

ANNUAL REPORT

2014 | 2015



public enterprises

Department:
Public Enterprises
REPUBLIC OF SOUTH AFRICA



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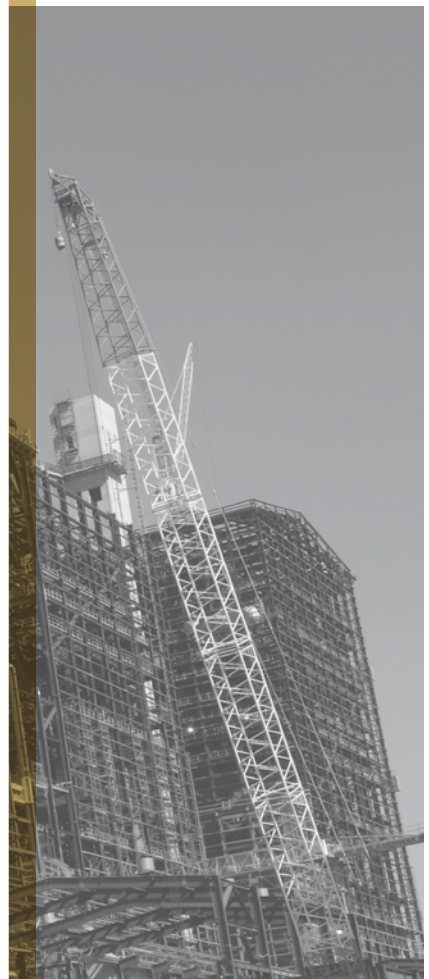
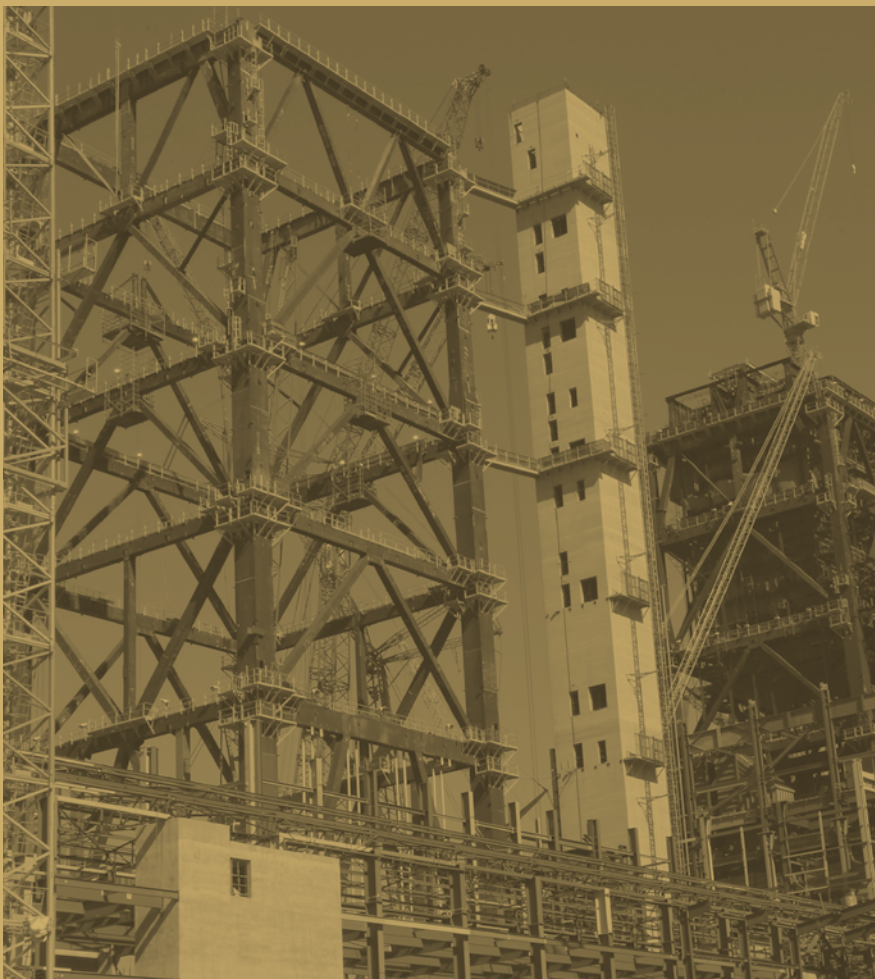
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PART A GENERAL INFORMATION



i. DEPARTMENTAL INFORMATION

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ii. LIST OF ABBREVIATIONS / ACRONYMS

| | |
|---------------|--|
| AGM | Annual General Meeting |
| AEