, it drives local content levels, enhances the competitiveness of the National industry, which will ultimately increase exports. Over the medium-term, the Department has established a uniform approach towards localisations, which the SOCs have adopted and contributes on efforts of re-industrialisation of the South African Economy.
Support the development of Small, Medium and Micro Enterprises (SMMEs).	SOC procurement is below the expected 40% women empowerment threshold, as current oversight is aligned to B-BBEE requirements. Empowerment of companies owned by youth, and PWDs, also have not increased to the level of expectations, mainly due to funding constraints impacting on acceleration of SOCs provisioning of scarce, and critical skills and delivery of Corporate Social Investment (CSI) programmes. CSI programmes support community development, including infrastructure development, schools to improve quality of Science, Technology, Engineering and Maths subjects (STEM).
Supply of energy secured.	Generation performance declined from 64.19% in the 2020/21 financial year, to 62.02% in the 2021/22 financial year, which resulted in Eskom implementing loadshedding to protect the system. The deterioration in the Energy Availibity Factor (EAF) was mainly due to a high unplanned capability loss factor (UCLF) of 25.36%. Eskom has been implementing a Generation Recovery Plan, that focuses on improving generation performance and plant reliability. To improve the EAF, Eskom has identified seven strategic initiatives, including people development, competency development, technical excellence, station rhythm, SCM, and focusing on the future.
Increase access to an affordable and reliable transport system.	Transnet Freight Rail (TFR) volume performance deteriorated over the years due to historical underinvestment, operational related challenges exacerbated by economic and socio-economic environments, and the impact of Covid-19 which further deteriorated performance. In the 2021/22 financial year, TFR railed a total of 184.2 mt (against the budget: 208 mt) compared to the volume railed in the 2020/21 financial year of 212.37 mt (budget: 230 mt). Transnet implemented a Turnaround Strategy that focuses on the top eight commodities (categorised on six key segments) where it will leverage its position in the core operations (businesses), i.e., corridors and terminals, to resolve infrastructure challenges that have emerged in the key nodes, and within the freight system to build density. The strategy implementation will be backed by on-going policy deliverables such as branch lines revitalisation for infrastructure investment, PSP for funding, operations and investment, and third-party access for operations. There has been progress on the revitalisation of branch lines. Transnet identified several branch lines to be put up for concessions aimed at increasing capacity in operations across the network. Through the private sector participation and concessioning process, this led to the re-opening of the Paarl Franschhoek, Umtata-Amabhele and Ceres branch lines (Freight & Tourist services).

3. PERFORMANCE INFORMATION BY PROGRAMME

3.1 PROGRAMME 1 – ADMINISTRATION AND CORPORATE MANAGEMENT

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

Sub-programmes Objectives for Administration and Corporate Management:

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

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

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

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

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

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

Strategic 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 our strategic objectives, and reports to various Stakeholders.

Internal Audit: provides independent and objective assurance and internal audit services, to add value and improve the Department's operations and assists the Department to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of Risk Management, control, and Governance processes.

3.1.1 Programme: Administration and Corporate Management

Outcomes, outputs, output indicators, targets and actual achievements

Programme 1: Administration								
Outcome	**Output**	**Output Indicators**	**Audited Actual Performance 2019/20**	**Audited Actual Performance 2020/21**	**Planned Annual Target 2021/22**	**Actual Achievement 2021/22**	**Deviation from planned target to Actual Achievement 2021/22**	**Reasons for deviation**
Strengthen the Governance system of SOCs and promote institutional alignment in the execution of the oversight function.	Upskilling existing skills/ competency base of human capital.	Number of development interventions provided.	20 training interventions provided (WPS).	15 training interventions provided.	20	Achieved 20	None	None
	Human Resource Plan.	Develop Human Resource Plan and submit to Department of Public Service and Administration (DPSA).	None	None	Review 2021/22 HR Plan and submit to DPSA by 30 June 2021.	Achieved 2021/22 HR Plan was reviewed and submitted to DPSA by 30 June 2021.	None	None
	Approved implementation of Architecture Masterplan.	Report on Implementation of Architecture Masterplan.	None	Development of the DPE Enterprise Architecture Masterplan.	Report on implementation of Architecture Masterplan	Achieved Report on implementation of Architecture Masterplan was approved.	None	None
	Stakeholder Engagements Plan developed.	Stakeholder Engagements framework developed.	None	None	3-year Stakeholder Engagement Framework developed.	Achieved 3-year Stakeholder Engagement Framework developed and approved.	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.

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Linking Performance with budgets

Programme Expenditure

Programme Administration	2021/22			2020/21		
	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
Ministry	24 486	23 316	1 170	26 431	23 391	3 040
Management	9 140	7 482	1 658	10 613	5 775	4 838
Communications	34 500	29 232	5 268	36 571	32 899	3 672
Chief Financial Officer	20 876	19 490	1 386	20 782	18 757	2 025
Human Resources	24 299	18 703	5 596	24 483	17 593	6 890
Internal Audit	5 184	3 908	1 276	5 972	3 896	2 076
Corporate Services	3 734	2 391	1 343	3 817	2 297	1 520
Office Accommodation	16 558	16 557	1	13 812	13 797	15
TOTAL	**138 777**	**121 079**	**17 698**	**142 481**	**118 405**	**24 076**

Expenditure narrative

Expenditure on the Programme was R121 million in the 2021/22 financial year, compared to R118 million in the 2020/21 financial year. The increase in expenditure, is mainly due to an increase in expenditure on property payments. 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 SOCs Governance, legal assurance, financial and non-financial performance monitoring, evaluation and reporting systems, in support of the Shareholder, to ensure alignment with Government's priorities.

Programme Objectives

Ensure effective Shareholder oversight of SOCs by:

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

Sub-Programmes:

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

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

Outcome, outputs,output indicators, targets and actual achievements

Sub-programme: Governance, Legal Assurance, Risk Profiling and Mitigation								
Outcome	**Output**	**Output Indicators**	**Audited Actual Performance 2019/20**	**Audited Actual Performance 2020/21**	**Planned Annual Target 2021/22**	**Actual Achievement 2021/22**	**Deviation from planned target to Actual Achievement 2021/22**	**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 Performance Evaluation Framework.	Board performance Index Report produced.	Board performance Evaluation Framework developed.	Annual Board Evaluation Report.	Board performance Index Report produced.	Achieved Board performance Index Report was produced.	None	None
Improved Governance and accountability.	Development and implementation of SOCs Risk Integrity Management Framework (RIMF).	Reduction in the number of cases concerning Board members and employees conducting business with the SOC.	Draft SOE RIMF developed.	Implementation of the RIMF.	Reduction in the number of cases concerning Board members and employees doing business with the SOC.	Achieved Reduction in the number of cases concerning Board members and employees doing business with the SOC was realised.	None	None
	Government Shareholder Management Bill (GSMB) adopted into law by 2023.	Shareholder Management draft bill developed.	Green Paper for the SOE Bill developed.	None	Draft Bill submitted to Cabinet.	Not achieved Draft Bill not submitted to Cabinet.	The Indicative SOE Bill developed.	Consultation of the development of the Bill took longer than expected.
	Review previously undertaken forensic audits, and ensure recommendations are implemented (including State Capture Commission).	Forensic audit reviews conducted.	None	None	4 Quarterly reviews of previously undertaken forensic audits and ensure recommendations are implemented.	Achieved 4 Quarterly reviews of previously undertaken forensic audits were completed and ensured that recommendations were implemented.	None	None

Strategy to overcome areas of underperformance

Fast-track the development of the Shareholder Management Bill by securing technical assistance where necessary.

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.

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3.2.2 Sub-Programme: Financial Assessment and Investment Support

Outcomes, outputs, output indicators, targets and actual achievements

Sub-Programme: Financial Assessment and Investment Support								
Outcome	**Output**	**Outcome indicators**	**Audited Actual Performance 2019/20**	**Audited Actual Performance 2020/21**	**Planned Annual Target 2021/22**	**Actual Achievement 2021/22**	**Deviation from planned target to Actual Achievement 2021/22**	**Reasons for deviation**
Improved independent financial sustainability of SOCs.	Outlook on SOC financial position.	Number of SOC quarterly financial reviews and reports produced.	28	20	24	Achieved 24	None	None
	Alignment of SOC plans to key priorities outlined in the SIS and SHC.	Number of corporate plans reviewed.	7	5	6	Achieved 6	None	None
	Monitor implementation of SOCs external auditors' audit findings.	Number of consolidated Progress Reports on SOCs audit findings.	2	2	2	Achieved 2	None	None
	Payment of SOCs proportion of earnings.	Standardised methodology and frequency of payment of dividend.	None	SOCs Dividend Policy Framework developed.	SOCs Dividend Policy Framework developed.	Achieved SOCs Dividend Policy Framework was developed and approved.	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.

Programme Expenditure

SOC Governance Assurance and Performance	2021/22			2020/21		
	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	2 474	1 940	534	2 918	1 851	1 067
Legal	24 835	23 756	1 079	14 334	11 640	2 694
Governance	13 710	11 913	1 797	14 370	12 563	1 807
Financial Assessment and Investment Support	13 881	9 826	4 055	13 832	11 173	2 659
TOTAL	**54 900**	**47 434**	**7 466**	**45 454**	**37 227**	**8 227**

Expenditure narrative

Expenditure on the SOC Governance Assurance and Performance Programme was R47.4 million in the 2021/22 financial year, compared to R37.2 million in the 2020/21 financial year. The increase was due to accrual invoices for legal fees that was paid at the beginning of the financial year. The spending on goods and services is mainly due to payments made towards legal services.

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

The Sub-programmes:

Business Enhancement Services: develops and coordinates the implementation of SOCs strategies to leverage localisation programmes, provides inter-governmental coordination and support to programmes and SOCs in relation to economic development programmes, as agreed with Provincial and local Governments, maintains a register of commitments made by SOCs, and lobbies for the implementation of special programmes focusing on skills development, transformation and the youth.

Energy Resources – exercises Shareholder oversight over Eskom, Alexkor and SAFCOL.

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

Transport and Defence – exercises Shareholder oversight over Transnet, South African Express Airways (SA EXPRESS), SAA and Denel.

3.3.1 Sub-Programme: Business Enhancement and Services

Objectives

- initiates and coordinates specialists research projects to model the short-medium-and long-term business enhancement prospects,
- develops and coordinates the implementation of SOCs' group 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 SOC groups,
- liaises with policy and regulatory institutions to mitigate the impact of the identified business inhibitors,
- provides technical inputs to influence alignment of the regulatory regime impacting on the operations of the SOC groups, and
- provide technical advisory services to support SOCs compact alignment processes and facilitate their development/adoption.

3.3.2 Sub-Programme: Business Enhancement Services

Outcomes, outputs, output indicators, targets and actual achievements

Sub-Programme: Business Enhancement and Industrialisation								
Outcome	**Output**	**Output Indicators**	**Audited Actual Performance 2019/2020**	**Audited Actual Performance 2020/2021**	**Planned Annual Target 2021/2022**	**Actual Achievement 2021/2022**	**Deviation from planned target to Actual Achievement 2021/2022**	**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.	Assessment Report on % increase spend on SOCs local content.	None	Four Assessment Reports on SOCs 75% spend on local content.	Four Assessment Reports on SOCs 75% spend on local content.	Achieved Four Assessment Reports on SOCs 75% spend on local content were completed.	None	None
	Improved SOCs contribution transformation agenda.	Assessment Report on % increase spend on SOCs Preferential Procurement and B-BBEE Level 6 compliance.	None	Four assessment Reports on SOCs 75% spend on Preferential Procurement and B-BBEE Level 6 compliance.	Four Assessment Reports of SOCs 75% spend on Preferential Procurement and B-BBEE Level 6 compliance.	Achieved Four Assessment Reports of SOCs 75% spend on Preferential Procurement and B-BBEE Level 6 compliance were completed.	None	None
	Socio-economic development programme of SOCs.	Assessment Reports on % increase in SOC CSI programme allocation.	Four quarterly reports on the monitoring of SOCs' CSI programme.	Four Assessment Reports on 0.2% spend on SOCs CSI programme.	Four Assessment Reports on 0.2% spend on SOC CSI programme.	Achieved Four Assessment Reports on 0.2% spend on SOC CSI programme were completed.	None	None
Support the development of SMMEs.	Improved SOCs spend on Enterprise Development.	Annual value of Enterprise Development contributions.	None	Four Assessment Reports on SOCs 1% TMPS) spend.	Four Assessment Reports on SOCs 1% TMPS spent.	Achieved Four Assessment Reports on SOCs 1% TMPS spent were completed.	None	None
Economic transformation and job creation.	A minimum % of leviable amount (excluding the statutory skills development levy) on essential skills development.	Assessment Reports on SOCs 3% spent of leviable amount (spent in the supply of scarce and critical skills in occupations in demand).	Four quarterly Monitoring Reports on SOCs contribution to skills development.	Four Assessment Reports measuring SOCs 3% spend of leviable amount.	Four Assessment Reports on SOCs 3% spent of leviable amount.	Achieved Four Assessment Reports on SOCs 3% spent of leviable amount were completed.	None	None

3.3.2 Sub-Programme: Business Enhancement Services

Outcomes, outputs, output indicators, targets and actual achievements (continued)

Sub-Programme: Business Enhancement and Industrialisation								
Outcome	**Output**	**Output Indicators**	**Audited Actual Performance 2019/2020**	**Audited Actual Performance 2020/2021**	**Planned Annual Target 2021/2022**	**Actual Achievement 2021/2022**	**Deviation from planned target to Actual Achievement 2021/2022**	**Reasons for deviations**
Position SOCs to support the re-industrialisation of the SA economy.	Adaptation to climate change impact.	DPE Environmental Implementation Plan (EIP) published in the Government Gazette.	None	None	DPE EIP published in the Government Gazette.	Achieved DPE EIP published in the Government Gazette.	None	None
	Monitor implementation of SOC Climate Change Response Plans to reduce emissions and increase resilience to climate change impact.	Consolidated Report on SOC climate change response initiatives compiled.	None	None	Consolidated Report on SOC climate change response initiatives.	Achieved Consolidated Report on SOC Climate Change Response Initiatives was finalised.	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.

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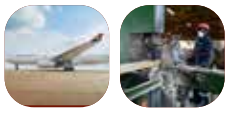

3.3.3 Sub-programme: Energy and Resources

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 Eskom 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, and
- monitoring on an ongoing basis, the rollout of the Capital Investment programme to ensure that it is delivered on time, is of appropriate quality, and within budget.

Alexkor SOC Limited

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

SAFCOL SOC Limited

- oversight of the implementation of the land restitution strategy for claims over the Komatiland Forests Land Claims Settlement Model, to ensure meaningful benefits to the successful land claimants over the medium-term.
- oversight of the implementation of SAFCOL's corporate strategy over the medium-term.
- engagement with DALRRD, the Department of Agriculture, Forestry and Fisheries (DAFF), 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.
- reduction of reliance on the sawlog market by supporting the development of the new business strategy over the medium-term.

3.3.3.1 Sub-Programme: Energy and Resources

Outcomes, output, output targets, and actual achievement

Sub-Programme: Energy and Resources								
Outcome	**Output**	**Output Indicators**	**Audited Actual Performance 2019/20**	**Audited Actual Performance 2020/21**	**Planned Annual Target 2021/22**	**Actual Achievement 2021/22**	**Deviation from planned target to Actual Achievement 2021/22**	**Reasons for deviations**
Improved Governance and accountability.	Shareholder Compact signed.	Number of Shareholder Compacts signed (Eskom, Alexkor and SAFCOL).	3 Shareholder Compacts (2020/21) signed (Eskom, Alexkor and SAFCOL).	3 Shareholder Compacts signed (Eskom, Alexkor and SAFCOL).	3 Shareholder Compacts signed (Eskom, Alexkor and SAFCOL).	Not Achieved Two Shareholder Compacts (Eskom and SAFCOL) signed.	One Shareholder Compact (Alexkor) not signed.	Alexkor's 2022/23 Shareholder Compact to be reviewed by the new Board appointed in January 2022.
Increase the contribution by SOCs in support of the transformation of the SA economy.	SAFCOL's re-investment on Timbadola project.	SAFCOL's increase in revenue.	None	Four Progress Reports on SAFCOL's implementation of the Timbadola re-investment project.	Four progress Reports on SAFCOL's Timbadola re-investment project.	Achieved Four Progress Reports on SAFCOL's Timbadola re-investment project were completed.	None	None
	Optimal operating structure for Alexkor.	Restructured Alexkor.	Four Reports on the implementation of Alexkor's proposed Shareholding optimal structure.	Proposed Shareholding structure for Alexkor mining rights.	Four Progress Reports on the implementation of the optimal operating structure.	Achieved Four Progress Reports on the implementation of the optimal operating structure were completed.	None	None

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3.3.3.1 Sub-Programme: Energy and Resources (continued)

Outcomes, output, output targets, and actual achievement

Sub-Programme: Energy and Resources								
Outcome	**Output**	**Output Indicators**	**Audited Actual Performance 2019/20**	**Audited Actual Performance 2020/21**	**Planned Annual Target 2021/22**	**Actual Achievement 2021/22**	**Deviation from planned target to Actual Achievement 2021/22**	**Reasons for deviations**
Supply of energy secured.	Increase energy availability factor to above 80% by 2024.	Eskom planned Capacity Adherence (Infrastructure/Build programme).	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.	Four Progress Reports on Eskom's delivery of infrastructure programme.	Achieved Four Progress Reports on Eskom's delivery of infrastructure programme were completed.	None	None
	Increase energy availability factor to above 80% by 2024.	Increased electricity reserve margin.	Four Assessment Reports on electricity generation reserve margin to evaluate whether 19% is sustained.	Four Assessment Reports of Eskom's performance generation fleet.	Four Assessment Reports on Eskom's performance generation fleet.	Achieved Four Assessment Reports on Eskom's performance generation fleet were completed.	None	None
	Explore Small-scale Embedded Generation (SSEG) options to augment Eskom generation capacity by 1 000 MW by 2024.	Explore embedded generation (SSEG) options to augment generation capacity Eskom capacity by 1 000 MW by 2024.	None	Two Progress Reports on the additional embedded generation capacity added.	Two Progress Reports on additional embedded generation capacity added.	Achieved Two Progress Reports on additional embedded generation capacity added were completed.	None	None
	Implementation of the Eskom Roadmap commitment by 2024 (unbundling process).	Eskom's Roadmap for reformed electricity supply industry implemented by 2024 (unbundling process).	None	Two Progress Reports on the implementation of Eskom's Roadmap.	Two Progress Reports on the implementation of Eskom's Roadmap for reformed electricity supply industry (unbundling process).	Achieved Two Progress Reports on the implementation of Eskom's Roadmap for reformed electricity supply industry (unbundling process) were completed.	None	None

The sub-programme is responsible for the following SOCs:

Transnet SOC Limited

- provides oversight on Transnet's implementation of the Market Demand Strategy (MDS), to optimise the economic impact of infrastructure investment on the economy by, monitoring the roll-out of Transnet's Capital Expenditure Programme, quarterly and annually, to assess any significant deviations from corporate plans and potential cost overruns and time delays on major capital projects. South African Express Airways SOC Limited.
- develops a strategic proposal for the optimal group structure of the State-owned airlines, to assist in rationalising the structure of these airlines as well as to unify their operations.
- facilitate the review of commercial arrangements as, and when required, to support the financial position of the company to ensure its long-term financial, and commercial sustainability.

Denel SOC Limited

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

3.3.3.2 Sub-programme: Transport and Defence

Outcomes, outputs, output indicators, targets and actual achievements

Sub-Programme: Transport and Defence								
Outcome	**Output**	**Output indicator**	**Audited Actual Performance 2019/20**	**Audited Actual Performance 2020/21**	**Planned target 2021/22**	**Actual Achievement 2021/22**	**Deviation from planned target to Actual Achievement 2021/22**	**Reasons for deviation**
Improved Governance and accountability.	SOC implementation of agreed key performance indicators.	Number of Shareholder Compacts signed (Transnet, SAA and Denel).	Four Shareholder Compacts signed (Transnet, SA Express, SAA, and Denel).	Two 2021/22 Shareholder Compacts signed (Transnet and Denel).	Three 2022/23 Shareholder Compacts signed (Transnet, SAA and Denel).	Not achieved Three 2022/23 Shareholder Compacts were not signed (Transnet, SAA and Denel).	Three 2022/23 Shareholder Compacts were not finalised (Transnet, SAA and Denel).	Negotiations on Transnet Shareholder Compact took longer than expected. Denel Compact not concluded due to severe liquidity constraints. SAA Shareholder Compact not finalised.
Improved independent financial sustainability of SOCs.	Monitor performance of Denel against client-agreed milestones on significant contracts (AV8 Malaysia, Hoefyster, A Darter production, Aviation MRO on Rooivalk and Oryx helicopters).	Progress Report on performance of Denel against client-agreed milestones on significant contracts (AV8 Malaysia, Hoefyster, A Darter production, Aviation MRO on Rooivalk and Oryx helicopters).	None	Four quarterly Progress Reports on the implementation of the strategic initiatives to restructure Denel.	Four quarterly Progress Reports on significant contracts (AV8 Malaysia, Hoefyster, A Darter production, Aviation MRO on Rooivalk and Oryx helicopters).	Achieved Four quarterly Progress Reports on significant contracts (AV8 Malaysia, Hoefyster, A Darter production, Aviation MRO on Rooivalk and Oryx helicopters) were completed.	None	None

3.3.3.2 Sub-programme: Transport and Defence (continued)

Outcomes, outputs, output indicators, targets and actual achievements

Sub-Programme: Transport and Defence								
Outcome	**Output**	**Output indicator**	**Audited Actual Performance 2019/20**	**Audited Actual Performance 2020/21**	**Planned target 2021/22**	**Actual Achievement 2021/22**	**Deviation from planned target to Actual Achievement 2021/22**	**Reasons for deviation**
Increase access to an affordable and reliable transport system.	Improved Investment programmes in rolling stock and rail infrastructure.	Improved service reliability, predictability of service, and cost-effectiveness of the transport system with a higher customer satisfaction rate.	None	Four Progress Reports on rolling stock expansion and upgrade.	Four Quarterly Reports on progress on the Investment programme in rolling stock and rail infrastructure.	Achieved Four Quarterly Reports on progress on the Investment programme in rolling stock and rail infrastructure were completed.	None	None
	Corporatised National Ports Authority(NPA) as required by Section 3(2), 4 and 27 of National Ports Act No 12 of 2005.	Progress Reports on the implementation of the decision on the future structure and functions of the TNPA.	None	Four quarterly Progress Reports on corporatisation of the TNPA.	Four Quarterly Progress Reports on the implementation of the decision on the future structure and functions of the TNPA.	Achieved Four Quarterly Progress Reports on the implementation of the decision on the future structure and functions of TNPA were completed.	None	None
	Improved port terminal equipment reliability.	Improved turnaround times across the strategic container terminals.	Improvement on operational performance of seaports and inland terminals from 28 to 35 average GCM/H by 2019.	Four Assessment Reports on port equipment reliability.	Four Quarterly Assessment Reports on port equipment reliability.	Achieved Four Quarterly Assessment Reports on port equipment reliability were completed.	None	None
Increase access to an affordable and reliable transport system.	Transnet Key Sector Strategy development linked to primary corridors.	Assessment Reports providing Status Report on the implementation of the corridor strategy.	None	None	Four Quarterly Assessment Reports providing Status Report on the implementation of the corridor strategy.	Achieved Four Quarterly Assessment Reports providing Status Report on the implementation of the corridor strategy were completed.	None	None

Strategy to overcome areas of underperformance

The process for the implementation of oversight tools to be augmented to improve compliance to ensure timeous approval.

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.

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3.3.4 Sub-programme: Research and Economic Modelling

The Sub-programme is responsible for the following:

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

Objectives

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

3.3.5 Sub-programme: Research and Economic Modelling

Outcomes, outputs, output indicators, targets and actual achievements

Sub-Programme: Research and Economic Modelling								
Outcome	**Output**	**Output Indicator**	**Audited Actual Performance 2019/20**	**Audited Actual Performance 2020/21**	**Planned Annual Target 2021/22**	**Actual Achievement 2021/22**	**Deviation from planned target to Actual Achievement 2021/22**	**Reasons for deviations**
Increase the contribution of SOCs to support the transformation of the SA economy.	Development of a "Just" Energy Transition (JET) Framework.	Progress Report on development of JET Framework produced.	None	None	Progress Report on development of the JET Framework in collaboration with Eskom.	Achieved Three Progress Reports on development of the JET Framework developed in collaboration with Eskom was completed. JET Framework was developed.	In addition to two additional Progress Reports, the JET Framework was successfully completed.	More Stakeholders were engaged to solicit additional information, and it resulted in more Progress Reports being produced and the JET Framework was successfully completed.
	Global, Regional and local economic review.	Review Global, Regional and local Economic Report.	None	None	Four Quarterly reports on Global, Regional, and local economic reviews produced.	Achieved Four Quarterly reports on Global, Regional, and local economic reviews were produced.	None	None
	Industry-specific research.	Number of industry-specific research conducted.	Ten industry-specific research processes conducted.	Five industry-specific research conducted.	2 Industry-specific research conducted.	Achieved 4 Industry-specific research conducted.	2 additional industry specific research conducted.	Due to internal research requests, two additional research were done.

Strategy to overcome areas of underperformance

None.

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.

Programme Expenditure

Sub-Programme: Business Enhancement	2021/22			2020/21		
	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	21 762	21 257	505	22 979	18 692	4 287
Energy Resources	31 704 668	31 702 956	1 712	56 011 700	56 010 568	1 132
Transport and Defence	4 347 521	4 130 189	217 332	21 374 749	21 311 881	62 868
Research and Economic Modelling	7 191	4 276	2 915	9 543	6 626	2 917
Direct charges	3 035 500	3 030 886	4 614	410 298	410 298	-
TOTAL	**39 116 642**	**38 889 564**	**227 078**	**77 829 269**	**77 758 065**	**71 204**

Expenditure narrative

Expenditure on the Business Enhancement and Industrialisation programme was R38.9 billion in the 2021/22 financial year, as compared to R77.8 billion in the 2020/21 financial year. The significant decline in expenditure is due to a decrease in the payments for financial assets to SOCs. In the current financial year, funds were only disbursed to ESKOM (R31. 7 billion), DENEL (R3.1 billion) and SAA (R 4.1) for settling of the guaranteed debt and interest payments.

4. TRANSFER PAYMENTS

4.1 Transfer payments of Public Entities

The Department did not make any transfer payment 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

PART C:
GOVERNANCE

1. RISK MANAGEMENT

The Department commenced with the roll out of the Risk and Integrity Management Framework (RIMF) across all State-owned Entities (SOEs), with effect from 01 April 2021. In the period under review, the Department's pre-determined objectives were to reduce the number of cases of Board members, and employees doing business with their respective SOEs. This target was informed by the need to eradicate all Conflict of Interests (CoI) that may arise in the cause of running operations. The RIMF outlines the CoI prescripts as follows:

a) having a financial interest, or being closely related to someone with a financial interest, in one of the relevant SOCs, their business partners or competitors (or potential partners/competitors),
b) part–time employment in areas similar to those in which the relevant SOC is involved,
c) employing family members in the SOC, or influencing recruitment and selection processes in the relevant SOC in favour of such employment,
d) employment of family members in the business partners of the SOC, or influencing recruitment and selection processes in the relevant business partner in favour of such employment,
e) accepting gifts from a business partner of the relevant SOC, including accommodation and travel,
f) accepting donations from business partners of the SOC,
g) soliciting loans from customers or business partners of the relevant SOC, other than those registered with the Financial Sector Conduct Authority (FSCA), National Credit Regulator (NCR), and the Prudential Authority of the Reserve Bank,
h) Participation in any activity that might lead to disclosure of, or compromise, the relevant SOC's proprietary information, and
i) Withholding, or not disclosing information relevant to the consideration and approval of significant transactions, as contemplated in section 54(2) of the Public Finance Management Act (PFMA).

Conflict of Interests is seen as significant risk that needs to be appropriately in the policies and practices of SOCs relating to, but not limited to, procurement, employment, and business partnerships (with both local and foreign business partners).

The RIMF therefore, was developed to complement existing prescripts, with one of its focuses being to prohibit the awarding of procurement contracts to the SOCs Board Members and/or Employees who hold financial interests. The Department's assessment initiatives in the period under review, were primarily focused on the following regarding SOEs:

a) determine the total number of financial interests disclosed vis-a-vis the total number of Board members and employees in an SOE,
b) measures taken by each SOE, to enforce compliance with financial disclosure requirements regarding those who failed to comply with their respective financial Interest Disclosure requirements and/or policy, and
c) ascertaining whether any company wherein employee or Board member holds financial interest has been awarded a procurement contract since 01 April 2021, and/or has a contract awarded prior to this period, but is an/or was in force post 01 April 2021. If such exist, the Department aimed to determine:

    i) the Procurement Strategy that was implemented that resulted in the awarding of the contract to such a company,
    ii) the value and duration of the contract,
    iii) whether procurement prescripts were complied with, or violated in awarding the contract. If so, the consequencial Management steps/ measures taken or in the process of being undertaken to address the matter, and
    iv) whether each SOE has a programme in place to make employees aware of prohibitions set out in the RIMF.

Across all SOCs, all Board members disclosed their financial interest, and none were found to be doing business with their respective SOC.

The table below sets out financial interest disclosure of employees of each respective SOC, and findings regarding employees with financial interest in companies doing business with the SOC.

SOC	Total Number of Employees	Number of Employees Compliant with Disclosure Requirements	Employees found to hold financial interest in companies doing business with the SOE	Comments
Transnet	50 670	6 823	63 employees are under investigation as they may have financial interest in companies doing business with Transnet.	The Department will monitor that the SOC's implementation of measures to ensure 100% compliance with financial interest disclosure requirements, as that is crucial to detect abuse of position(s) of authority.
Eskom	43 813	43 374	58 officials were found to have been awarded procurement contracts irregularly.	The SOC initiated consequences management based on the findings emanating from forensic investigations. The breakdown of the sanctions is as follows: seven officials were suspended without pay, four officials were dismissed, seven were issued with written warnings, five received final written warnings whilst five were found not guilty. Ten employees resigned while their cases were pending, four retired, and about ten had sanctions reversed whilst a further six disciplinary processes were rescheduled. The Department continues to monitor the cases to ensure that all resources illegally diverted from the SOE are recovered.
Denel	2 063	1 561	0	Financial disclosures of 502 employees were not completed, as they stopped reporting for duty due to the company's liquidity challenges that are affecting operations. The Department will monitor the SOC's implementation of measures to improve on the number of employees who comply with financial interest declarations, as that is crucial to detect abuse of position of authority.
SAA	115	69	0	Forty-six officials did not disclose their financial interest. The Department continues to follow-up and monitor the SOC's implementation of measures to ensure 100% compliance.
SAFCOL	1 380	1 380	0	The Department will monitor the SOC's continued implementation of measures, to improve on the number of employees who comply with financial interest declarations, as that is crucial to detect abuse of position(s) of authority.
Alexkor	8	8	0	The Department will monitor the SOC's continued implementation of measures, to improve on the number of employees who comply with financial interest declarations, as that is crucial to detect abuse of position(s) of authority.

The Department will continue to strengthen efforts in the 2022/23 financial year, with the intent to ensure that there is zero number of employees and/or Board members doing business with their respective SOE, and that each SOE puts measures in place to ensure full compliance with financial disclosure requirements, and that the RIMF finds expression in the culture of the organisation.

The Department strives to uphold the principles of good Governance it expects of SOEs. In line with this, the following Risk Governance guidelines were revised and implemented in the year under review, to enhance Risk Management practices and ensure that they are responsive to the operating environment:

1. The Enterprise Risk Management (ERM) Framework and Policy,
2. Risk Appetite Statement,
3. Risk Culture Assessment Tool,
4. Incident Reporting Guidelines,
5. Business Continuity Management Strategy, and
6. ICT Disaster Recovery Plan.

The Department conducted a risk maturity self-assessment. The results revealed that there is a need to develop and implement Risk Management Capacity Development interventions. In the 2022/23 financial year, 60 employees will be trained under the stewardship of the National School of Government (NSG).

This intervention is aligned to the Department's commitment towards the building of a capable State as envisioned in the National Development Plan (NDP) 2030, and the need to maintain a sound system of Risk Management as prescribed by the PFMA.

The Department identified strategic risks that were overseen by a fully functional Audit and Risk Committee (ARC). Internal audit assisted the ARC in conducting regular tests to determine the effectiveness of the Risk Management system by monitoring management's implementation of risk mitigation plans.

2. FRAUD AND CORRUPTION

The Department revised its Anti-Corruption Policy, Anti-Corruption Plan, Whistle Blowing Policy, and Standard Operating Procedures on investigations. The revision of the policies and procedures was informed by the need to enhance protection of whistle-blowers, to insulate investigations from potential conflict of interest, and to ensure that forensic investigations are pursued in line with principles of procedural fairness. The Department has, and maintains an anti-corruption and fraud prevention hotline, and whistleblowing boxes that are meant to support anonymous reporting of mal-administration. Any matters reported are brought to the attention of the ARC, as well as the Auditor–General (AG), to ensure that they are fully investigated without fear, favor, or prejudice.

3. MINIMISING CONFLICT OF INTEREST (COI)

The Department uses an e-disclosure system which is administered by the Department of Public Service and Administration (DPSA) for annual submission and declarations of financial interests by Senior Management Service (SMS) employees, and non-SMS employees including officials in finance and Supply Chain (SCM) units.

Notwithstanding the above, the Department has established control mechanisms to deal with Conflicts of Interest (COI). All members serving on bidding Committees are required to disclose their interests. This assists in creating awareness for members to be honest in their dealings with matters, that have the potential of creating a COI. In awarding tenders to successful bidders, the Department undertakes verification processes to determine if any Departmental officials have any association with the Service Providers, through the Companies and Intellectual Property Registration Office.

In addition, all employees are required to apply to perform remunerative work outside of their employment, 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 on Code of Conduct for the Public Service for Non-SMS, and all new employees were inducted and issued with a copy of the Code of Conduct. Corrective measures were applied where applicable, in line with the processes prescribed in the Disciplinary Code for the Public Service.

5. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

The Department has maintained an effective Occupational Health and Safety (OHS) programme. Health and Safety Committee meetings were held as planned, and the Covid-19 Steering Committee which was established, continues to be effective and applicable interventions were implemented. The Department also complied with the Safety Health Environment Risk and Quality (SHERQ) Management policy.

6. PORTFOLIO COMMITTEE

2021/22 PORTFOLIO COMMITTEE MEETINGS (17)

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
12/05/21	DPE 2021/22 APP: Annual Performance Plan (APP).	The Committees noted with concern, the performance of the Boards at SOEs. What is being done to attract the skillset required to oversee and assist SOEs? An update on progress regarding the Shareholder Management Bill? Asked whether the 2021/22 budget was enough to effectively oversee SOEs? What measures are in place to fight corruption and recover stolen monies?	The right leadership teams are being put in place, and capable people deployed throughout the SOEs and also within the Department for effective oversight. Research and development of the policy need to be first processed and this would be assisted by the PSEC work. The Department is trying to attract the requisite skills, even though the recruitment process has been very slow. All public servants are subjected to regular financial disclosure at SOEs, and lifestyle audits are conducted.
19/05/21	Committee consideration and adoption of reports and minutes.	Internal Committee process which does not require the Department.	None
26/05/21	Alexkor 2019/20 Annual Reporting.	Members asked for timeframes on the appointments of the Board, CFO, Audit and Risk Committees. What steps have been taken to address relations between unions and Management? Why are the deep-sea mining contractors unable to produce? Whether cases have been opened against former employees accused of corruption and theft? An update on the relocation of the headquarters and costs thereof.	The appointment of the Board was underway and being finalised and also with the administrator's work coming to an end, the Department has deliberated on steps to turnaround the entity. Alexkor has since paid the former workers who were retrenched in 2018/19, their monies including medical aid bills. The entity is also on regular consultations with the unions, on the new developments around the agency, and it is for this reason that relations are improving. On the issue of production, geology on the mine is favourable and the entity is looking to explore and mine for the next 10 to 20 years. In all cases of corruption and theft, the Hawks were contacted, and a progress report is still awaiting. Government has signed a new lease with the entity (in Kimberley) and will be moving in at the end of August 2021.
02/06/21	Briefing by DPE, on the status of South African Airways (SAA)	In terms of issuing licenses to other airlines, how is the Department's relation with that of Transport, in prioritizing SAA? What is the progress in identifying Strategic Equity Partners and what are the terms and conditions? What is being done about the poor performance of subsidiaries? Are the aircrafts still being rented and at what cost? What is the progress in reaching a resolution with pilots? What is the breakdown on the cost of Business Rescue Plans (BRPs)? Can the Department give timeframes with regard to restructuring of subsidiaries? What is causing delays in paying the outstanding R2,7 billion and what is the impact thereof?	The issuing of licences is partially dependent on what's viable at a particular time, and yes, not helpful to SAA. The country's open-air policy is detrimental. The Safety and Emergency Procedures (SEP) process is in the final stages and once concluded, a sale and purchase agreement will be entered into and finalised. Processes have started in restructuring and reorganising subsidiaries, particularly the South African Airways Technical (SAAT), timelines will be provided when the BRP becomes clearer. The BRP process took an extraordinary long time, and the estimated cost is R220m. DPE is looking carefully into the number of employees that will be retained, and how these employees will be demographically representative. SAA is currently in negotiations with the pilots to resolve the Voluntary Severance Package (VSP). The delay in the payment of the R2.7 billion is indeed caused by the Parliamentary process as it required a Special Appropriation Bill, which should be processed later by Parliament. After this processing, DPE will be able to account for the remaining amount.

2021/22 PORTFOLIO COMMITTEE MEETINGS (17) (continued)

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
18/08/21	Briefing by DPE, on the developments at SOEs.	Concern about Governance and financial challenges faced by affected SOEs. Members asked about the vetting process of the Board and Executive Members within SOEs. What's the progress regarding the Shareholder Management Bill? Request for a full report on the Medupi incident. When will the date of resumption of SAA be? Where was the funding coming from for these investors? Pooling and Sharing Joint Venture (PSJV) restructuring options were being developed, but this process had been ongoing for some time now. Could the DG tell the Committee how long it would still take for this process to be concluded? What was the Department doing about the employees at Denel that remained unpaid since June? What was the impact of the cyber-attacks both operationally and financially on Transnet? Asked did the Committee receive a report on the status quo of the land claims at SAFCOL?	Some of these issues could be incorporated into the SOEs presentations, so that they give the Committee insight from within the Organisation. The Department was conducting vetting of Executive, and non-executive Directors of SOEs before their appointment. The Risk and Integrity Management Framework would enhance this process, and it would cover all of the employees. It would also introduce stringent background checks for all SOEs employees. It would also prohibit SOE officials from doing business with the SOE that they worked for. The Department would first develop the SOE policy out of which it would then develop the Legislation. The Department would ensure that it complied with the timelines that had been presented by the Director-General (DG). The reality of the entities was that they were Governed by a very strict framework in the PFMA. Each one of these entities were expected to collect revenues that were due to them. Entities were required to put in place recovery mechanisms, including taking appropriate action to recover monies. If they were not able to do so, then they were found wanting. Government needed to enter into Joint Venture (JV) partnerships with the private sector to deliver public goods, while ensuring that the control of strategic assets was not lost to the State. South Africa needed to craft its own model in that regard, and the SOE Bill development process should help the Department a great deal towards achieving that. With regard to Medupi, a report needed to be done and actions needed to be taken where negligence had been identified. Systems and procedures also needed to be improved. The report needed to state the cost of that exercise, and how that incident would not occur again in the future. The salary payments at Denel were dependent upon securing funding, which the Department had bid for cash within the system, and had been unsuccessful. The Department is again trying to find funds to restructure the business. As a result of the cyber-attack, Transnet was able to mobilise internal resources as well as private sector resources to assist in resolving the issue. In the case of Safcol land claims, the process is unfolding in another Government Department, and Safcol depends on it.

2021/22 PORTFOLIO COMMITTEE MEETINGS (17) (continued)

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
25/08/21	Briefing by Denel, on progress made in implementing its turnaround strategy.	Concern over the ability of the top management to deal with these serious financial challenges the entity is facing. How much funding from government would be needed for Denel to return to profitability? What is the consequence management for employees involved in mismanagement and the recovery of resources from employees implicated in wrongdoing? Has Denel considered diversifying the business to include consumer goods? How is Denel planning to secure the critical skills needed and what plans were in place to avoid further staff turnover in future? The committee asked how Denel planned to deal with the loss of critical intellectual property to competitors?	As most of the turnaround strategy was being carried out in-house, Denel had the capacity to implement it. The Roadmap and resources tapped into internal capacity. However, there would be a need for external assistance at certain times. Consequence Management happened not only at Executive level, but throughout the business, although it was not reported. What was reported on, was the investigations that involved particular Executives. Denel was looking for other ways of securing business from the non-defence market, including ventilators and thermos screens. Denel wanted to move away from reliance on the defence sector for sustainability. It was the loss of skills that resulted in the decision to merge some of the capabilities. Denel would never be sustainable if divisions operated with a silo-mentality as they had before, and one of the interventions was to share resources. With regard to the security of intellectual property, the presentation dealt with measures being put in place, including a centralised Enterprise Resource Planning (ERP) system, where it could be properly managed. Denel was employing a Governance framework dealing with how programmes were executed, and the implementation of Consequence Management.
01/09/21	Briefing by DPE and SAA on progress in restructuring the airline.	Concerns around the Government's intention to sell its Shares to the newly-selected SEP, Takatso Consortium, owing to the fact that after the sale, it would become a 49% minority Shareholder. With this new arrangement, how would Government account to Parliament? How much had been set aside to pay for unpaid salaries and creditors? Can the Committee be provided with a list containing the corruption cases and their financial implications? Has the Business Rescue process given the airline enough capacity to contribute to the survival of Mango? Asked whether SAA had approached either the Development Bank of South Africa (DBSA), or the Public Investment Corporation (PIC) to provide it with funding. What was the current cash balance within the consortium, and how long it would last for? Would the airline require Shareholder funding? What impact would Government's minority status have on how SAA intends to trim its staff?	As Government was no longer in a position to fund SAA, it had taken the decision to restructure SAA and its subsidiaries, with the intention of selling its stake to an SEP. Government would still retain a significant Shareholding in the business to ensure that National priorities were given attention. Government's intention in sourcing a SEP was to ensure that there was continued support for the airline in the future. With Government shareholding, SAA would still be accountable to Parliament. The R2.7 billion referred to in the presentation was related to unpaid salaries, and there was a process in place between the DPE and SAA to channel those funds to subsidiaries. The cases were currently being investigated by the law enforcement agencies, and some of the money had been retrieved. SAA would continue working with the agencies to ensure that Consequence Management was implemented. SAA could confirm that it had working capital, and a sustainable cash balance which could sustain it until the SEP was concluded. Presently, there were no discussions between SAA, the DBSA and the PIC. With regard to the current funds available in the consortium, it would not be prudent for the Department to share this information at this stage, and should rather be communicated at a later stage. However, it had been mentioned by SAA that there were enough funds until the SEP took over. Of the 1 000 employees approved by the BRP, 800 vacancies had been filled. However, these numbers would change during the course of the restructuring process. The reduction in employees, aircraft and routes, had reduced SAA's input costs, as it was important for SAA to be vigilant in ensuring that the route networks were routinely managed.

2021/22 PORTFOLIO COMMITTEE MEETINGS (17) (continued)

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
10/11/21	Briefing by DPE, on its Annual Report(AR).	Lamentation by members on non-performance of entities and hope that the Shareholder Management Bill would soon be finalised to help the current situation. Concerns about the effectiveness of the National logistics system. There was South Africa's rail, with the theft, crumbling infrastructure, and derailment of the Blue Train. On the improved financial viability and competitive advantage that was referred to, how did that reflect against an R18.9 billion loss at Eskom and an R8.4 billion first-time loss at Transnet? Load-shedding has a negative impact on the lives of citizens and how is Eskom intending to source funding to jumpstart the transition? The Portfolio Committee (PC) needed to have the Department explain why its performance indicators had been revised, because it did not get that information when the Department revised that plan. Whether RMD (Denel) had at its disposal the financial means and human resources to improve its capacity to manage explosives, and to ensure the safety of residents and the environment in Somerset West? Entities' failure to deal with Consequence Management, in the sense that there were cases of people who committed a crime, and/or were implicated in wrongdoing, but had not been charged or suspended, and were still at work.	With the Bill, the Department had a target at the end of the financial year, and there was work that was continuing to ensure that it was put in place. The Department had always reported on the target in relation to its progress. A strategy had been put across to deal with the ports, namely a commercialisation strategy. That had led to the establishment of a Ports Authority that was a standalone, which was distinct, but still within Transnet. The Department was seeking to implement a multi-pronged strategy. Firstly, it was looking at improving the quality of maintenance that was done. The Department had to look at the quality of materials it was able to procure, and that involved how the procurement system had been set up. Rheinmetall Denel Munition was not an SOC. Through Denel, the State had a minority share in it. There was an incident in 2019, where there was a loss of lives that had been investigated and a report published. It was an investigation that was conducted through an internal Rheinmetall Denel Munition (RDM) functionary. On the lack of Consequence Management, the information the Department had "said the opposite". The challenge was with law enforcement agencies and ensuring that the people who had been implicated in wrongdoing, were facing the courts, and that those in the SOEs were being dealt with. Where there were instances of Irregular Expenditure, it was a direct result of "remnants of the past" from which South Africa had emerged.

2021/22 PORTFOLIO COMMITTEE MEETINGS (17) (continued)

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
17/11/21	Briefing by Eskom, on its Annual Report (AR).	The Committee asked about the implementation of Consequence Management to reduce irregular expenditure and suggested there was a need to change the skills, reliability, maintenance, and culture within the organisation. The majority of key performance indicators were not achieved, such as improving plant operations, reducing the environmental footprint, but also issues that had to do with industrialisation and localisation. Questions were asked about Renewable Energy (RE), National Energy Regulator of South Africa (NERSA's) rejection of the multi-year tariff increase, the budget of the Wilge Residential Development Project that was meant to house artisans working on Kusile, the Soweto debt, the Memorandum of Understanding (MoU) with the City of Johannesburg (CoJ), and why Eskom was not audited by the AGSA.	A number of investigations and disciplinary cases had taken place at Eskom, and Consequence Management had been implemented. That information could be provided to the PC. There were a number of cases that had joined the legal system of South Africa, over which Eskom had no control. On the plans to turnaround the organisation, the first was unbundling, the second was to reorganise the Executive, the third was to deal with reliability maintenance, the fourth was cost savings, and the fifth was the Governance problems that had plagued Eskom, particularly the culture and corruption. On the Eskom response to NERSA, the announcement by NERSA that it was rejecting Eskom's multi-year price determination methodology application, and the request by NERSA to Eskom to submit a new application based on an as-yet-to-be-determined new methodology, put not only Eskom, but also Municipalities in a very difficult situation. This was because in the absence of a proper, approved, regulated tariff, Eskom and the Municipalities would not be in a position to apply a lawfully determined tariff. That had led to Eskom again engaging in legal action against NERSA, because it would not be in a position to levy any tariffs if it did not have a legal basis on which it could do so. The Wilge Residential Development Project was another regrettable example of the corruption that characterised the construction of the Kusile power station. There had been negligence on the part of the former General Manager(GM), for facilities for the project that had started in 2012 to build these residential flats. Disciplinary action had been taken, and the employee was dismissed after a hearing process. Regarding the Soweto debt, good discussions had been taking place with former mayor Geoff Makhubo, and once the issue of the mayor and Mayoral Committee were settled, as required by Legislation, the Department would ensure that Eskom continued those discussions. It would not be a panacea, because there were many assets that City Power would have to pay for and assets it would have to run. The AG was responsible for the Eskom audit and did so in partnership with private entities.
01/12/21	Briefing by South African Forestry Company Ltd (SAFCOL), on its Annual Report (AR).	Concerns about R8.7m in Irregular Expenditure. Clarity on the strategic plans that the company had put in place to ensure that targets were achieved in the following financial year. Concerns were raised about the creation of employment within the rural areas. SAFCOL's response to climate change concerns. How the company was dealing with the issue of land claims. Concern was raised about the figures for disabling injuries that were reported.	An analysis of root causes revealed that some procedures and policy documents were inadequate, which led to some irregularities. The beginning of the financial year was tough, and these targets were difficult to meet. Plans were in place to ensure that these targets were achieved. SAFCOL had a responsibility to involve the communities in the journey of success. The issue of land claims had been discussed with the Department of Forestry, Fisheries and the Environment (DFFE) and the Department of Agriculture, Land Reform and Rural Development (DALRRD) through the Land Commission. The longer it took to resolve the issue of land claims, the riskier it was to do business.

2021/22 PORTFOLIO COMMITTEE MEETINGS (17) (continued)

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
08/12/21	Briefing by Transnet, on its Annual Report (AR).	Why was it that many of the Executive members, at one point, had been officials occupying high positions in Government Departments in the past? Concern about the under-performance of the Port Terminals and Engineering divisions. The security of Transnet pipelines which results in businesses resorting to the use of trucks. Despite the well appreciated and detailed presentation, there was an insufficient explanation of how this was going to be achieved against the downgrades to junk status. Whether the decrease in revenues was due to volume or price? Why has Transnet not procured a fleet of trucks to complement its rail services, as it was an integrated logistics chains business? What happened to the projects that had been identified outside the Southern African Development Community (SADC) countries in the past? Did the Executive Board know which skills were required for the company to succeed in the future? Why did the company not actively try to bring containers back to rail transportation, to realise the much-needed profit? How the company sought to address the question of gender balance and representation of People with Disabilities(PwDs)? How many locomotives the company had in stock that could not be repaired, and what steps had been taken to address the repair and servicing of these locomotives? What Transnet had done to deal with continued breakdowns and upgrades of current ageing infrastructure? Were there still remnants of State capture in the Organisation and If so, how many of those were remaining? Since there were concerns about the pandemic and the emergence of the new Covid-19 variant, was the company prepared to handle these developments? For four years, the Committee had been receiving qualified reports from Transnet. What prevented the entity from implementing the AG's recommendations? A concern at how subsidisation was implemented before an economic assessment was performed. How far was Transnet in responding to poor Contract Management amidst the irregularities regarding the Original Equipment Manufacturer (OEM) contract? Under-expenditure was another problem that needed to be addressed. Concerns about Transnet property that was leased to other SOEs, as the infrastructure leased to the Passenger Rail Agency of South Africa (PRASA) in Johannesburg was ill-maintained. Illegal miners (*zama zamas*) occupied this property, and that the premises often were the scene of deaths and Gender-Based Violence (GBV).	Given the time constraint, all the questions would be responded to in writing by Transnet and a follow-up meeting would be convened in 2022.

2021/22 PORTFOLIO COMMITTEE MEETINGS (17) (continued)

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
16/02/22	Follow-up meeting with Transnet.	The Committee asked for clarity on the relationship between Transnet and the Maputo Port Development Company. Members wanted to know who had the responsibility for the country's rail infrastructure, given the security challenges faced by both the Passenger Rail Agency of South Africa (PRASA) and Transnet? What is the impact of non-operational locomotives on service delivery? What are the details of Transnet's segmented strategy and private sector partnerships, and the mechanism that would be adopted to ensure that transparency is demonstrated in these processes?	Transnet currently had no equity position at the Maputo port, but it had approached the Maputo Development Corporation, and the rail operator for an Equity stake of 16%, which was what was available in the port, and engagements were still ongoing. On whom was responsible for rail infrastructure, PRASA was responsible for its own rail infrastructure, and Transnet was responsible for its infrastructure, which was the majority of the rail infrastructure in the country. On the need for consolidation, they were waiting for the Rail Policy to guide them on the issues involving maintenance and security of the network. The 1 064 locomotive issue was a sensitive matter, and was brought before the courts, so the Department might be restricted from making certain disclosures in the public domain. On how the private sector would be selected, transparency was already in place in the form of the Request for Quote (RFQ) and Request for Information (RFI), which had been published on both the Transnet and Treasury's websites and was available to the public. Secondly, details of the selection criteria and due diligence would be made available by Transnet.
23/02/22	Briefing by Eskom, on its mid-term results and unbundling progress.	Clarity on the seeming discrepancy between the projected improvements at Eskom, as stated in the reports, and the declining state of energy and electricity supply within the country. What were the precautionary measures to be taken by Eskom in the event demand exceeded the current 28 000MW maximum supply level? Concern over the various accusations regarding the activities of thugs, mismanagement of funds, and Eskom taking advantage of Government to gain easy access to funding. How was the entity planning to collect the huge outstanding debt owed by Municipalities, SOEs, businesses and communities? Regarding the proposed tariff increases, what would be the ultimate impact on affordability and availability? What were the reasons for the high number of qualified and skilled staff leaving Eskom, and the effect on service delivery? What disciplinary measures were in place when breakdowns were the result of human error? Whether the entity would be able to meet its unbundling target.	

2021/22 PORTFOLIO COMMITTEE MEETINGS (17) (continued)

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
02/03/22	Briefing by DPE, on its mid-term performance of SOEs.	Concern over the DPE's high vacancy rate and under-expenditure in the 2021/22 financial year. The high and unsustainable operating expenses of Denel, Transnet, SAA and SA Express. Other concerns raised included the possible sale of Mango, the SA Express liquidation process, the exodus of skilled engineers at Denel, and the ongoing challenges at Eskom and Transnet.	The Department was ensuring that the line Managers were measured on the filling of vacancies. This would go a long way in ensuring that the responsibilities devolved down the organisation. Of these vacancies, 32 were in the process of being filled. The Department had not spent money and would have to return it to Treasury, and this would not happen again in the future. In recovering people who had left Denel, time was against the DPE and the longer people had stayed outside, the harder it was to bring them back. On the IP, the DPE might have the documents, but the background IP was what was needed for new products. The longer this situation went on, the harder it was to recover the situation.
16/03/22	Briefing by DPE, on policy impediments affecting SOEs.	Why is it that Transnet and PRASA could not collaborate as State institutions to assist Government with its rail and transport challenges? Why is it that the Department of Defence(DoD), the South African Police Service(SAPS) and the Department of Correctional Services(DCS), procure security items that are imported that can be manufactured locally? Clarity on the minimum threshold for local content in some of the designated products, which proved difficult due to local manufacturers, and were unable to meet the specifications required by SoCs. How was the Department using competitive supplier development programmes to capacitate local manufacturers, to ensure the reindustrialisation of the South African economy? What was the Department doing to ensure that Treasury, as well as other Government-owned Development Finance Institutions(DFIs), provided SoCs such as Denel with the necessary working capital to carry out their strategic objective?	There was a new policy, namely the National Rail Policy, which was intended to address that particular point as well. With Transnet Freight Rail(TFR), work was being done on separating operations from infrastructure. That brought up the question of how to look at bringing the two infrastructure businesses together, one business was freight, the other was passengers. As part of that designation decision, there was ongoing engagement with the Armaments Corporation of South Africa(ARMSCOR) and the National Defence Industry Council(NDIC). The DPE was looking forward to engaging with Policy Departments responsible in that regard, and colleagues within the Department were working hard on it. The DPE needed to see how to expand that list, so that it also ensured it protected some of the strategic industrial capabilities that had been built up over the years in South Africa. As had been seen in the case of ammunitions and security forces from a Municipal level to a national level, those were being procured outside the country, whereas there was Pretoria Metal Pressings(PMP) in Pretoria West, which was part of Denel, and was attuned to producing the same product. The Department discontinued the programme, and decided to rely on other programmes, which might not be perfectly designed for what it sought to do with its SOEs, but the overall objective was the same. For example, the National Industrial Participation Programme(NIPP) was run by both the DTIC and the DPE. The DPE would then use that as the basis for ensuring that localisation, and industrialisation objectives were still attained. On leveraging DFIs to help local production and industrialization, there was quite a lot of effort in that area, including funding that had been allocated to enable that the engagements between DPE and Treasury are ongoing.
23/03/22	Consideration and adoption of reports and minutes.	Internal Committee process which does not require the Department.	None
30/03/22	Consideration of National Union of Mineworkers (NUM) correspondence.	Internal Committee process which does not require the Department.	None

2021/22 SELECT COMMITTEE MEETINGS (05)

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
26/05/21	An update by Eskom, on the unbundling process.	The impact that the restructuring, and unbundling process would have on Eskom employees. Would Eskom be appointing a separate Board for each entity, or would a single Board be in charge of all three entities? How would Eskom deal with its aging equipment, which also related to a question concerning load shedding?	Consultation with labour unions is ongoing, and there will be no forced retrenchments, said Eskom. The DG of the DPE responded that for now, the message remains very clear that Eskom remains a wholly SOE and so will its subsidiaries. As part of its reliability maintenance recovery programme, Eskom plans to address problems with ageing equipment and plant. There will then be a significant reduction in the risk of load shedding by the end of the third quarter of 2021 but not an entire elimination of that risk.
02/06/21	Briefing by Transnet, on the strategy for capacity increase at the Durban Harbour and Port of Ngqurha.	Concern about talking more plans and little on how all these would be achieved. On increasing capacity at the ports, there is not much detail on how the movement of freight from road to rail would happen. Request for timelines regarding the introduction of International terminal operations to assist the Committee to monitor the Strategic Plans.	The plan on how to move from road to rail was being tracked closely, and significant work was being done. Twenty-six thousand truckloads had been moved from the roads on the Cape corridor. There were still challenges, because the demand for the movement of manganese was still too high to move those commodities to rail. We had planned to go into the market by the end of July, and advertise to get partners, for the Ngqurha terminals.
08/09/21	Briefing by DPE, on measures to improve oversight on SOEs.	The constitution of PSEC, and what criteria was used to appoint its members. Regarding the establishment of the Asset Management SOE, who would run it? Has a funding model for sustaining SOEs been developed, and did this include public-private partnerships? Why has it taken so long to review the Legislation Governing the SOCs? With new Legislation in the pipeline, how would the Department address the issue of borrowing powers, to make sure the country's SOE's does not collapse?	The SOE Council was an advisory body, and provided guidance to Ministers, and the President on how to manage those entities. Its membership was composed of Ministers, industry leaders and representatives of labour. The Department was harnessing the capabilities which existed in government, to ensure that the Department showed progress in getting an optimal SOE Portfolio Management Oversight function. The Department had tabled the need for bringing the private sector into the fold. This would become clearer as time went by. They had to break away from funding operational shortfalls. SOEs must create new cash flows, infrastructure, etc, when bidding for funding.

2021/22 SELECT COMMITTEE MEETINGS (05) (continued)

DATE	AGENDA	MATTERS RAISED BY THE COMMITTEE	RESOLUTIONS ON HOW THE DEPARTMENT ADDRESSED THE MATTERS
24/11/21	Briefing by Alexkor, on CPAs and implementation of Deeds of Settlement.	Concern over the Board of Alexkor RMC PSJV not being properly constituted, and the Certified Public Accountant(CPA) not functioning in the way it was intended to. A recurring concern related to the establishment of structures in the CPA which were either non-existent or falling apart as well as the need for reconciliation amongst members within the community who were regularly in dispute with each other. Regarding the R45m that had been put in a trust fund, had the money accumulated in interest?	In accordance with the PFMA, the Chief Executive Officer (CEO) could act as the Board of the PSJV until a Board was appointed. Currently, the CEO occupied the role of the Executive, the Board and Accounting Authority(AA) of Alexkor. The Department of Agriculture, Land Reform and Rural Development(DALRRD) said that since the CPA is a juristic person, the Department was limited in its ability to intervene in its daily running, hence the delay in addressing the issues in the community. In terms of the R45 million put in a trust, interest had accumulated. The amount was standing over R50 million.
08/12/21	Briefing by SAFCOL, on land claims and future sustainability of the company.	SAFCOL's efforts to mitigate risks, particularly theft, illegal activities at plantations and ageing infrastructure. Clarity on the R44 million loss reported by the entity, and what this could be attributed to. What initiatives is the entity embarking on for community development and support, as well as the level of collaboration between the entity and traditional authorities and Municipalities.	SAFCOL's strategies in mitigating risks included collaborating with SAPS, which was not always fruitful, and working with private security and communities in protecting the plantations. The posted net loss the entity saw in their financial statements was attributed to financial activities and other accounting considerations, but the Committee was reassured that other areas of their business were making profits and that plans were in place to improve their financial position. Safcol highlighted the educational and training initiatives they were running, to contribute to community development including providing funding for education, and supporting projects, such as a furniture manufacturing initiative in Limpopo. It also reassured the Committee that they were working with traditional authorities in implementing their development plan, as well as in addressing issues such as theft in plantations.

7. SCOPA RESOLUTIONS

2021/22 SCOPA RESOLUTIONS (04)

RESOLUTION NO.	SUBJECT	DETAILS	RESPONSE BY THE DEPARTMENT	RESOLVED (YES/ NO)
1.	Eskom enquiry.	The initial undertaking by the Committee, for an enquiry into matters and allegations made against the Group Chief Executive(GCE).	The Minister of Public Enterprises had written to the Committee requesting that it suspend its inquiry, in light of Eskom's subsequent decision to undertake an internal inquiry. Upon the completion of Adv Semenya's inquiry, Eskom went back to table the report, which found no substantiation of allegations and cleared the GCE of any wrongdoing.	Yes
2.	Hearings into deviations and expansions.	Eskom reported that during the first three quarters of the 2020/21 financial year, it had applied to NT for 30 deviations and 46 expansions. Treasury had supported ten deviations and five expansions, had conditionally supported 11 deviations and 33 expansions, and had not supported seven deviations and eight expansions. The day's hearing covered only five deviations, all of which Treasury had declined to support. Eskom submitted 11 deviations and 28 expansions for approval for the first two quarters of 2021/22 totalling R879m and R1.9m respectively. Of this amount, NT rejected three requested deviations and four expansions while the rest were approved or conditionally approved.	Eskom explained reasons for all deviation and expansion requests and indicated that it was cautious about the quality of them.	On-going
3.	Denel Special Investigation Unit(SIU) investigations.	Denel's current state and the progress being made on investigations into irregularities and malpractices.	The Board members of Denel briefed the Committee as truthfully, and objectively as possible. Concerns about Denel finding its feet, and thereafter being able to stand by itself were shared by all interested parties. Due to the circumstances, some form of recap was necessary in order for Denel to function better in the future. This intervention was deemed necessary by the entire Government system, but it had to be accompanied by a proper plan and the ability to execute it.	On-going

2021/22 SCOPA RESOLUTIONS (04) (continued)

RESOLUTION NO.	SUBJECT	DETAILS	RESPONSE BY THE DEPARTMENT	RESOLVED (YES/ NO)
4.	Eskom 2020/21 Audit and Investigations.	The Committee was not pleased with the number of repeat findings in the Eskom Audit Report. In the previous year, Standing Committee on Public Accounts (SCOPA) was unable to conduct a hearing on the 2019/20 audit, but at least both the Eskom Board and the GCE had enough time to analyse and process the 2019/20 audit to prevent repeat findings in 2020/21, but unfortunately that was not the case. According to the AG, the audit outcomes are stagnant with many repeat findings. There were serious concerns about Project Management and Consequence Management at Eskom, and there is slow progress in recovering the money lost. A lifestyle audit of 383 Executives and Senior Managers and their partners, highlighted 34 high-risk cases that were referred to the SIU.	Eskom reported that efforts are being made to introduce cost efficiencies and savings. In 2020/21, Eskom saved R14 billion and the current year's target is R20 billion. The latest year-end forecast indicates that R17 billion, of the R20 billion target will be achieved. Eskom is also working on a solution to resolve outstanding Municipal debt which is R40 billion. Another sticking point is for Eskom to be able to secure cost-reflective tariffs.	Yes

8. PRIOR MODIFICATION TO AUDIT REPORTS

The Department obtained an unqualified audit with findings for 2020/21 financial year.

Nature of qualification, disclaimer, adverse opinion and matters of non-compliance	Financial year in which it first arose	Progress made in clearing/resolving the matter
Material misstatement on the financial statements	2020/21	Management subsequently corrected the misstatement
Material misstatement on the performance information	2020/21	Management subsequently corrected the misstatement

9. INTERNAL AUDIT

The Internal Audit Activity (IAA) is responsible for evaluating the control environment and assisting the ARC to fulfil its responsibilities. The IAA also provides the ARC and the DG with independent, objective assurance and consulting services on Governance, Risk Management and internal control processes, to ensure that 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 Audit and Risk Committee objectives and key activities

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

Annual Internal Audit Operational plan. The following are reviewed:

- Financial Management,
- Supply Chain and Asset Management,
- Departmental Planning Review (Strategic, Annual Performance Plan and Operational Plan),
- Performance Information Report Review,
- Transnet Related Review,
- Audit Follow Ups (AGSA 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 the Draft Annual Financial Statements (Financial Statements) and Review of the Annual Performance Information Report (APIR) is 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 done

The IAA successfully completed 89% (8 out of 9) of the engagement assignments as set out in the approved Annual Audit Plan. The IAA would like to continue to increase its audit coverage, in line with newly identified (emerging) risks, Management and ARC requests.

10. AUDIT AND RISK COMMITTEE

The Department has established its ARC 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 reliability and integrity of the Department's financial and operation information,
- compliance with legal and regulatory obligations,
- the effectiveness of the Department's Enterprise-wide Risk Management and internal control system,
- oversight of the effectiveness and efficiency of the internal auditors, as well as the independence of internal and external auditors, and
- safeguarding of assets.

10.2 Audit Committee meetings by Audit Committee members

The table below provides relevant information on the ARC members:

Name	Qualifications	Internal/ external	Date appointed	Date resigned	No. of Meetings attended
Ms Doris Dondur	Chartered Director CD(SA) Bachelors in accounting Honours B.Compt Certificate in Theory of Accounting Honours in Business Administration MBA Certificate in Labour Relations WITS International Executive Development Program Gaming Executive Development Program	External	29 September 2020	20 September 2021	2/2
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	3/4
Ms Margaret Phiri	Chartered Accountant CA (SA) CTA/B. Compt Honours B.Com Accounting	External	29 September 2020	N/A	4/4
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	4/4
Mr. Sathie Gounden (Current Chairperson)	B.Compt Higher Diploma in Accounting Chartered Accountant CA(SA) Chartered Director CD(SA) Certificate in Forensic Accounting and Fraud Graduate of the Chartered Secretaries Executive Leadership Development Institute Accredited Mediator	External	30 November 2020	N/A	4/4

11. AUDIT AND RISK COMMITTEE REPORT 2021/22

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 (ToR) and complies with relevant Legislation, Regulation, and Governance codes.

The Committee submits this report for the financial year ended 31 March 2022, 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 four Independent Members and is chaired by Mr. Sathie Gounden. The Committee is required to meet at least four times per annum as per its approved ToR. Five meetings were held for the financial year ended 31 March 2022.

AUDIT AND RISK COMMITTEE RESPONSIBILITY

The ARC is satisfied that it has complied with its responsibilities as outlined in Section 38(1) (a) of the PFMA and Treasury Regulation 3.1. The Committee also reports that it has adopted and reviewed formal ToR 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 (EA), 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 year under review was satisfactory, with certain areas that need improvements. Management has undertaken to improve the control environment, and to reduce the risk to an acceptable level.

RISK MANAGEMENT

The Committee is responsible for the oversight of the Department's Risk Management activities. A strategic and operational risk assessment for the year under review was conducted.

The Committee has reviewed the risk management process on a quarterly basis, and has made recommendations for the improvements thereof. A risk maturity assessment of the enterprise risk management unit has been recommended. This assessment will evaluate the extent to which Risk Management is embedded within the Department and the extent of, effectiveness of Risk Management.

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 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 2021/22 financial year was conducted on the following audits:

a) high level Review of the Draft Annual Financial Statements 2021/22,
b) review of the Annual Performance Report (APR) and Audit of Performance Information (Quarter 4 of 2021/22),
c) audit of Performance Information (Quarter 1 of 2021/22),
d) follow up on Business Enhancement,
e) audit of Performance Information (Quarter 2 of 2021/22),
f) review on Financial Management,
g) review of the Draft 2022/23 Annual Performance Plan, and
h) audit of Performance Information (Quarter 3 of 2021/22).

In the year under review, Internal Audit developed and implemented a risk based strategic and operational coverage plan and have concluded that the control environment is 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 (pre-determined objectives) Reports at its Quarterly Review Meetings. These reports were also tabled and reviewed at the ARC meetings. The ARC reviewed these reports and raised questions and issues for clarity and explanations.

EVALUATION OF FINANCIAL STATEMENTS

The Committee reviewed the Annual Financial Statements (AFS) of the Department and is satisfied that they comply with the applicable Accounting Standards, and that the accounting policies used are appropriate.

The AFS were reviewed with the following focus:

- review of the Auditor-General's Management Report and Management's response thereto,
- review of any changes in accounting policies and accounting standards and practices,
- review of the Department's compliance with legal and regulatory provisions,
- review of the information on predetermined objectives to be included in the AR,
- review of any significant adjustments resulting from the audit,
- the quality and timeliness of the financial information availed to the Audit Committee for oversight purpose during the year such as Interim Financial Statements,
- significant financial reporting judgements and estimates,
- clarity and completeness of disclosure and whether disclosures made have been set properly in context,
- explanation for the accounting treatment adopted,
- asset valuations and revaluations, and
- re-assessment of the useful life of the assets.

EXTERNAL AUDIT: AUDITOR-GENERAL OF SOUTH AFRICA (AGSA)

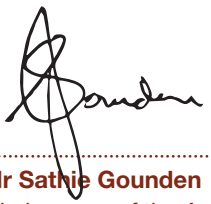
The Committee, in consultation with the Accounting Officer, noted the terms of the AGSAs engagement letter, audit strategy and audit fees in respect of the 2021/22 financial year. The ARC also monitored the implementation of the action plans to address matters arising from the Management Report issued by the AGSA.

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

CONCLUSION

The Committee concurs and accepts the conclusions of the AGSA on the AFS and is of the opinion that the audited AFS be accepted and read together with the report of AGSA.

Signed on behalf of the Audit and Risk Committee by:



Mr Sathie Gounden
Chairperson of the Audit and Risk Committee (ARC)
10 August 2022

12. B-BBEE COMPLIANCE PERFORMANCE INFORMATION

The following table should be completed in accordance with the compliance to the Broad- Based Black Economic Empowerment (B-BBEE) requirements as required by the B-BBEE Act, and as determined by the Department of Trade, Industry and Competition (DTIC). Where there has been no or only partial compliance with the criteria, the entity should provide a discussion and indicate the measures taken to comply.

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 authorization in respect of economic activity in terms of any laws?.	No	Not applicable to the Department.
Developing and implementing a preferential procurement policy.	Yes	The Department's bids and Request for Quotations (RFQs) stipulate pre-qualifications for prospective bidders in terms of PPPFA (2017).
Determining qualification criteria for the sale of SOEs?.	N/A	Negotiations are ongoing and are informed by the transformation B-BBEE requirements
Developing qualification 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.

PART D:
HUMAN RESOURCE MANAGEMENT

1. INTRODUCTION

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

2. OVERVIEW OF HUMAN RESOURCES

2.1 Overview of Human Resources (HR) in the Department

The Chief Directorate: Strategic Human Resources and Office Management is responsible for rendering a Management support service to the Department. It provides services relating to organisational development, HR planning and policy, HR administration and practices, Performance Management and HR development, employment relations and wellness, as well as Security and Facilities Management.

2.2 The status of Human Resources in the Department

Human Resource and Office Management is recognised as a strategic partner and plays a critical role in the attainment of the Department's outcomes through effective, and efficient HR advice and services. This role is executed through the support to the core business of the Department, to assist Executive Management to implement operational excellence.

DPE upholds the principle of human development through various formal, and informal platforms. In line with the Workplace Skills Plan (WSP), training opportunities were provided to employees. During the year under review, 180 training opportunities were approved. In addition, the Department provided bursaries and training opportunities to staff members to further their qualifications and improve their skills/ knowledge.

The approved DPE 3-year Human Resource Plan (HRP) which is aligned to the organisational structure, was developed and implemented. HR Plan Implementation reporting were also completed as per the Department Public Service & Administration (DPSA) requirements.

The Department had a plan to fill vacant posts during the financial year under review, however, the plan had to be reviewed due to budget reductions that were implemented. The budget reduction was due to the Department not being able to expedite the filling vacancies because of the protracted process of attracting adequate skills, and consequently, 12 posts were unfunded up to 31 March 2022. The impact of the baseline reductions has undoubtedly put a strain on the Department's HR capacity.

For the year under review, the vacancy rate was at 22%. The high vacancy rate also execrated high overtime, increased workload, and low employee morale. In responding to the imperative need to address the recruitment challenges, the Department will over the medium-term, focus largely on enhancing the capabilities of the Department by ensuring that the pool of highly skilled professionals is augmented. The Department will embark on sourcing the services of recruitment agencies for headhunting and referrals, and review role profiles to align with current affairs and its challenges, in order to attract and employ people of highly competent forte.

In the next financial year, the Department will adopt other means of recognition to boost staff morale. This include amongst others, promote work life balance, invest in trust building, go beyond "my door is always open" & support employee led initiatives. The Department will develop a Departmental Rewards and Recognition Policy.

The current organisational structure was designed in a way that the Department would be responsive, and efficient in fulfilling its oversight and monitoring role. The process of ensuring that there is alignment in financial and HR, remains critical in enabling the Department to operate within the personnel budget ceiling. The process of strengthening the delivery of the Department's strategic objectives as stated in the Strategic Plan (SP) 2020/21 to 2024/25, will require the reorganising of resources of the approved organisational structure that was implemented on 1 January 2019. This process of reviewing the organisational structure is underway, and it is envisaged that it will be within the three programmes' budget structure. Structural consultation process with the DPSA and DPE head of units is at an advanced stage.

2.3 Human Resource priorities for the year under review

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

The identified amendments to be made on the approved organisational structure are still in process, and it is envisaged that approval for these changes will be obtained in line with the DPSA Directive during the 2022/23 financial year. The Department have embarked on a process of reviewing the structure due to emanating challenges facing SoC's.

Training interventions remained to be one of the priorities within HR, and more training interventions as committed in the Annual Performance Plan (APP) were achieved, due to on-line training, which contributed to skills development and capacity building within the Department. SoCs sector specific programmes has been developed to capacitate the employees.

There were still matters that had to be prioritised, such as remote working arrangements and compliance to implementation of the DPSA Guidelines for Containment/ Management of the Corona Virus within the public service, during the reporting period. The Covid-19 Steering Committee appointed by the Director-General (DG) during 2020/21, had regular meetings and advised on, and monitored daily compliance on Covid-19 related matters.

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

The Medium-Term Expenditure Framework (MTEF) Human Resource Plan, remains to be one of the key strategic documents to ensure that the required skills to execute the Department's Mandate is optimised. The Plan for the 2021/22 to 2023/24 period was developed, which was informed by the need to have adequate manpower and workforce within the Department. To embrace the concept of global village, the role of HR has become an even more critical function for the organisation, as it has to be efficient and effective. As such, the staffing function is emerging as a critical process. To undertake this process, during the 2022/23 financial year, the Department will carry out a Skills Audit to determine the skills gap, and address it through the development of existing employees, as well as the appointment of people with the skills required in vacant positions.

To support the economic transformation and job creation as one of the Medium-Term Strategic Framework (MTSF) priorities, during the 2021/22 financial year, the Department commenced with the roll out of its Internship Programme, and appointed interns with effect from 1 April 2022 for a period of 24 months. The programme focuses on empowering individuals with technical knowledge on the industry and various fields. This is an opportunity for the Department to invest in the next generation through coaching and mentoring a prospective workforce.

2.5 Employee Performance Management

The Department has approved The Performance Management and Development System (PMDS) Policies which require all employees in the Department to enter into performance agreements on an annual basis. During the financial year under review, the Department continued to prioritise a structured Performance Management and tracking process to maintain performance standards set out in the annual and operational performance plan.

Whilst the Department continues to implement its Mandate through the institutionalisation of planning and performance, the approach of individual performance assessment continue to be augmented as directed by DPSA performance directives for Non-SMS and SMS employees, to ensure accountability and attainment of the interventions as espoused in the APP.

2.6 Employee Wellness programmes

The Department's Employee Health and Wellness (EHW) programme is fully operational. A structured employee wellness programme was implemented within the Department, and a Service Provider was appointed and is accessible 24-hours to provide employee wellness support services.

Quarterly interventions on health and wellness challenges were rolled out in support of the annual health calendar. Due to Covid-19 and the unavailability of Service Providers to do medical tests, only two quarterly interventions were held. During the wellness interventions, HIV/AIDS testing and counselling, TB screening, diabetes, body mass index, hypertension and cholesterol testing were conducted. Continuous awareness was sent out through newsflashes, and employees were encouraged to attend online webinars on wellness in the working environment, and how to cope with changes in the working environment as well as at home due to Covid-19.

2.7 Employment Equity

The Department is doing well in complying with the National Employment Equity (EE) targets. The representation on Senior Management level is 43% female versus 57% male. The challenge is the appointment of People with Disabilities (PwDs) in the Department which is currently on 1.8%. The implementation of the EE plan is closely monitored, and Selection Committees are assisting to address its equity gaps during recruitment. Affirmative Action (AA) measures will have to be implemented to fast track the representation of the designated groups and the Departmental targets.

2.8 Policy Development

During the year under review, the Department has reviewed six policies to ensure alignment to the Public Service Regulations of 2016 and other relevant prescripts, namely PMDS for Non-SMS, Gender Policy, Disability Policy, Safety, Health, Risk and Environment (SHEQ), Overtime Policy and Security Policy. The review of the policies seeks to strengthen the internal controls and deficiencies identified.

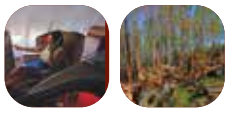
2.9 Labour Relations

The Employee Labour Relations Unit promotes a culture of compliance to ethical standards. Workshops were conducted to employees on the Code of Conduct and Consequence Management. Through continuous awareness initiatives, grievances and disputes have been minimised during the reporting period 2021/22. The DPSA disciplinary procedure is applied as part of Consequence Management within the Department.

Achievement and Challenges

Although the bulk of vacancies were advertised, the main challenge remains the high vacancy rate, especially at SMS level. This causes instability in the Department and places an additional burden on other employees because of the heavy workload.

The Department's MTEF Human Resource Plan was approved timeously. The Plan is aligned to the organisational structure and is being monitored and reported on as per the DPSA requirements.



3. HUMAN RESOURCES OVERSIGHT STATISTICS

3.1 Personnel related expenditure

Table 3.1.1 Personnel expenditure by programme for the period 1 April 2021 to 31 March 2022

Programme	Total expenditure R'000	Personnel expenditure R'000	Training expenditure R'000	Professional and special services expenditure R'000	Personnel expenditure as a % of total expenditure	Average personnel cost per employee R'000
DPE: Administration	121 078	71 867	490	2 408	59,40	726
DPE: SOC: Governance & Assurance	47 434	26 846	0	4 435,00	56,60	1 074
DPE: Business Enhancement	38 889 564	41 335	0	3 374	0,11	984
Total as on Financial Systems (BAS)	**39 058 076**	**140 048**	**490**	**10 217**	**0,40**	**844**

Table 3.1.2 Personnel costs by salary band for the period 1 April 2021 to 31 March 2022

Salary band	Personnel expenditure R'000	% of total personnel cost	No of employees	Average personnel cost per employee R'000
Lower Skilled (Level 1 -2)	182	0,10	1	182 000
Skilled (Level 3-5)	3 565	2,50	14	254 643
Highly skilled production (Levels 6-8)	21 052	15	45	467 822
Highly skilled supervision (Levels 9-12)	51 208	36,60	61	839 4754
Senior and Top Management (Level 13-16)	64 041	45,70	45	1 423 133
Periodic remuneration	0	0	0	0
Abnormal appointment	0	0	0	0
TOTAL	**140 048**	**100**	**66**	**843 662**

Table 3.1.3 Salaries, overtime, homeowner's allowance and Medical Aid by programme for the Period 1 April 2021 to 31 March 2022

Programme	Salaries		Overtime		Home owners allowance		Medical Aid	
	Amount R'000	Salaries as a % of personnel costs	Amount R'000	Overtime as a % of personnel costs	Amount R'000	HOA as a % of personnel costs	Amount R'000	Medical Aid as a % of personnel cost
DPE: Administration	65 104	90.60	10	1	991	1,40	1 667,00	2,30
DPE: SOC: Governance & Assurance	24 561	91,50	49	0,20	36	0,50	378	1,40
DPE: Business Enhancement, Transformation & Industrialisation	37 021	89.60	5	0	21	1,30	815	2
TOTAL	**126 686**	**90,50**	**64**	**0,50**	**1 648**	**1,20**	**2 860**	**2**

Table 3.1.4 Salaries, overtime, homeowner's allowance and Medical Aid by salary band for the Period 1 April 2021 to 31 March 2022

Salary band	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
Lower Skilled (Level 1-2)	182	0	0	0	0		0	0
Skilled (Level 3-5)	3 091	86,70	1	0,30	9	2,60	206	5,80
Highly skilled production (Levels 6-8)	16 187	76,50	478	2,30	704	3,30	1 204	5,70
Highly skilled supervision (Levels 9-12)	44 771	87,40	274	0,50	558	1,10	1 153	2,30
Senior Management (Levels 13-16)	62 455	97.50	0	0	328	0,50	297	0,50
Periodical Remuneration	0	0	0	0		0	0	0
Abnormal Appointment		0	0	0	0	0	0	0
TOTAL	**126 686**	**90,50**	**764**	**0,50**	**1 684,**	**1,20**	**2 860**	**2**

3.2 Employment and Vacancies

Table 3.2.1 Employment and Vacancies by programme as at 31 March 2022

Programme	Number of posts on approved establishment	Number of posts filled	Vacancy rate	Number of employees additional to the establishment
DPE: Administration	119	99	16,80	4
DPE: SOC Governance Assurance & Performance	36	25	11	1
DPE: Business Enhancement, Transformation & Industrialisation	59	42	28,80	1
TOTAL	**214**	**166**	**22**	**6**

Table 3.2.2 Employment and Vacancies by Salary band as on 31 March 2022

Salary band	Number of posts on approved establishment	Number of posts filled	Vacancy rate	Number of employees additional to the establishment
Lower Skilled (1-2)	2	1	50	0
Skilled (3-5)	14	14	0	1
Highly skilled production (6-8)	51	45	12	0
Highly skilled supervision (9-12)	72	61	15	3
Senior Management (13-16)	73	43	41	2
Deputy Minister	1	1	0	0
Minister	1	1	0	0
TOTAL	**214**	**166**	**22**	**6**

Table 3.2.3 Employment and Vacancies by critical occupations as at 31 March 2022

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	29	12,10	2
Cleaners in Offices Workshops Hospitals etc, Permanent	4	4	0	0
Client inform clerks, Switchboard, Receptionist Permanent	4	3	25	1
Communication and information related, Permanent	5	5	0	0
Finance and economics related, Permanent	13	9	30,80	0
Financial clerks and credit controllers, Permanent	7	6	14,30	0
Food services aids and waiters, Permanent	5	4	20	0
Head of Department/Chief Executive Officer (CEO), Permanent	1	1	0	0
Human Resources (HR) & organisational development & related professional, Permanent	12	10	16,70	0
Information Technology (IT) related, Permanent	8	4	50	0
Library mail and related clerks, Permanent	8	6	25	0
Logistical support personnel, Permanent	6	6	0	0
Messengers Porters and deliveries, Permanent	3	3	0	1
Security officers, Permanent	2	2	0	0
Secretaries and other keyboard operating clerks	28	28	0	0
Senior Managers, Permanent	71	42	40,80	2
Other occupations	4	4	0	0
TOTAL	**21**	**166**	**22**	**6**

3.3 Filling of SMS posts

Table 3.3.1 SMS post information as at 31 March 2022

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 (DG)/Head of Department (HoD)	1	1	100	0	0
Salary level 16	2	2	100	0	0
Salary level 15	7	1	14	6	86
Salary level 14	20	13	65	7	35
Salary level 13	43	27	63	16	37
TOTAL	**73**	**44**	**60**	**29**	**40**

Table 3.3.2 SMS post information as at 30 September 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 (DG)/HoD	1	1	100	0	0
Salary level 16	2	2	100	0	0
Salary level 15	7	1	14	6	86
Salary level 14	20	16	80	4	20
Salary level 13	43	26	60	17	40
TOTAL	**73**	**46**	**63**	**27**	**37**

Table 3.3.3 Advertising and filling of SMS posts for the period 1 April 2021 and 31 March 2022

SMS Level	Advertising	Filling of posts	
	Number of vacancies per level advertised in 6 months of becoming vacant	Number of vacancies per level filled in 6 months of becoming vacant	Number of vacancies per level not filled in 6 months but filled in 12 months
Director-General (DG)/HoD	0	0	0
Salary Level 16	0	0	0
Salary Level 15	3	0	0
Salary Level 14	3	0	0
Salary Level 13	10	1	0
TOTAL	**16**	**1**	**0**

Table 3.3.4 Reasons for not having complied with the filling of funded vacant SMS posts advertised within 6 months after becoming vacant for the period 1 April 2021 to 31 March 2022

Reasons for vacancies not advertised within 6 months
Scarce skills within the Labour Market Uncompetitive Remuneration Packages

Reasons for vacancies not being filled within 12 months
Scarce skills within the Labour Market Uncompetitive Remuneration Packages

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 2021 to 31 March 2022

Reasons for vacancies not being advertised within 6 months
None

Reasons for vacancies not filled within 6 months
Scarce skills within the Labour Market Uncompetitive Remuneration Packages

3.4 Job Evaluation

Table 3.4.1 Job Evaluation by Salary band for the period 1 April 2021 to 31 March 2022

Salary band	Number of posts approved on the establishment	Number of Jobs evaluated	% of posts evaluated by salary band	Posts upgraded		Posts downgraded	
				Number	% of posts evaluated	Number	% of posts evaluated
Lower Skilled (levels 1-2)	2	0	0	0	0	0	0
Skilled (levels 3-5)	14	0	0	0	0	0	0
Highly skilled production (levels 6-8)	51	0	0	0	0	0	0
Highly skilled supervision (levels 9-12)	72	0	0	0	0	0	0
Senior Management Service Band A	43	0	0	0	0	0	0
Senior Management Service Band B	20	0	0	0	0	0	0
Senior Management Service Band C	7	0	0	0	0	0	0
Senior Management Service Band D	3	0	0	0	0	0	0
Deputy Minister	1	0	0	0	0	0	0
Minister	1	0	0	0	0	0	0
TOTAL	**214**	**0**	**0**	**0**	**0**	**0**	**0**

Table 3.4.2 Profile of employees whose positions were upgraded due to their posts being upgraded for the period 1 April 2021 to 31 March 2022

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 Disabilities (PwDs)	0	0	0	0	0
TOTAL	**0**	**0**	**0**	**0**	**0**

Table 3.4.3 Employees with salary levels higher than those determined by job evaluation by occupation for the period 1 April 2021 to 31 March 2022

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

Table 3.5.1 Annual turnover rates by Salary band for the period 1 April 2021 to 31 March 2022

Salary band	Number of employees at beginning of period 1 April 2021	Appointments and transfers into the Department	Terminations and transfers out of the Department	Turnover rate
Lower Skilled (1-2)	1	0	0	0
Skilled (level 3-5)	13	4	2	15
Highly skilled production (level 6-8)	46	1	2	4
Highly skilled supervision (level 9-12)	65	2	5	8
Senior Management Services Bands A	29	5	2	7
Senior Management Services Bands B	13	1	5	38
Senior Management Service Bands C	1	0	0	0
Senior Management Service Bands D	2	1	0	0
Deputy Minister	1	0	0	0
Minister	1	0	0	0
TOTAL	**172**	**14**	**16**	**9**

Table 3.5.2 Annual turnover rates by critical occupation for the period 1 April 2021 to 31 March 2022

Critical occupation	Number of employees at beginning of period April 2021	Appointments and transfers into the Department	Terminations and transfers out of the Department	Turnover rate
Administrative related, Permanent	28	2	5	18
Cleaners in offices workshops hospitals etc, Permanent	3	4	2	67
Client inform clerks (switchboard, receptionists, information clerks), Permanent	4	0	0	0
Communication and information related, Permanent	6	0	0	0
Finance and economics related, Permanent	13	0	0	0
Financial clerks and credit controllers, Permanent	7	0	1	14
Food services aids and waiters, Permanent	4	0	0	0
HoD/CEO, Permanent	1	0	0	0
Human Resources & organisational development & related professional, Permanent	11	0	0	0
Information Technology related, Permanent	6	1	1	17
Library mail and related clerks, Permanent	8	0	0	0
Logistical support personnel, Permanent	6	0	0	0
Messengers porters and deliverers, Permanent	3	0	0	0
Security officers, Permanent	2	0	0	0
Secretaries and Keyboard operating Clerks	23	0	0	0
Senior Managers, Permanent	43	6	7	6
Other occupations	4	1	0	0
TOTAL	**172**	**14**	**16**	**9**

Table 3.5.3 Reasons why employees left the Department for the period 1 April 2021 to 31 March 2022

Termination type	Number	% of Total Resignation
Death	1	6
Resignation	13	81
Expiry of contract	2	13
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	0	0
Other	0	0
TOTAL	**16**	**100**
Total number of employees who left as a % of total employment	10%	

Table 3.5.4 Promotions by critical occupation for the period 1 April 2021 to 31 March 2022

Occupation	Employees 1 April 2021	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	28	0	0	0	0
Client inform clerks (switchboard receptionists, information clerks), Permanent	3	0	0	0	0
Communication and information related, Permanent	6	0	0	0	0
Finance and economics related, Permanent	13	0	0	0	0
Financial clerks and credit controllers, Permanent	7	0	0	0	0
Food services aids and waiters, Permanent	4	0	0	0	0
HoD/CEO, Permanent	1	0	0	0	0
Human resources & organisational development & related professionals, Permanent	11	0	0	0	0
Information Technology related, Permanent	6	0	0	0	0
Library mail and related Clerks, Permanent	8	0	0	0	0
Logistical support personnel, Permanent	6	0	0	0	0
Messengers porters and deliverers, Permanent	3	0	0	0	0
Security officers, Permanent	2	0	0	0	0
Secretaries and Keyboard Operating Clerks	23	0	0	0	0
Senior Managers, Permanent	43	1	2	0	0
Other occupations	4	0	0	0	0
TOTAL	**172**	**1**	**2**	**0**	**0**

Table 3.5.5 Promotions by Salary band for the period 1 April 2021 to 31 March 2022

Salary Band	Employees 1 April 2021	Promotion to another salary level	Salary level promotions as a % of employees by salary level	Progressions to another notch within a salary level	Notch progression as a % of employees by salary bands
Lower Skilled (1-2)	1	0	0	0	0
Skilled (level 3-5)	13	0	0	0	0
Highly skilled production (level 6-8)	46	0	0	0	0
Highly skilled supervision (level 9-12)	65	0	0	0	0
Senior Management (level 13-16)	47	1	2	0	0
TOTAL	**172**	**1**	**2**	**0**	**0**

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 2021

Occupational category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, Senior Officials and Managers, Permanent	21	2	1	0	22	1	1	1	**49**
Professionals, Permanent	16	0	1	0	16	1	0	3	**37**
Technicians and associate professionals, Permanent	21	0	0	1	42	1	0	3	**68**
Clerks, Permanent	4	1	0	0	10	1	0	0	**16**
Service and sales workers, Permanent	0	0	0	0	0	0	0	0	**0**
TOTAL	**62**	**3**	**2**	**1**	**90**	**4**	**1**	**7**	**170**

Table 3.6.2 Total number of employees (including employees with disabilities) in each of the following occupational bands as at 31 March 2022

Occupational Band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	03	0	01	0	02	0		0	**6**
Senior Management	21	2	0	0	14	1	1	1	**40**
Professionally qualified and experienced specialists and mid-management	18	0	1	0	14	2	0	2	**37**
Skilled technical and academically qualified workers, Junior Management, Supervisors, Foreman and Superintendents	18	0	0	1	41	1	0	3	**64**
Semi-skilled and discretionary decision making	5	1	0	0	12	1	0	0	**19**
Unskilled and defined decision making	0	0	0	0	0	0	0	0	**0**
TOTAL	**65**	**3**	**2**	**1**	**83**	**5**	**1**	**6**	**166**

Table 3.6.3 Recruitment for the period 1 April 2021 to 31 March 2022

Occupational Band	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	0	0	0	0	1	0	0	0	**1**
Senior Management	2	0	0	0	4	0	0	0	**6**
Professionally qualified and experienced specialists and mid-management	1	0	0	0	0	1	0	0	**2**
Skilled technical and academically qualified workers, Junior Management, Supervisors, Foreman and Superintendents	0	0	0	0	0	0	0	0	**0**
Semi-skilled and discretionary decision making	1	0	0	0	0	0	0	0	**1**
Unskilled and defined decision making	1	0	0	0	3	0	0	0	**4**
TOTAL	**5**	**0**	**0**	**0**	**8**	**1**	**0**	**0**	**14**
Employees with Disabilities (PwDs)	0	0	0	0	0	0	0	0	**0**

Table 3.6.4 Promotions for the period 1 April 2021 to 31 March 2022

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	1	0	0	0	**1**
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, Foreman and Superintendents	0	0	0	0	0	0	0	0	**0**
Semi-skilled and discretionary decision making	0	0	0	0	0	0	0	0	**0**
TOTAL	**0**	**0**	**0**	**0**	**1**	**0**	**0**	**0**	**1**
Employees with Disabilities (PwDs)	0	0	0	0	0	0	0	0	**0**

Table 3.6.5 Terminations for the period 1 April 2021 to 31 March 2022

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	2	0	0	0	5	0	0	0	**7**
Professionally qualified and experienced specialists and mid-management	2	0	0	0	1	0	0	1	**4**
Skilled technical and academically qualified workers, Junior Management, Supervisors, Foremen	1	0	0	0	3	0	0	0	**4**
Semi-skilled and discretionary decision making	0	0	0	0	1	0	0	0	**1**
TOTAL	**5**	**0**	**0**	**0**	**10**	**0**	**0**	**1**	**16**

Table 3.6.6 Disciplinary action for the period 1 April 2021 to 31 March 2022

Disciplinary action	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Dereliction of duty	1	0	0	0	0	0	0	0	**1**
Misappropriation of funds	1	0	0	0	0	0	0	0	**1**
TOTAL	**2**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**2**

Table 3.6.7 Skills development for the period 1 April 2021 to 31 March 2022

Occupational category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Legislators, Senior Officials and Managers	7	1	0	0	3	0	0	0	**11**
Professionals	3	0	0	0	2	0	0	0	**5**
Technicians and associate professionals	3	0	0	0	3	0	0	1	**7**
Clerks	1	0	0	0	3	0	0	0	**4**
Plant and machine operators and assemblers	0	0	0	0	0	0	0	0	**0**
Elementary occupations	1	0	0	0	0	0	0	0	**1**
TOTAL	**15**	**1**	**0**	**0**	**11**	**0**	**0**	**1**	**28**
Employees with Disabilities (PwDs)	0	0	0	0	0	0	0	0	**0**

3.7 Signing of Performance Agreements by SMS members

Table 3.7.1 Signing of a Performance Agreement by SMS members as at 31 May 2021

SMS level	Total number of funded SMS posts	Total number of SMS members	Total number of signed Performance Agreements	Signed Performance Agreements as a % of total number of SMS members
Director-General (DG)/HOD	1	1	1	**100**
Salary level 15	9	1	1	**100**
Salary level 14	20	13	13	**100**
Salary level 13	43	25	24	**96**
TOTAL	**73**	**40**	**39**	**98**

Table 3.7.2 Reasons for not having concluded a Performance Agreement with all SMS members as at 31 March 2022

Reasons
One SMS member could not conclude a Performance Agreement due to a dispute regarding the content of the Performance Agreement.

Table 3.7.3 Disciplinary steps taken against SMS members for not having concluded Performance Agreements as at 31 March 2022

Reasons
None

3.8 Performance Rewards

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

Race and Gender	Beneficiary Profile			Cost	
	No of beneficiaries	Number of employees	% of total within group	Cost R'000	Average cost per employee
African					
Female	19	90	21	340	18
Male	10	62	16	154	15
Indian					
Female	1	1	100	39	39
Male	1	2	50	27	27
Coloured					
Female	2	4	50	33	17
Male	0	3	0	0	0
White					
Female	3	7	43	78	26
Male	0	1	0	0	0
TOTAL	**36**	**170**	**21**	**671**	**19**

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

Salary band	Beneficiary profile			Cost		Total cost as a % of the total personnel expenditure
	Number of Beneficiaries	Number of employees	% of total within Salary bands	Total cost (R'000)	Average cost per employee (R'000)	
Skilled (Levels 3-5)	1	13	8	6	6	0.004
Highly skilled production (Levels 6-8)	15	48	31	149	10	0.11
Highly skilled supervision (Levels 9-12)	13	61	21	285	22	0.20
TOTAL	**29**	**122**	**24**	**440**	**15**	**0.3**

Table 3.8.3 Performance Rewards by critical occupation for the period 1 April 2021 to 31 March 2022

Critical occupation	Beneficiary profile			Cost	
	Number of beneficiaries	Number of employees	% of total within Salary bands	Total cost (R'000)	Average cost per employee (R'000)
Administrative related	6	27	22	118	20
Cleaners in offices, workshops, hospitals, etc.	0	3	0	0	0
Client information clerks (switchboard receptionists, information clerks)	1	3	33	6	1
Communication and information related	0	5	0	0	0
Financial and economic related	5	10	50	77	15
Financial and related professionals	0	0	0	0	0
Financial clerks and credit controllers	6	7	86	86	14
Food services aids	0	4	0	0	0
HoD/CEO	0	1	0	0	0
Human Resources related	2	10	20	25	13
Information Technology related	1	5	20	8	8
Library mail and related clerks	0	7	0	0	0
Logistical Support Personnel	0	6	0	0	0
Material-recording and transport Clerks	0	0	0	0	0
Messengers porters and deliverers	0	2	0	0	0
Client information clerks, Switchboard, Receptionist, Permanent	8	29	31	120	15
Security officers	0	2	0	0	0
Senior Managers	7	47	15	231	33
Other occupations	0	2	0	0	0
TOTAL	**36**	**170**	**21**	**671**	**19**

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

Salary band	Beneficiary profile			Cost		Total cost as a % of the total personnel expenditure
	Number of beneficiaries	Number of employees	% of total within Salary bands	Total cost (R'000)	Average cost per employee (R'000)	
Band A	4	25	16	124	31	0.09
Band B	3	13	23	107	36	0.08
Band C	0	8	0	0	0	0
Band D	0	1	0	0	0	0
TOTAL	**7**	**47**	**15**	**231**	**33**	**0.2**

3.9 Foreign workers

Table 3.9.1 Foreign workers by Salary band for the period 1 April 2021 to 31 March 2022

Salary band	1 April 2021		31 March 2022		Change	
	Number	% of total	Number	% of total	Number	% Change
Lower skilled (3-5)	0	0	0	0	0	0
Highly skilled production (Level 6-8)	0	0	0	0	0	0
Highly skilled supervision (Level. 9-12)	0	0	0	0	0	0
Senior Management (Level 13-16)	2	1	1	0.6	1	6
TOTAL	**2**	**1**	**1**	**50**	**1**	**50**

Table 3.9.2 Foreign workers by major occupation for the period 1 April 2021 to 31 March 2022

Major occupation	1 April 2021		31 March 2022		Change	
	Number	% of total	Number	% of total	Number	% Change
Senior Management	2	5	1	2	1	14
TOTAL	**2**	**5**	**1**	**2**	**1**	**14**

3.10 Leave utilisation

Table 3.10.1 Sick leave for the period 1 January 2020 to December 2021

Salary band	Total days	% days with medical certification	Number of employees using sick leave	% of total employees using sick leave	Average days per employee	Estimated cost (R'000)
Lower Skilled (Level 1-2)	12	83,30	1	1	12	8
Skilled (Level 3-5)	40	85	6	5,70	7	39
Highly skilled production (Level 6-8)	84	72,80	32	30,50	6	316
Highly skilled supervision (Level 9-12)	25	67,60	43	41	5	656
Top and Senior Management (Level 13-16)	79	76	23	21,90	8	276
TOTAL	**640**	**72,80**	**105**	**100**	**6**	**1 934**

Table 3.10.2 Disability leave (temporary and permanent) for the period 1 January 2020 to 31 December 2021

Salary band	Total days	% days with medical certification	Number of employees using sick leave	% of total employees using sick leave	Average days per employee	Estimated cost (R'000)
Lower Skilled (Level 1-2)	0	0	0	0	0	0
Skilled (Level 3-5)	0	0	0	0	0	0
Highly skilled production (Level 6-8)	11	100	1	50	11	19
Highly skilled supervision (Level 9-12)	0	0	0	0	0	0
Top and Senior Management (Levels 13-16)	20	100	1	50	20	105
TOTAL	**31**	**100**	**2**	**100**	**16**	**124**

Table 3.10.3 Annual leave for the period 1 January 2020 to 31 December 2021

Salary band	Total days taken	Number of employees using annual leave	Average per employee
Lower skills (Level 1-2)	20	1	20
Skilled (Level 3-5)	200	13	15
Highly skilled production (level 6-8)	1124	47	24
Highly skilled supervision (Level 9-12)	1520	67	23
Senior Management (Level 13-16)	988	50	20
TOTAL	**3852**	**178**	**22**

Table 3.10.4 Capped leave for the period 1 January 2020 to 31 December 2021

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 2022
Skilled (Level 3-5)	0	0	0	0
Highly skilled production (level 6-8)	0	0	0	0
Highly skilled supervision (Level 9-12)	0	0	0	0
Senior Management (Level 13-16)	0	0	0	0
TOTAL	**0**	**0**	**0**	**0**

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)	360	9	40 000
TOTAL	**360**	**9**	**40 000**

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-risked categorized employees identified. All employees have the same risks outside occupational environment.	Quarterly Voluntary Counselling and Testing (VCT), and Awareness

Table 3.11.2 Details of health promotion and HIV/AIDS programmes

	Question	Yes	No	Details, if yes
1.	Has the Department designated a member of the SMS to implement the provisions contained in Part VI E of Chapter 1 of the Public Service Regulations, 2001 If so, provide her/his name and position.	X		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 employees? If so, indicate the number of employees who are involved in this task and the annual budget that is available for this purpose.	X		Two employees are dedicated to the Unit: The Annual budget allocated is R945 000.
3.	Has the Department introduced an Employee Assistance or Health Promotion Programme for employees? If so, indicate the key elements/ services of this programme.	X		The Department through an Employee Wellness Programme has put the following in place: ▪ 24 HR Counselling Service focusing on, ▫ Emotional and Personal difficulties, ▫ HIV/AIDS, ▫ General Health issues, ▫ Bereavement and loss, ▫ Family and Relationships, ▫ Psycho-social Counselling and ▫ Change management, ▫ Financial matters, ▫ Legal concerns, ▫ Career counselling, ▫ Violence, and Trauma
4.	Has the Department established a Committee as contemplated in Part VI E.5 (e) of Chapter 1 of the Public Service Regulations, 2001? If so, please provide the names of the members of the Committee and the Stakeholders that they represent.		X	No Committee has been 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) ▪ Gender Policy ▪ Disability Policy
6.	Has the Department introduced measures to protect HIV-positive employees or those perceived to be HIV-positive from discrimination? If so, list the key elements of these measures.	X		Employees in the Department are not obliged to disclose their HIV status. The Department does not record 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		37 employees tested in the 2021/22 financial year through our Stakeholder Government Employees Medical Scheme (GEMS).
8.	Has the Department developed measures/indicators to monitor & evaluate the impact of its health promotion programmes. If so, list these measures/ indicators.	X		The Department report quarterly on the number of employees participating in wellness activities, including employees undergoing Employee Health and Wellness (EHW) Counselling services.

3.12 Labour Relations

Table 3.12.1 Collective agreements for the period 1 April 2021 to 31 March 2022

Subject matter	Date
None	

Table 3.12.2 Misconduct and disciplinary hearings finalised for the period 1 April 2021 to 31 March 2022

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

Table 3.12.3 Types of misconduct addressed at disciplinary hearings for the period 1 April 2021 to 31 March 2022

Type of misconduct	Number	% of total
Dereliction of duty	1	100
Misappropriation of State property	1	100

Table 3.12.4 Grievances logged for the period 1 April 2021 to 31 March 2022

Grievances	Number	% of total
Bursary withdrawal	1	33
Performance assessment	2	67
TOTAL	**3**	**100**

Table 3.12.5 Disputes logged with Councils for the period 1 April 2021 to 31 March 2022

Disputes	Number	% of total
Number of disputes upheld	1	25
Number of disputes dismissed	2	50
Number of disputes pending	1	25
Total number of disputes logged	**4**	**100**

Table 3.12.6 Strike action for the period 1 April 2021 to 31 March 2022

	Number of employees	Amount
	0	0
TOTAL	**0**	**0**

Table 3.12.7 Precautionary suspensions for the period 1 April 2021 to 31 March 2022

	Number	Amount
Precautionary suspensions	1	R13 404
TOTAL	**1**	**R13 404**

3.13 Skills Development

Table 3.13.1 Training needs identified for the period 1 April 2021 to 31 March 2022

Occupational category	Gender	Number of employees as on 1 April 2021	Training needs identified at start of the Reporting period			
			Internship	Skills programmes & other short courses	Other forms of training	Total
Legislators, Senior Officials and Managers	Female	22	0	63	17	80
	Male	25	0			
Professionals	Female	20	0	53	21	74
	Male	18	0			
Technicians and associate professionals	Female	14	0	42	19	61
	Male	10	0			
Administration/Clerks	Female	32	0	61	17	78
	Male	12	0			
Elementary occupations	Female	11	0	6	3	9
	Male	6	0			
Sub Total	Female	99	0	225	77	302
	Male	71	0			
TOTAL		**170**	**0**	**225**	**77**	**302**

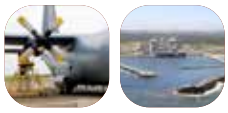


Table 3.13.2 Training provided for the period 1 April 2021 to 31 March 2022

Occupational category	Gender	Number of employees as at 1 April 2021	Training needs implemented at start of the Reporting period			
			Internship	Skills programmes & other short courses	Other forms of training	Total
Legislators, Senior Officials and Managers	Female	22	0	11	0	11
	Male	25	0			
Professionals	Female	20	0	5	1	6
	Male	18	0			
Technicians and associate professionals	Female	14	0	6	0	6
	Male	10	0			
Clerks	Female	32	0	5	0	5
	Male	12	0			
Elementary occupations	Female	11	0	0	1	1
	Male	6	0			
Sub-Total	Female	99	0	17	2	29
	Male	71	0			
TOTAL		**170**	**0**	**17**	**2**	**29**

3.14 Injury on duty

Table 3.14.1 Injury on duty for the period 1 April 2021 to 31 March 2022

Nature of injury on duty	Number	% of total
None	0	0
TOTAL	**0**	**0**

3.15 Utilisation of Consultants

Table 3.15.1 Report on Consultant appointments using appropriated funds

Project Title	Total number of Consultants that worked on the project	Duration (workdays)	Contract value in Rand
Investigate possible misconduct and or unethical or behavioural culture.	2	63	R47 935.01
Hosting and maintenance of the DPE Website and intranet.	2	40	R52 785.00
Evaluate an alternative proposal to incorporate the Transnet National Ports Act.	5	27	R434 700.00
Public Protector subpoenas and related court review application.	3	22	R1 039 225.25
DPE Website hosting and maintenance.	4	183	R154 234.55
Review of the Departmental unaudited Annual Financial Statements (AFS) for the 2020/21 fiscal year.	4	8	R82 340.00
Appointment of a Mergers & Acquisition law firm to provide advisory services in concluding an agreement/s between SAA and its preferred strategic equity partner.	15	345	R2 877 468.80
To provide technical and advisory assistance and support, to the Department in the delivery of the objectives of the Presidential State-Owned Enterprises Council (PSEC).	5	117	R1 463 080.00
The development of a State-Linked Remuneration Survey.	17	730	R717 600,00

Total number of projects	Total individual Consultants	Total duration workdays	Total contract value in Rand
9	57	1 535	R7 811 218.61

Table 3.15.2 Analysis of Consultant appointments using appropriated funds, in terms of Historically Disadvantaged Individuals (HDIs) for the period 1 April 2021 and March 2022

Project title	Percentage ownership by HDI groups	Percentage Management by HDI group	Number of Consultants from HDI groups that worked on the project
Investigate possible misconduct and or unethical or behavioral culture.	66%	66%	1
Hosting and maintenance of the DPE website and intranet.	100%	100%	2
Evaluate an alternative proposal to incorporate the Transnet National Ports Act.	100%	100%	2
Public Protector subpoenas and related court review application	70%	70%	4
DPE Website hosting and maintenance.	100%	100%	4
Review of the Departmental unaudited Annual Financial Statements (AFS) for the 2020/21fiscal year.	100%	100%	1
Appointment of a Mergers & Acquisition law firm to provide advisory services, in concluding an agreement/s between SAA and its preferred strategic Equity partner reporting to the DPE.	100	100	6
To provide technical and advisory assistance and support to the Department in the delivery of the objectives of the Presidential State-owned Enterprises Council (PSEC).	Not applicable (National Treasury Agency)	Not applicable (National Treasury Agency)	Not applicable (National Treasury Agency)
Employee Health and Wellness Programme.	51%	51%	5
The development of a State-Linked Remuneration Survey.	47%	47%	8

Table 3.15.3 Report on Consultant appointments using Donor funds for the period 1 April 2021 and 31 March 2022

None

Table 3.15.4 Analysis of Consultant appointments using Donor funds, in terms of Historically Disadvantaged Individuals(HDIs) for the period 1 April 2021 and March 2022

None

3.16 Severance packages

Table 3.16.1 Granting of employee-initiated severance packages for the period 1 April 2021 to 31 March 2022

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

PART E:
FINANCIAL INFORMATION

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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 96 to 135, which comprise the appropriation statement, statement of financial position as at 31 March 2022, 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 2022, 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 matters below. My opinion is not modified in respect of these matters

Restatement of corresponding figures

7. As disclosed in note 32 to the financial statements, the corresponding figures for 31 March 2021 were restated as a result of an error in the financial statements of the department at, and for the year ended, 31 March 2022.

Contingent liabilities

8. As disclosed in note 20 to the financial statements, the department is a defendant in claims of R29.8 million by ex-employees for constructive dismissal, discrimination and unfair treatment. The final outcome in the cases is yet to be determined and no provision has been made.

9. As disclosed in note 20, the Department signed a share purchase agreement in February 2022, which is intended to dispose of 51% of the Government's shares in SAA. The deal requires that certain preconditions be met before the sale of shares can be concluded, which, among other things, presents a financial exposure for the government of about R3.079 billion. Funds to cover this liability have not been appropriated in the budget.

Other matter

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

Unaudited supplementary schedules

11. The supplementary information set out on pages 136 to 150 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion on them.

Responsibilities of the accounting officer for the financial statements

12. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the 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.

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

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

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

Report on the audit of the annual performance report

Introduction and scope

16. 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 programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

17. 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.

18. 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 2022:

	Pages in the annual performance report
Programme 3: Business enhancement and industrialisation	31 – 41

19. 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.

20. I did not identify any material findings on the usefulness and reliability of the reported performance information for Programme 3: Business enhancement and industrialisation.

Other matters

21. I draw attention to the matters below.

Achievement of planned targets

22. Refer to the annual performance report on pages 26 to 41 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

23. 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

24. 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.

25. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements, performance and annual report

26. 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 that were identified by the auditors in the submitted financial statement were corrected, resulting in the financial statements receiving an unqualified opinion.

Procurement and contract management

27. A contract was awarded to a bidder based on evaluation criteria that differed from those stipulated in the original invitation for bidding as required by Treasury Regulation 16A6.3(a) and (b).

Other information

28. 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 programme presented in the annual performance report that have been specifically reported in this auditor's report.

29. 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.

30. 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.

31. 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

32. 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 basis for the opinion, and the findings on compliance with legislation included in this report.

33. Leadership did not adequately exercise oversight responsibility over financial performance reporting and compliance with applicable laws and regulations.

34. Senior management did not prepare regular, accurate and complete financial and performance information, which resulted to the material adjustments on the financial statements and performance report.

35. Senior management did not adequately review and monitor compliance with applicable legislation, this resulted in the department incurring unauthorised and irregular expenditure.

Other reports

36. I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the department's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

37. A complaint was laid with the Public Service Commission in respect of certain matters pertaining to an official of the Department of Public Enterprises. An independent party was appointed to investigate the matter and the report was referred to the Presidency for consideration. The investigation is still ongoing and the official is on precautionary suspension. There was no further update at the date of this auditors report

Auditor -General

Pretoria

11 August 2022

AUDITOR-GENERAL SOUTH AFRICA

Auditing to build public confidence

ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

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

Financial statements

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

   - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
   - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control
   - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
   - 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 applied.

APPROPRIATION STATEMENT

for the year ended 31 March 2022

APPROPRIATION PER PROGRAMME

Voted Funds and Direct Charges	2021/22							2020/21	
	Adjusted Appropriation	Shifting of funds	Virement	Final Appropriation	Actual expenditure	Variance	Expenditure as % of Final Appropriation	Final Appropriation	Actual expenditure
Programme	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000
1. Administration	150 845	-	(12 068)	138 777	121 078	17 699	87.2%	142 481	118 405
2. State-Owned Companies Governance Assurance and Performance	59 673	-	(4 773)	54 900	47 434	7 466	86.4%	45 454	37 227
3 Business Enhancement, Transformation and Industrialisation	36 064 301	-	16 841	36 081 142	35 858 678	222 464	99.4%	77 418 971	77 347 768
Programme Sub-total	**36 274 819**	**-**	**-**	**36 274 819**	**36 027 190**	**247 629**	**99.3%**	**77 606 906**	**77 503 400**
Direct charges	3 035 500	-	-	3 035 500	3 030 886	4 614	99.8%	410 298	410 298
TOTAL	**39 310 319**	**-**	**-**	**39 310 319**	**39 058 076**	**252 243**	**99.4%**	**78 017 204**	**77 913 698**

	2021/22			2020/21	
	Final Appropriation	Actual expenditure		Final Appropriation	Actual expenditure
TOTAL (brought forward)		**39 058 076**		**78 017 204**	**77 913 698**
Reconciliation with Statement of Financial Performance					
Add:					
Departmental receipts	619				
Aid assistance	6 796			10 739	
				6 631	
Actual amounts per Statement of Financial Performance (total revenue)	**39 317 734**			**78 034 574**	
Actual amounts per Statement of Financial Performance (total expenditure)		**39 058 076**			**77 913 698**

APPROPRIATION PER ECONOMIC CLASSIFICATION

	2021/22							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	**268 592**	**(6 193)**	**(16 841)**	**245 558**	**216 847**	**28 711**	**88.3%**	**259 130**	**212 933**
Compensation of employees	158 954	-	-	158 954	140 047	18 907	88.1%	184 177	141 165
Goods and services	109 638	(6 193)	(16 841)	86 604	76 800	9 804	88.7%	74 953	71 768
Transfers and subsidies	**585**	**172**	**-**	**757**	**737**	**20**	**97.4%**	**1 187**	**1 180**
Provinces and Municipalities	18	-	-	18	15	3	83.2%	17	14
Households	567	172	-	739	722	17	97.7%	1 170	1 166
Payments for capital assets	**3 671**	**-**	**-**	**3 671**	**775**	**2 896**	**21.1%**	**5 235**	**5 234**
Machinery and equipment	3 671	-	-	3 671	775	2 896	21.1%	5 235	5 234
Payments for financial assets	**39 037 471**	**6 021**	**16 841**	**39 060 333**	**38 839 717**	**220 616**	**99.4%**	**77 751 652**	**77 694 351**

PROGRAMME 1: ADMINISTRATION

	2021/22							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
Sub- programme									
1.1 Ministry	29 883	3	(5 400)	24 486	23 316	1 170	95.2%	26 431	23 391
1.2 Management	15 808	-	(6 668)	9 140	7 482	1 658	81.9%	10 613	5 775
1.3 Communications	34 982	(482)	-	34 500	29 232	5 268	84.7%	36 571	32 899
1.4 Chief Financial Officer (CFO)	20 421	455	-	20 876	19 490	1 386	93.4%	20 782	18 757
1.5 Human Resources	24 996	(667)	-	24 299	18 703	5 596	77.0%	24 483	17 593
1.6 Internal Audit	6 850	(1 666)	-	5 184	3 908	1 276	75.4%	5 972	3 896
1.7 Corporate Services	3 734	-	-	3 734	2 391	1 343	64.0%	3 817	2 297
1.8 Office accommodation	14 201	2 357	-	16 558	16 557	1	100.0%	13 812	13 797
Total for sub- programmes	**150 845**	**-**	**(12 068)**	**138 777**	**121 078**	**17 699**	**87.2%**	**142 481**	**118 405**
Economic classification									
Current payments	**146 867**	**(46)**	**(12 068)**	**134 753**	**119 955**	**14 798**	**89.0%**	**137 038**	**112 968**
Compensation of employees	79 875	-	-	79 875	71 867	8 008	90.0%	92 234	68 383
Goods and services	66 992	(46)	(12 068)	54 878	48 089	6 789	87.6%	44 804	44 585
Transfers and subsidies	**307**	**24**	**-**	**331**	**326**	**5**	**98.6%**	**202**	**197**
Provinces and Municipalities	18	-	-	18	15	3	83.2	17	14
Households	289	24	-	313	311	2	99.5%	185	183
Payments for capital assets	3 671	-	-	3 671	775	2 896	21.1%	5 235	5 234
Machinery and equipment	3 671	-	-	3 671	775	2 896	21.1%	5 235	5 234
Payments for financial assets	**-**	**22**	**-**	**22**	**21**	**1**	**97.0%**	**6**	**6**

PROGRAMME 2: STATE-OWNED COMPANIES GOVERNANCE ASSURANCE AND PERFORMANCE

	2021/22							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
Sub- programme									
2.1. Management	2 474	-	-	2 474	1 940	534	78.4%	2 918	1 851
2.2. Legal	14 524	10 311	-	24 835	23 756	1 079	95.7%	14 334	11 640
2.3. Governance	23 609	(9 899)	-	13 710	11 913	1 797	86.9%	14 370	12 563
2.4. Financial assessment and Investment support	19 066	(412)	(4 773)	13 881	9 826	4 055	70.8%	13 832	11 173
Total for sub- programmes	**59 673**	**-**	**(4 773)**	**54 900**	**47 434**	**7 466**	**86.4%**	**45 454**	**37 227**
Economic classification									
Current payments	**59 613**	**(98)**	**(4 773)**	**54 742**	**47 277**	**7 465**	**86.4%**	**45 418**	**37 191**
Compensation of employees	31 813	-	-	31 813	26 846	4 967	84.4%	34 762	28 110
Goods and services	27 800	(98)	(4 773)	22 929	20 431	2 498	89.1%	10 656	9 082
Transfers and subsidies	**60**	**98**	**-**	**158**	**158**	**-**	**99.8%**	**36**	**36**
Households	60	98	-	158	158	-	99.8%	36	36
TOTAL	**59 673**	**-**	**(4 773)**	**54 900**	**47 434**	**7 466**	**86.4%**	**45 454**	**37 227**

PROGRAMME 3: BUSINESS ENHANCEMENT, TRANSFORMATION AND INDUSTRIALISATION

	2021/22							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
Sub- programme									
3.1. Energy Resources	31 698 560	6 108	-	31 704 668	31 702 956	1 712	100.0%	56 011 700	56 010 568
3.2. Research and Economic Modelling	10 739	(3 548)	-	7 191	4 276	2 915	59.5%	9 543	6 626
3.3. Transport and Defence	4 327 845	2 835	16 841	4 347 521	4 130 189	217 332	95.0%	21 374 749	21 311 881
3.4. Business Enhancement Services	27 157	(5 395)	-	21 762	21 257	505	97.7%	22 979	18 692
Total for sub- programmes	**36 064 301**	**-**	**16 841**	**36 081 142**	**35 858 678**	**222 464**	**99.4%**	**77 418 971**	**77 347 768**
Economic classification									
Current payments	62 112	(6 049)	-	56 063	49 615	6 448	88.5%	76 674	62 774
Compensation of employees	47 266	-	-	47 266	41 335	5 931	87.5%	57 181	44 672
Goods and services	14 846	(6 049)	-	8 797	8 281	516	94.1%	19 493	18 101
Transfers and subsidies	218	50	-	268	253	15	94.5%	949	947
Households	218	50	-	268	253	15	94.5%	949	947
Payments for financial assets	**36 001 971**	**5 999**	**16 841**	**36 024 811**	**35 808 809**	**216 002**	**99.4%**	**77 341 348**	**77 284 047**
TOTAL	**36 064 301**	**-**	**16 841**	**36 081 142**	**35 858 678**	**222 464**	**99.4%**	**77 418 971**	**77 347 768**

4 DIRECT CHARGES

	2021/22							2020/21	
	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
SECTION 70 OF THE PFMA PAYMENT: SOUTH AFRICAN AIRWAYS SOC LTD	-	-	-	-	-	-	-	410 298	410 298
SECTION 70 OF THE PFMA PAYMENT: DENEL SOC LTD	3 035 500	-	-	3 035 500	3 030 886	4 614	99.8%	-	-
Total Sub-programme	**3 035 500**	**-**	**-**	**3 035 500**	**3 030 886**	**4 614**	**99.8%**	**410 298**	**410 298**
Economic classification Payments for financial assets	**3 035 500**	**-**	**-**	**3 035 500**	**3 030 886**	**4 614**	**99.8%**	**410 298**	**410 298**

NOTES TO THE APPROPRIATION STATEMENT

for the year ended 31 March 2022

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

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

3. Detail on payments for financial assets

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

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

4.1 Per programme	Final Appropriation	Actual expenditure	Variance R'000	Variance as a % of Final Appropriation
Administration	138 777	121 078	17 699	12,75%
State-Owned Companies Governance Assurance and Performance	54 900	47 434	7 466	13,60%
Business Enhancement, Transformation and Industrialisation	36 081 142	35 858 678	222 464	0,62%
Programme Sub-total				
Direct charges	3 035 500	3 030 886	4 614	0,15%
TOTAL	**39 310 319**	**39 058 076**	**252 243**	**0,64%**

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	**245 558**	**216 847**	**28 711**	**11,69%**
Compensation of employees	158 954	140 047	18 907	11,89%
Goods and services	86 604	76 800	9 804	11,32%
Transfers and subsidies	**757**	**737**	**20**	**2,61%**
Provinces and Municipalities	18	15	3	16,83%
Households	739	722	17	2,27%
Payments for capital assets	**3 671**	**775**	**2 896**	**78,89%**
Machinery and equipment	3 671	775	2 896	78,89%
Payments for financial assets	**39 060 333**	**38 839 717**	**220 616**	**0,56%**

The under expenditure primarily relates to compensation of employees (vacant posts), goods and services as a result of reduced travelling and Stakeholder engagement events due to Covid-19 pandemic. The underspending on capital assets is due to the delay on International delivery of IT equipment.

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2022

	Note	2021/22 R'000	2020/21 R'000
REVENUE			
Annual Appropriation	1	39 310 319	78 017 204
Departmental revenue	2	619	10 739
Aid assistance	3	6 796	6 631
TOTAL REVENUE		**39 317 734**	**78 034 574**
EXPENDITURE			
Current expenditure			
Compensation of employees	4	140 047	141 165
Goods and services	5	76 800	71 768
Total current expenditure		**216 847**	**212 933**
Transfers and subsidies			
Transfers and subsidies	7	737	1 180
Total transfers and subsidies		**737**	**1 180**
Expenditure for capital assets			
Tangible assets	8	775	5 234
Total expenditure for capital assets		**775**	**5 234**
Payments for financial assets	6	38 839 717	77 694 351
TOTAL EXPENDITURE		**39 058 076**	**77 913 698**
SURPLUS FOR THE YEAR		**259 658**	**120 876**
Reconciliation of Net Surplus for the year			
Voted funds		252 243	103 506
Annual appropriation		252 243	103 506
Departmental revenue and NRF Receipts	2	619	10 739
Aid assistance	3	6 796	6 631
SURPLUS FOR THE YEAR		**259 658**	**120 876**

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022

	Note	2021/22 R'000	2020/21 R'000
ASSETS			
Current assets		**338 631**	**2 714 623**
Unauthorised expenditure	09	15 160	-
Cash and cash equivalents	10	323 342	2 714 526
Pre-payments and advances	11	109	28
Receivables	12	20	69
Non-current assets		**305 533 135**	**266 693 248**
Investments	13	305 532 174	266 692 479
Receivables	12	961	769
TOTAL ASSETS		**305 871 766**	**269 407 871**
LIABILITIES			
Current liabilities		**338 723**	**2 714 350**
Voted funds to be surrendered to the Revenue Fund	14	154 902	(163 397)
Departmental revenue and NRF Receipts to be surrendered to the Revenue Fund	15	3	30
Payables	16	115	2 700 810
Aid assistance unutilised	3	183 703	176 907
Non-current liabilities			
Payables		-	371
TOTAL LIABILITIES		**338 723**	**2 714 721**
NET ASSETS		**305 533 043**	**266 693 150**

	Note	2021/22 R'000	2020/21 R'000
Represented by:			
Capitalisation reserve		305 532 174	266 692 479
Recoverable revenue		869	671
TOTAL		**305 533 043**	**266 693 150**

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2022

	Note	2021/22 R'000	2020/21 R'000
Capitalisation Reserves			
Opening balance		266 692 479	188 998 133
Transfers:			
Movement in Equity		38 839 696	77 694 346
Closing balance		**305 532 175**	**266 692 479**
Recoverable revenue			
Opening balance		671	671
Transfers:		197	-
Debts raised		197	-
Closing balance		**868**	**671**
TOTAL		**305 533 043**	**266 693 150**

Movement in Equity includes an amount of R31.7 billion (ESKOM), R4.1 billion (SAA), R3.1 billion (Denel) for settlement of Government guaranteed debts and interest.

Recoverable revenue of R868 000.00s is for debts owed to the Department.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2022

	Note	2021/22 R'000	2020/21 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		**39 205 234**	**77 766 956**
Annual Appropriated funds received	1.1	39 197 819	77 750 301
Departmental revenue received	3	619	8 753
Interest received		-	1 271
Aid assistance received	3	6 796	6 631
Net (increase)/decrease in working capital		(2 715 887)	2 701 387
Surrendered to Revenue Fund		162 750	(47 350)
Current payments		(201 687)	(212 933)
Payments for financial assets		(38 839 717)	(77 694 351)
Transfers and subsidies paid		(737)	(1 180)
Net Cash Flow available from operating activities	17	**(2 390 044)**	**2 512 529**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for capital assets	8	(775)	(5 234)
Proceeds from sale of capital assets		-	715
(Increase) in investments		(38 839 695)	(77 694 346)
(Increase)/decrease in non-current receivables		(192)	21
Net cash flows from investing activities		**(38 840 662)**	**(77 698 844)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in net assets		38 839 893	77 694 346
Increase/(decrease) in non-current payables		(371)	-
Net cash flows from financing activities		**38 839 522**	**77 694 346**
Net increase/(decrease) in cash and cash equivalents		(2 391 184)	2 508 031
Cash and cash equivalents at beginning of period		2 714 526	206 495
Cash and cash equivalents at end of period	9	**323 342**	**2 714 526**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2022

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.

8.4.2 Finance leases

Finance lease payments made during the reporting period, are recognised as capital expenditure in the Statement of Financial Performance on the date of payment. Finance lease payments received are recognised as Departmental revenue.

The finance lease commitments are recorded in the Notes to the Financial Statements, and are not apportioned between the capital and interest portions.

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

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

9. Aid Assistance

9.1 Aid assistance received

Aid assistance received in cash is recognised in the Statement of Financial Performance when received. In-kind, aid assistance is recorded in the Notes to the Financial Statements on the date of receipt and is measured at fair value.

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

9.2 Aid assistance paid

Aid assistance paid is recognised in the Statement of Financial Performance on the date of payment. Aid assistance payments made prior to the receipt of funds are recognised as a receivable in the Statement of Financial Position.

10. Cash and cash equivalents

Cash and cash equivalents are stated at cost in the Statement of Financial Position.

Bank overdrafts are shown separately on the face of the Statement of Financial Position as a current liability.

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

11. Pre-payments and advances

Pre-payments and advances are recognised in the Statement of Financial Position, when the Department receives or disburses the cash.

Pre-payments and advances are initially and subsequently measured at cost.

12. Loans and receivables

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

13. Investments

Investments are recognised in the Statement of Financial Position at cost.

14. Financial assets

14.1 Financial assets (not covered elsewhere)

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

At the reporting date, a Department shall measure its financial assets at cost, less amounts already settled or written-off, except for recognised loans and receivables, which are measured at cost plus accrued interest, where interest is charged, less amounts already settled or written-off.

14.2 Impairment of financial assets

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

15. Payables

Payables recognised in the Statement of Financial Position are recognised at cost.

16. Capital Assets

16.1 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 may be recorded at R1.

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

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

16.2 Intangible assets

Intangible assets are initially recorded in the Notes to the Financial Statements at cost. Intangible assets acquired through a non-exchange transaction, are measured at fair value as at the date of acquisition.

Internally generated intangible assets are recorded in the Notes to the Financial Statements, when the Department commences the development phase of the project. Where the cost of intangible assets cannot be determined 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 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 therefore 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/MEC's portfolio, are recorded in the Notes to the Financial Statements when the transaction is not at arm's length.

The number of individuals, and the full compensation of key Management personnel is recorded in the Notes to the Financial Statements.

26. 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.

27. 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.

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 the Department of Public Enterprises:

Programmes and Direct charges	2021/22			2020/21		
	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	R'000
Administration	138 777	138 777	-	142 481	142 481	-
State-Owned Companies, Governance Assurance, and Performance	54 900	54 900	-	45 454	45 454	-
Business Enhancement, Transformation and Industrialisation	36 081 142	36 081 142	-	77 418 971	77 418 971	-
Direct charge against the National Revenue Fund	3 035 500	2 923 000	112 500	410 298	143 395	266 903
TOTAL	**39 310 319**	**39 197 819**	**112 500**	**78 017 204**	**77 750 301**	**266 903**

An amount of R112.5 million was approved by Minister of Finance as a direct charge against the National Revenue Fund, in respect of DENEL for settling of the guaranteed debt and interest payments, however these funds were not received by the Department at year end.

2. Departmental revenue

	Note	2021/22	2020/21
		R'000	R'000
Sales of goods and services other than capital assets	2.1	67	69
Interest	2.2	-	1 271
Sales of capital assets	2.3	-	715
Transactions in financial assets and liabilities	2.4	552	8 684
Departmental revenue collected		**619**	**10 739**

2.1 Sales of goods and services other than capital assets

	2021/22	2020/21
	R'000	R'000
Sales of goods and services produced by the Department	67	69
Sales by market establishment	38	40
Other sales	29	29
TOTAL	**67**	**69**

2.2 Interest

	Note	2021/22 R'000	2020/21 R'000
Interest		-	1 271
TOTAL		**-**	**1 271**

2.3 Sale of capital assets

	2021/22 R'000	2020/21 R'000
Tangible assets	-	715
Machinery and equipment	-	715
TOTAL	**-**	**715**

2.4 Transactions in financial assets and liabilities

	2021/22 R'000	2020/21 R'000
Receivables	129	-
Other Receipts	423	8 684
TOTAL	**552**	**8 684**

2.5 Donations received in-kind (not included in the main Note or Sub-Note)

	Note	2021/22 R'000	2020/21 R'000
List in-kind transfers received			
Technical advisory services		-	2 350
TOTAL		**-**	**2 350**

3. Aid assistance

	2021/22 R'000	2020/21 R'000
Opening Balance	176 907	170 276
Transferred from Statement of Financial Performance	6 796	6 631
Closing Balance	**183 703**	**176 907**

An amount of R183.7 million is ring fenced against the disbursement of funds to beneficiaries of Telkom Shares, after Telkom was acquired by Government.

3.1 Analysis of balance by source

	2021/22 R'000	2020/21 R'000
Aid assistance from other sources	183 703	176 907
Closing balance	**183 703**	**176 907**

3.2 Analysis of balance

	2021/22 R'000	2020/21 R'000
Aid assistance unutilised	183 703	176 907
Closing balance	**183 703**	**176 907**

4. Compensation of employees

4.1 Salaries and Wages

	2021/22 R'000	2020/21 R'000
Basic salary	92 275	95 613
Performance award	594	930
Compensative/circumstantial	3 428	2 597
Other non-pensionable allowances	30 390	28 213
TOTAL	**126 687**	**127 353**

4.2 Social contributions

	2021/22 R'000	2020/21 R'000
Employer contributions		
Pension	10 482	10 871
Medical	2 860	2 923
Bargaining Council	18	18
TOTAL	**13 360**	**13 812**
Total compensation of employees	**140 047**	**141 165**
Average number of employees	165	170

5. Goods and services

	Note	2021/22 R'000	2020/21 R'000
Administrative fees		168	382
Advertising		521	212
Minor assets	5.1	115	323
Bursaries (employees)		427	448
Catering		37	60
Communication		2 416	3 089
Computer services	5.2	8 266	8 083
Consultants: Business and advisory services		10 216	23 930
Legal services		19 624	6 039
Contractors		289	1 803
Agency and support / outsourced services		65	140
Entertainment		1	-
Audit cost – external	5.3	5 970	3 516
Fleet services		713	546
Consumables	5.4	590	1 866
Operating leases		14 515	13 520
Property payments	5.5	5 731	3 994
Rental and hiring		51	11
Travel and subsistence	5.6	5 131	2 384
Venues and facilities		195	97
Training and development		490	292
Other operating expenditure	5.7	1 269	1 033
TOTAL		**76 800**	**71 768**

5.1 Minor assets

	2021/22 R'000	2020/21 R'000
Tangible assets		
Machinery and equipment	115	323
TOTAL	**115**	**323**

5.2 Computer services

	2021/22 R'000	2020/21 R'000
SITA computer services	3 098	2 625
External computer service providers	5 168	5 458
TOTAL	**8 266**	**8 083**

5.3 Audit cost – External

	2021/22 R'000	2020/21 R'000
Regularity audits	5 970	3 516
TOTAL	**5 970**	**3 516**

5.4 Consumables

	2021/22 R'000	2020/21 R'000
Consumable supplies	351	554
Household supplies	74	269
Communication accessories	3	-
IT consumables	94	155
Other consumables	180	130
Stationery, printing and office supplies	239	1 312
TOTAL	**590**	**1 866**

5.5 Property payments

	2021/22 R'000	2020/21 R'000
Municipal services	2 465	1 650
Property Management fees	98	80
Other	3 168	2 264
TOTAL	**5 731**	**3 994**

5.6 Travel and subsistence

	2021/22 R'000	2020/21 R'000
Local	4 628	2 159
Foreign	503	225
TOTAL	**5 131**	**2 384**

5.7 Other operating expenditure

	2021/22 R'000	2020/21 R'000
Professional bodies, membership and subscription fees	734	506
Other	535	527
TOTAL	**1 269**	**1 033**

5.8 Remuneration of members of a Committee (Included in Consultants: Business and advisory services)

		Note	2021/22 R'000	2020/21 R'000
Name of Committee	**No. of members**			
Audit and Risk Committee	4		872	-
TOTAL			**872**	**-**

6. Payments for financial assets

	Note	2021/22 R'000	2020/21 R'000
Purchase of Equity		38 839 696	77 694 345
Debts written off	6.1	21	6
TOTAL		**38 839 717**	**77 694 351**

Purchase of Equity includes an amount of R31.7 billion (ESKOM), R4.1 billion (SAA), R3.1 billion (Denel) for settlement of Government guaranteed debts and interests payments.

6.1 Debts written off

	Note	2021/22 R'000	2020/21 R'000
	6		
Nature of debts written off			
Departmental debts written off		21	6
Total debt written off		**21**	**6**

7. Transfers and subsidies

		2021/22 R'000	2020/21 R'000
Provinces and Municipalities	Annexure 1A	15	14
Households	Annexure 1G	722	1 166
TOTAL		**737**	**1 180**

8. Expenditure for capital assets

	Note	2021/22 R'000	2020/21 R'000
Tangible assets		**775**	**5 234**
Machinery and equipment	31	775	5 234
TOTAL		**775**	**5 234**

8.1 Analysis of funds utilised to acquire capital assets – 2021/22

	Voted funds R'000	Aid assistance R'000	Total R'000
Tangible assets	**775**	**-**	**775**
Machinery and equipment	775	-	775
TOTAL	**775**	**-**	**775**

8.2 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**

9. Unauthorised expenditure

9.1 Reconciliation of unauthorised expenditure

	Note	2021/22 R'000	2020/21 R'000
Opening balance		-	-
Unauthorised expenditure – discovered in current year (as restated)	29	15 160	-
Closing balance		**15 160**	**-**
Analysis of closing balance			
Unauthorised expenditure awaiting authorisation		15 160	-
TOTAL		**15 160**	**-**

9.2 Analysis of unauthorised expenditure awaiting authorisation per economic classification

		2021/22 R'000	2020/21 R'000
Payment for financial assets	29	15 160	-
TOTAL		**15 160**	**-**

9.3 Analysis of unauthorised expenditure awaiting authorisation per type

		2021/22 R'000	2020/21 R'000
Paid prior to obtaining approval	29	15 160	-
TOTAL		**15 160**	**-**

9.4 Details of unauthorised expenditure – current year

Incident	Disciplinary steps taken/criminal proceedings	2021/22 R'000
Paid prior to obtaining approval	Under Investigation	15 160
TOTAL		**15 160**

An amount of R 15.160 million was paid prior to obtaining approval. The Department is conducting investigations to determine whether it is irregular or unauthorised. However, the beneficiary of the payment has committed to repaying the funds in the 2022/23 financial year.

10. Cash and cash equivalents

	2021/22 R'000	2020/21 R'000
Consolidated Paymaster General Account	139 584	2 537 562
Cash on hand	55	57
Investments (Domestic)*	183 703	176 907
TOTAL	**323 342**	**2 714 526**

* An amount of R 183 million is ring fenced against the disbursement of funds to beneficiaries of Telkom Shares, after Telkom was acquired by Government.

11. Pre-payments and advances

		Note	2021/22 R'000	2020/21 R'000
Advances paid (Not expensed)		11.1	109	28
TOTAL	Annexure 8A		**109**	**28**

11.1 Advances paid (Not expensed)

		Balance as at 1 April 2021	Less: Amount expensed in current year	Add or Less: other	Add: Current Year advances	Balance as at 31 March 2022
		R'000	R'000	R'000	R'000	R'000
National Departments	10	28	(91)	(28)	200	109
TOTAL		**28**	**(91)**	**(28)**	**200**	**109**

	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	790	(762)	-	-	28
TOTAL	**790**	**(762)**	**-**	**-**	**28**

12. Receivables

		2021/22			2020/21		
		Current	Non-current	Total	Current	Non-current	Total
		R'000	R'000	R'000	R'000	R'000	R'000
Staff debt	12.1	12	189	**201**	11	3	**14**
Fruitless and wasteful expenditure	12.2	-	-	**-**	-	10	**10**
Other receivables	12.3	8	772	**780**	58	756	**814**
TOTAL		**20**	**961**	**981**	**69**	**769**	**838**

12.1 Staff debts

	2021/22 R'000	2020/21 R'000
Other	201	14
TOTAL	**201**	**14**

12.2 Fruitless and wasteful expenditure

	2021/22 R'000	2020/21 R'000
Opening balance	10	12
Less amounts recovered	(3)	(4)
Less amounts written off	(7)	(2)
Transfers from Note 25 Fruitless and Wasteful expenditure	-	4
TOTAL	**-**	**10**

An amount of R7 000.00 written off, relates to R5 000.00 for a Service Provider and R2 000.00 for a Departmental Official.

12.3 Other receivables

	2021/22 R'000	2020/21 R'000
Suppliers	671	671
Ex-employees	109	143
TOTAL	780	814

13. Investments

	Annexure 2A	2021/22 R'000	2020/21 R'000
Non-Current			
Shares and other Equity			
Alexkor SOC Ltd		400 000	400 000
Denel SOC Ltd		11 621 262	8 552 376
Eskom SOC Ltd		219 692 945	188 000 000
Safcol SOC Ltd		318 013	318 013
Transnet SOC Ltd		12 660 986	12 660 986
South African Express SOC Ltd		2 277 395	2 277 395
South African Airways SOC Ltd		58 561 573	54 483 709
TOTAL		**305 532 174**	**266 692 479**
Analysis of non-current investments			
Opening balance		266 692 479	188 998 133
Additions in cash		38 839 695	77 694 346
Closing balance		**305 532 174**	**266 692 479**

13.1 Impairment of investments

	2021/22 R'000	2020/21 R'000
Alexkor SOC Ltd	11 817	166 883
Denel	11 621 262	8 552 376
South African Express SOC Ltd	2 277 395	2 277 395
South African Airways SOC Ltd	56 913 573	54 483 709
TOTAL	**70 824 047**	**65 480 363**

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

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

The total impairment for the current financial year amounts to R70.8 billion which is in respect of Alexkor, Denel, SAA and SA Express.

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

The remaining three SOCs have not been impaired since the cost of investment of Eskom, Transnet, SAFCOL are lower than their net asset value.

The Department of Public Enterprises signed a Share Purchase Agreement in February 2022 with the preferred Strategic Equity Partner, for disposal of 51% Government Shareholding in SAA. The agreement requires that certain pre-conditions are met before the disposal of Shares can be concluded which, amongst others requires that R3.079 billion (R3.5 billion initially required to complete business rescue less R0.421 billion paid by SAA to concurrent creditors in August 2021) be paid to SAA to complete implementing the Business Rescue Plan.

14. Voted funds to be surrendered to the Revenue Fund

	Note	2021/22 R'000	2020/21 R'000
Opening balance		(163 397)	36 641
Transfer from Statement of Financial Performance (as restated)		252 243	103 506
Add: Unauthorised expenditure for current year	9	15 160	-
Voted funds not requested/not received	1.1	(112 500)	(266 903)
Paid during the year		163 396	(36 641)
Closing balance		**154 902**	**(163 397)**

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

	2021/22 R'000	2020/21 R'000
Opening balance	30	-
Transfer from Statement of Financial Performance (as restated)	619	10 739
Paid during the year	(646)	(10 709)
Closing balance	**3**	**30**

16. Payables – current

	Note	2021/22 R'000	2020/21 R'000
Amounts owing to other entities		-	2 700 000
Clearing accounts	15.1	115	810
TOTAL		**115**	**2 700 810**

16.1 Clearing accounts

	Note 15	2021/22 R'000	2020/21 R'000
SARS		115	757
Pension Fund		-	53
TOTAL		**115**	**810**

17. Payables – non-current

	Note	2021/22				2020/21
		One to two years	Two to three years	More than three years	Total	Total
		R'000	R'000	R'000	R'000	R'000
Advances received	16.1	-	-	-	-	371
TOTAL		**-**	**-**	**-**	**-**	**371**

17.1 Advances received

	2021/22 R'000	2020/21 R'000
Public Entities	-	371
TOTAL	**-**	**371**

18. Net cash flow available from operating activities

	2021/22 R'000	2020/21 R'000
Net surplus as per Statement of Financial Performance	259 658	120 876
Add back non cash/cash movements not deemed operating activities	(2 649 702)	2 391 653
(Increase)/decrease in receivables	49	(47)
(Increase)/decrease in prepayments and advances	(81)	762
Increase/(decrease) in payables – current	(2 700 695)	2 700 672
Proceeds from sale of capital assets	-	(715)
Expenditure on capital assets	775	5 234
Surrenders to Revenue Fund	162 750	(47 350)
Voted funds not requested/not received	(112 500)	(266 903)
Net cash flow generated by operating activities	**(2 390 044)**	**2 512 529**

19. Reconciliation of cash and cash equivalents for Cash Flow purposes

	2021/22 R'000	2020/21 R'000
Consolidated Paymaster General account	139 584	2 537 562
Cash on hand	55	57
Cash with Commercial banks (Local)	183 703	176 907
TOTAL	**323 342**	**2 714 526**

20. Contingent liabilities and contingent assets

20.1 Contingent liabilities

		Note	2021/22 R'000	2020/21 R'000
Liable to	**Nature**			
Other guarantees		Annex 3A	323 096 437	312 255 189
Claims against the Department		Annex 3B	29 844	593 681
Inter-governmental payables (unconfirmed balances)		Annex 5	-	41
Other (Disposal of Share in SAA)		Annex 3B	3 079 000	-
TOTAL			**326 205 281**	**312 848 911**

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

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

An amount of R29.8 million for claims against the State, relates to claims by the ex-employees for alleged constructive dismissal, discrimination and unfair treatment by the Department

The Department of Public Enterprises signed a Share Purchase Agreement in February 2022 with the preferred Strategic Equity Partner, for disposal of 51% Government Shareholding in SAA. The agreement requires that certain pre-conditions are met before the disposal of shares can be concluded which amongst others requires that R3.079 billion (R3.5 billion initially required to complete business rescue less R0.421 billion paid by SAA to concurrent creditors in August 2021) be paid to SAA to complete implementing the Business Rescue Plan.

21. Capital commitments

Class of assets	2021/22 R'000	2020/21 R'000
Machinery and equipment	2 048	30
TOTAL	**2 048**	**30**

22. Accruals and payables not recognised

22.1 Accruals

Listed by economic classification	30 Days	30+ Days	2021/22 R'000 Total	2020/21 R'000 Total
Goods and services	1 086	-	1 086	5 314
Capital Assets	107		107	
TOTAL	**1 193**	**-**	**1 193**	**5 314**

Listed by programme level	2021/22 R'000	2020/21 R'000
Administration	1 137	558
SOC Governance Assurance & Performance	52	4 750
Business Enhancement & Industrialisation	4	6
TOTAL	**1 193**	**5 314**

22.2 Payables not recognised

			2021/22 R'000	2020/21 R'000
Listed by economic classification				
	30 Days	**30+ Days**	**Total**	**Total**
Goods and services	126	-	126	117
TOTAL	**126**	**-**	**126**	**117**

	2021/22 R'000	2020/21 R'000
Listed by programme level		
Administration	125	114
SOC Governance Assurance & Performance	-	1
Business Enhancement & Industrialisation	1	2
TOTAL	**126**	**117**

	Note	2021/22 R'000	2020/21 R'000
Included in the above totals are the following:			
Confirmed balances with other Departments	Annex 5	-	4 741
TOTAL		**-**	**4 741**

23. Employee benefits

	2021/22 R'000	2020/21 R'000
Leave entitlement	8 007	8 879
Service bonus	2 875	2 975
Performance awards	-	921
Capped leave	1 446	1 476
TOTAL	**12 328**	**14 251**

24. Lease commitments

24.1 Operating leases

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

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**

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

Buildings and Other Fixed Structures: A three (3) year lease agreement for office accommodation ended in October 2021, and an addendum has been signed in March 2022 for a 12 month period with a 7.5%annual escalation. The Department entered into a three (3) year operating lease arrangement for photo copier machines services.

24.2 Finance leases

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

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**

The finance lease relates to cell phone contracts.

25. Irregular expenditure

25.1 Reconciliation of Irregular expenditure

	Note	2021/22 R'000	2020/21 R'000
Opening balance		32 588	-
Add: Irregular expenditure – relating to prior year	25.2	972	32 588
Add: Irregular expenditure – relating to current year	25.2	2 065	-
Less: Amounts written off	25.3	(1)	-
Closing balance		**35 624**	**32 588**
Analysis of closing balance			
Current Year		2 065	-
Prior years		33 559	32 588
TOTAL		**35 624**	**32 588**

The opening balance of R32 588 million is in terms of material deficiencies in the appointment of a Service Provider. The Department brought a self-review application to have the appointment of the Service Provider reviewed and set aside. If the review is successful, the appointment will be set aside, and any monies paid consequently will be refunded. to the Department.

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

Incident	Disciplinary steps taken/criminal proceedings	2021/22 R'000
Forensic Investigation Services	The Department is in the process of requesting condonement from National Treasury	972
Appointment of Security Services	Under investigation	2 065
TOTAL		**3 037**

The Irregular expenditure amounting to R3.037 million relates to R972 000.00 incurred in the previous financial years, and R2.065 million in the current financial year. This relates to deficiencies in the appointment of a Service Provider.

25.3 Details of Irregular expenditures written off (irrecoverable)

Incident	2021/22 R'000
Contract amount exceeded - Disciplinary steps taken.	1
TOTAL	**1**

26. Fruitless and wasteful expenditure

26.1 Reconciliation of Fruitless and wasteful expenditure

	Note	2021/22 R'000	2020/21 R'000
Opening balance		14	731
Fruitless and wasteful expenditure – relating to prior year	26.2	-	1 010
Less: Amounts recoverable	12.2	-	(4)
Less: Amounts written off		(9)	(1 723)
Closing balance		**5**	**14**

The Fruitless and wasteful expenditure amounting to R5 000.00 relates to no show and is currently under investigation.

26.2 Details of Fruitless and wasteful expenditure written off

Incident	2021/22 R'000
No Show - Condoned by Accounting Officer	9
TOTAL	**9**

27. Related party transactions

27.1 Revenue received

	2021/22 R'000	2020/21 R'000
Interest	-	1 271
Transactions in financial assets and liabilities	-	8 656
TOTAL	**-**	**927**

27.2 Payments made

	Note	2021/22 R'000	2020/21 R'000
ESKOM		31 692 945	56 000 000
SAA		4 077 864	20 974 951
SAX		-	143 395
Denel		3 068 886	576 000
TOTAL		**38 839 696**	**77 694 346**

27.3 Year end balances arising from revenue

	2021/22 R'000	2020/21 R'000
Payable to related parties	-	371
TOTAL	**-**	**371**

27.4 Other

		2021/22 R'000	2020/21 R'000
Guarantees issued	Annexure 3A	34 333 691	14 619 528
TOTAL		**34 333 691**	**14 619 528**

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

	No. of individuals	2021/22 R'000	2020/21 R'000
Political office bearers	2	4 423	4 379
Officials:			
Level 15 to 16	4	8 601	8 433
Level 14 (incl. CFO if at lower level)	23	24 504	27 678
TOTAL		**37 527**	**40 490**

29. Non-adjusting events after reporting date

Nature of event	2021/22 R'000
An amount of R15.160 million is recoverable from State Owned Company (SOC) relating to funds that were transferred before 31 March 2022 year end, to avert an imminent threat of attaching State assets. As the transfer was carried out before securing the required approvals, and due to the urgency of the threat, the amount has been disclosed as unauthorised expenditure in Note 9. This will be cleared as soon as funds are received from the SOC.	15 160
Toto Investments Holdings (Pty) Ltd has served Court papers challenging the selection process of the preferred Strategic Equity Partner for SAA. This is the estimated cost of defending the case of Toto Investments Holdings (Pty) Limited.	1 000
TOTAL	**16 160**

30. Movable Tangible Capital Assets

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

	Opening balance	Value adjustments	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000	R'000
MACHINERY AND EQUIPMENT	**45 459**	**-**	**775**	**-**	**46 234**
Transport assets	8 270	-	454	-	8 724
Computer equipment	23 012	-	43	-	23 055
Furniture and office equipment	5 354	-	61	-	5 415
Other machinery and equipment	8 823	-	216	-	9 039
TOTAL MOVABLE TANGIBLE CAPITAL ASSETS	**45 459**	**-**	**775**	**-**	**46 234**

Movable Tangible Capital Assets under investigation

	Number	Value
		R'000
Included in the above total of the movable tangible capital assets per the asset register are assets that are under investigation:		
Machinery and equipment	36	620

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

30.1 Movement for 2020/21

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

	Opening balance	Prior period error	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**

30.1.1 Prior period error

	Note	2020/21 R'000
Nature of prior period error		**(49)**
Relating to 2020/21 [affecting the opening balance]		(49)
Total prior period errors		**(49)**

30.2 Minor assets

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

	Specialised Military assets	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Opening balance	-	62	-	6 068	-	6 130
Additions	-	-	-	115	-	115
TOTAL MINOR ASSETS	**-**	**62**	**-**	**6 183**	**-**	**6 245**

	Specialised Military assets	Intangible assets	Heritage assets	Machinery and equipment	Biological assets	Total
Number of R1 Minor Assets	-	-	-	239	-	239
Number of Minor Assets at cost	-	-	-	3 802	-	3 802
TOTAL NUMBER OF MINOR ASSETS	**-**	**-**	**-**	**4 041**	**-**	**4 041**

Minor Capital Assets under investigation

	Number	Value R'000
Included in the above total of the Minor Capital Assets per the Asset Register are assets that are under investigation:		
Machinery and equipment	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 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
Prior period error	-	(2)	-	262	-	260
Additions	-	-	-	323	-	323
Disposals	-	-	-	(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 R1 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**

30.2.1 Prior period error

	Note	2020/21
		R'000
Nature of prior period error		**260**
Relating to 2020/21 [affecting the opening balance]		260
Total		**260**

31. Intangible Capital Assets

	Opening balance	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000
Software	3 684	-	-	3 684
TOTAL INTANGIBLE CAPITAL ASSETS	**3 684**	**-**	**-**	**3 684**

31.1 Movement for 2020/21

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

	Opening balance	Prior period error	Additions	Disposals	Closing balance
	R'000	R'000	R'000	R'000	R'000
Software	3 684	-	-	-	3 684
TOTAL INTANGIBLE CAPITAL ASSETS	**3 684**	**-**	**-**	**-**	**3 684**

32. Prior Period Errors

32.1 Correction of prior period errors

	Note	Amount before correction	Prior period error	Restated Amount
		2020/21	2020/21	2020/21
		R'000	R'000	R'000
Revenue:				
Final Appropriation (Direct charges)	1.1	77 606 906	410 298	78 017 204
Appropriation Received (Direct charges)	1.1	77 606 906	143 395	77 750 301
Statutory Appropriation	2	410 298	(410 298)	-
Net effect		**155 624 110**	**143 395**	**155 767 505**

National Treasury advised the Department to restate the Annual Financial Statement as per adjustment above, before they can allocate funds (Direct charges) to the Department.

	Note	Amount before correction	Prior period error	Restated Amount
		2020/21	2020/21	2020/21
		R'000	R'000	R'000
Assets:				
Current Assets (Other receivables)	11	266 903	(266 903)	-
Net effect		**266 903**	**(266 903)**	**-**

National Treasury advised the Department to restate the Annual Financial Statement as per adjustment above, before they can allocate funds (Direct charges) to the Department.

	Note	Amount before correction	Prior period error	Restated Amount
		2020/21	2020/21	2020/21
		R'000	R'000	R'000
Other:				
Contingent liabilities and contingent assets		312 244 282	10 907	312 255 189
Net effect		**312 244 282**	**10 907**	**312 255 189**

The correction was as a result of an error that was made by the SAA in their confirmation of capital amount settled of their guarantee debt.

33. BROAD BASED BLACK ECONOMIC EMPOWERMENT PERFORMANCE

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

Has the Department applied any relevant Code of Good Practice (B-BBEE Certificate Level 1 – 8) with regards to the following:		
Criteria	**Response Yes/No**	**Discussion**
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.

34. Covid-19 Response Expenditure

	Note	2021/22	2020/21
	Annexure 11	R'000	R'000
Goods and services		220	410
TOTAL		**220**	**410**

The Department has spent R220 000.00 in relation to the Covid-19 pandemic. This was for sanitisation of office building, and purchases of protective items for officials e.g., masks, sanitisers, temperature scanners etc.

ANNEXURE 1A

STATEMENT OF CONDITIONAL GRANTS AND OTHER TRANSFERS PAID TO MUNICIPALITIES

NAME OF MUNICIPALITYs	GRANT ALLOCATION				TRANSFER			SPENT				2020/21	
	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	Actual transfer
	R'000	R'000	R'000	R'000	R'000	R'000	%	R'000	R'000	R'000	%	R'000	R'000
City of Tshwane Metropolitan Municipality	-	-	-	-	15	-	-	-	-	-	-	-	14
TOTAL	**-**	**-**	**-**	**-**	**15**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**14**

ANNEXURE 1G

STATEMENT OF TRANSFERS TO HOUSEHOLDS

HOUSEHOLDS	TRANSFER ALLOCATION				EXPENDITURE		2020/21
	Adjusted Appropriation Act	Roll overs	Adjustments	Total available	Actual transfer	% of Available funds transferred	Final Appropriation
	R'000	R'000	R'000	R'000	R'000	%	R'000
Transfers							
Leave Gratuity	560	-	-	560	544	97%	299
Settlement payment	167	-	-	167	166	99%	867
Donations and gifts	12	-	-	12	12	100%	-
TOTAL	**739**	**-**	**-**	**739**	**722**		**1 166**

ANNEXURE 1H

STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS RECEIVED

NAME OF ORGANISATION	NATURE OF GIFT, DONATION OR SPONSORSHIP	2021/22 R'000	2020/21 R'000
Received in kind			
Strategy Execution Advisors	Technical Advisory Services	-	2 350
TOTAL		**-**	**2 350**

ANNEXURE 1J

STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS MADE

NATURE OF GIFT, DONATION OR SPONSORSHIP (Group major categories but list material items including name of organisation)	2021/22 R'000	2020/21 R'000
Made in kind		
Secondment of employee	1 339	-
TOTAL	**1 339**	**-**

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

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 2021/22	% Held 2020/21	Number of Shares held		Cost of investment		Net Asset value of investment		Profit/(Loss) for the year		Losses guaranteed
						R'000		R'000		R'000		
				2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	Yes/No
National/Provincial Public Entity												
Alexkor Limited	2	100	100	400 000 000	400 000 000	400 000	400 000	388 183	233 117	20 945	127 539	No
Denel (Pty) Ltd	2	100	100	1 225 094 106	1 225 063 423	11 621 262	8 552 376	(612 000)	(3 074 000)	(1 497 000)	(1 515 000)	No
Eskom Limited	2	100	100	219 692 945 001	188 000 000 001	219 692 945	188 000 000	240 749 305	215 836 671	(4 293 619)	(18 934 131)	No
SAFCOL Limited	2	100	100	318 013 254	318 013 254	318 013	318 013	3 298 366	3 064 665	122 281	(44 822)	No
Transnet Limited	2	100	100	12 660 986 310	12 660 986 310	12 660 986	12 660 986	130 796 000	129 323 000	(2 974 000)	(8 386 000)	No
South African Express Airways	2	100	100	1 692 395 002	452	2 277 395	2 277 395	-	-	-	-	-
South African Airways	2	100	100	13 270 029 619	13 126 336 960	58 561 573	54 483 709	1 648 000	(5 256 000)	(3 096 000)	(8 743 000)	No
TOTAL				**249 259 463 292**	**215 730 400 400**	**305 532 174**	**266 692 479**	**376 267 854**	**340 127 452**	**(11 717 393)**	**(37 495 415)**	

SAA has not issued a share certificate for R719 million investment paid in 2020/21 and 2021/22 financial year.

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	
		2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
Controlled entities									
Alexkor Limited	Mining	400 000	400 000	388 183	233 117	-	-	-	-
Denel (Pty) Ltd	Manufacturing of Arms	11 621 262	8 552 376	(612 000)	(3 074 000)	-	-	-	-
Eskom Limited	Energy	219 692 945	188 000 000	240 749 305	215 836 671	-	-	-	-
SAFCOL Limited	Forestry	318 013	318 013	3 298 366	3 064 665	-	-	-	-
Transnet Limited	Transport	12 660 986	12 660 986	130 796 000	129 323 000	-	-	-	-
South African Express Airways (Pty) Ltd	Transport	2 277 395	2 277 395	-	-	-	-	-	-
South African Airways	Transport	58 561 573	54 483 709	1 648 000	(5 256 000)	-	-	-	-
TOTAL		**305 532 174**	**266 692 479**	**376 267 854**	**340 127 452**	**-**	**-**	**-**	**-**

The net asset value of the investment and profit/loss for the year ended 31 March 2022, is based on provisional amounts and is still subject to the SOCs external audit process and therefore subject to change.

ANNEXURE 3A

STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2022 – LOCAL

Guarantor institution	Guarantee in respect of other	Original guaranteed capital amount	Opening balance 1 April 2021	Guarantees draw downs during the year	Guarantees repayments/ cancelled/ reduced during the year	Revaluation due to foreign currency movements	Closing balance 31 March 2022	Revaluation 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
SAX	Letters of Credit	40 300	19 905	-	-	-	19 905	-	-
Sub-total	**Utilised (R19.905 million)**	**40 300**	**19 905**	**-**	**-**	**-**	**19 905**	**-**	**-**
SAA	SAA Recapitalisation	1 300 000	456 022	-	(328 643)	-	127 379	-	6 157
	Going Concern 1	1 600 000	301 103	-	(301 103)	-	-	-	-
	Going Concern 2	5 006 000	2 950 561	-	(1 608 033)	-	1 342 528	-	23 000
	Going Concern 3	6 488 000	2 042 484	-	(1 277 860)	-	764 624	-	31 231
	Going Concern 4	4 720 000	744 737	-	(284 361)	-	460 376	-	5 760
Sub-total	**Utilised: R1.934 billion Unutilised: R0.762 billion**	**19 114 000**	**6 494 907**	**-**	**(3 800 000)**	**-**	**2 694 907**	**-**	**66 148**
Denel	Note Programme	3 430 000	3 430 000	-	-	-	3 430 000	-	107 886
Sub-total	**Utilised: R3.430 billion**	**3 430 000**	**3 430 000**	**-**	**-**	**-**	**3 430 000**	**-**	**107 886**

ANNEXURE 3A (continued)

STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2022 – FOREIGN

Guarantor institution	Guarantee in respect of other	Original guaranteed capital amount	Opening balance 1 April 2021	Guarantees draw downs during the year	Guarantees repayments/ cancelled/ reduced during the year	Revaluation due to foreign currency movements	Closing balance 31 March 2022	Revaluation 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
Eskom	Eskom bonds – ES23	-	19 783 854	1 900 000	(20 000)	-	21 663 854	-	394 777
	Eskom bonds – ES26	-	32 904 140	46 000	-	-	32 950 140	-	1 286 586
	Eskom bonds – ES33	-	34 542 410	-	-	-	34 542 410	-	119 678
	Eskom bonds – ES42	-	21 294 561	142 080	-	-	21 436 641	-	790 917
	Eskom bonds – EL28	-	6 278 241	-	-	-	6 278 241	3 935 246	107 919
	Eskom bonds – EL29	-	4 653 000	717 000	-	-	5 370 000	3 122 531	59 230
	Eskom bonds – EL30	-	4 395 990	740 000	-	-	5 135 990	2 597 228	30 439
	Eskom bonds – EL31	-	4 843 329	856 000	-	-	5 699 329	2 523 537	56 908
	Eskom Bonds - EL36	-	4 637 000	957 000	-	-	5 594 000	2 211 263	29 079
	Eskom Bonds - EL37	-	4 443 000	975 000	-	-	5 418 000	2 141 691	28 161
	Paper Issued Float Rate Notes	-	2 000 000		(2 000 000)	-	-	-	-
	Utilised	144 088 606	-	-	-	-	-	-	-
	Unutilised portion	7 911 394	-	-	-	-	-	-	-
Sub-total	**Utilised (R144 088 billion) Unutilised (R7 911 billion)**	**152 000 000**	**139 775 525**	**6 333 080**	**(2 020 000)**	**-**	**144 088 605**	**16 531 496**	**2 903 694**
	TOTAL	**174 584 300**	**149 720 337**	**6 333 080**	**(5 820 000)**	**-**	**150 233 417**	**16 531 496**	**3 077 728**

ANNEXURE 3A (continued)

STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2022 – FOREIGN

Guarantor institution	Guarantee in respect of other	Original guaranteed capital amount	Opening balance 1 April 2021	Other Movements	Guarantees draw downs during the year	Guarantees repayments/ cancelled/ reduced during the year	Revaluation due to foreign currency movements	Closing balance 31 March 2022	Revaluation 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	R'000
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	6 070 026	-	-	(714 121)	-	5 355 905	-	40 405
	AfDB (EUR)	10 262 457	9 048 433	-	213 289	(1 063 437)	(572 057)	7 626 228	-	-
	World Bank (IBRD) USD	-	1 192 287	(1 400 745)	279 690	(68 737)	(2 495)	-	-	4 064
	World Bank (IBRD) ZAR	23 398 498	29 327 149	1 415 199	-	(1 679 786)	-	29 062 562	-	1 099 202
	AfDB -SERE USD	73 649	94 235	-	-	(8 981)	(1 250)	84 004	-	161
	AfDB -CTF USD	809 510	626 354	-	-	(6 442)	(8 956)	610 956	-	247
	World Bank (IBRD) CTF (USD250m)	1 992 925	516 908	-	273	(38 512)	(5 566)	473 103	-	493
	AFDB ZAR (Private Sector)	1 800 000	1 000 000	-	-	(133 333)	-	866 667	-	7 659
	AFDB USD (Private Sector)	2 581 034	2 150 623	-	-	(286 953)	(27 256)	1 836 414	-	5 022

ANNEXURE 3A (continued)

STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2022 – FOREIGN

Guarantor institution	Guarantee in respect of other	Original guaranteed capital amount	Opening balance 1 April 2021	Other Movements	Guarantees draw downs during the year	Guarantees repayments/ cancelled/ reduced during the year	Revaluation due to foreign currency movements	Closing balance 31 March 2022	Revaluation 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	R'000
	AFD (ZAR) - Sere	980 840	643 676	-	-	(61 303)	-	582 373	-	16 936
	AFD (ZAR)	2 273 055	2 273 055	-	-	(113 653)	-	2 159 402	-	81 297
	KFW DFI (ZAR)	3 934 500	3 344 325	-	-	(393 450)	-	2 950 875	-	1 633
	KFW (USD)	1 353 380	-	-	86 837	-	(3 978)	82 859	-	8
	MIGA	8 463 525	7 770 448	-	-	(773 041)	(479 994)	6 517 413	-	13 306
	AfDB A loan (USD)	148 250	123 311	-	-	(8 227)	(1 690)	113 394	-	635
	AfDB B loan (USD)	-	14 279 443	-	-	(13 858 462)	(420 981)	-	-	-
	AfDB Senior Unsecured ZAR	5 292 354	4 410 295	-	-	(294 020)	-	4 116 275	-	54 008
	CDB Short-Term (USD)-Medupi	20 131 950	20 864 263	-	1 332 216	-	(327 454)	21 869 025	-	39 001
	CDB Long-Term (USD)-Kusile	32 998 500	22 684 338	-	3 463 386	-	(444 329)	25 703 395	-	50 651
	USD 1bn bond	14 115 000	14 797 350	-	-	-	(218 000)	14 579 350	-	127 871
	AFDB ZAR (Public Sector)	2 886 000	255 269	-	535 903	-	-	791 172	-	12 706
	AFDB USD (Public Sector)	346 000	8 189	-	4 497	-	(130)	12 556	-	51
	AFD Tranche 1	1 441 305	-	-	90 215	-	-	90 215	-	1 465
	New Development Bank (NDB)	2 534 184	371 930	-	229 955	-	(11 530)	590 355	-	20
	USD 500m bond	7 374 350	-	-	7 374 350	-	(84 675)	7 289 675	-	59 073
	Syndicate Loan-Credit Facility Agreement	14 390 000	-	-	14 390 000	-	-	14 390 000	-	126 613
	Unutilised portion	27 788 734	-		-	-	-	-	-	-
Sub-total		**198 000 000**	**141 851 907**	**14 454**	**28 000 611**	**(19 502 458)**	**(2 610 341)**	**147 754 173**	**-**	**1 742 527**
	TOTAL	**201 500 000**	**145 351 907**	**14 454**	**28 000 611**	**(19 502 458)**	**(2 610 341)**	**151 254 173**	**-**	**1 999 623**

SA Express has been in provisional liquidation since April 2020. All guaranteed obligations have been settled with only a balance of R19 million of guarantees exposure to SA Express remaining.

SAA had R6.494 billion of guarantees available to the airline at the beginning of the 2021/22 financial year. A total of R3.8 billion of guarantees were settled during the year from Government funding. The closing balance of guarantees at year end, is composed of R1.934 billion utilised and R0.762 billion unutilised guarantees.

Denel has over R3 billion unutilised guarantees as a result of Government settling guaranteed debt and interest obligations over the 2021/22 Financial Year. Utilised guarantees are currently R190 million. Denel's current guarantees will expire at the end of September 2023.

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

ANNEXURE 3B

STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2022

Nature of Liability	Opening balance 1 April 2021	Liabilities incurred during the year	Liabilities paid/ cancelled/ reduced during the year	Liabilities recoverable (Provide details hereunder)	Closing balance 31 March 2022
	R'000	R'000	R'000	R'000	R'000
Claims against the Department					
Equity Alliance (Pty) Ltd vs Government of RSA	572 000	-	572 000	-	-
Labour disputes	4 781	26 721	1 658	-	29 844
Zam Projects	16 900	-	16 900	-	-
Sub-total	593 681	26 721	590 558	-	29 844
Other					
Disposal of Share in SAA	-	3 079 000	-	-	3 079 000
Sub-total	-	3 079 000	-	-	3 079 000
TOTAL	**593 681**	**3 105 721**	**590 558**	**-**	**3 108 844**

ANNEXURE 5
INTER-GOVERNMENT PAYABLES

GOVERNMENT ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		TOTAL		Cash in transit at year end 2021/22	
	31/03/2022	31/03/2021	31/03/2022	31/03/2021	31/03/2022	31/03/2021	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	
	31/03/2022	31/03/2020	31/03/2021	31/03/2020	31/03/2022	31/03/2021
	R'000	R'000	R'000	R'000	R'000	R'000
NATIONAL DEPARTMENTS						
Department of International Relations and Cooperation (DIRCO)	109	28	-	-	109	28
TOTAL	**109**	**28**	**-**	**-**	**109**	**28**

ANNEXURE 8B

INTER-ENTITY ADVANCES RECEIVED (note 16)

ENTITY	Confirmed balance outstanding		Unconfirmed balance outstanding		TOTAL	
	31/03/2022	31/03/2021	31/03/2022	31/03/2021	31/03/2022	31/03/2021
	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
TOTAL	**-**	**-**	**-**	**371**	**-**	**371**

ANNEXURE 11

COVID-19 RESPONSE EXPENDITURE

Per quarter and in total

Expenditure per economic classification	2021/22					2020/21
	Q1 R'000	Q2 R'000	Q3 R'000	Q4 R'000	Total R'000	Total R'000
Goods and services	**41**	**1**	**57**	**121**	**220**	**410**
List all applicable SCOA level 4 items						-
Minor assets	1	-	-	-	1	10
Communication	-	-	-	-	-	3
Consumables	5	1	47	112	165	280
Property payments	35	-	10	9	54	109
Training and development	-	-	-	-	-	8
TOTAL COVID-19 RESPONSE EXPENDITURE	**41**	**1**	**57**	**121**	**220**	**410**

NOTES

NOTES

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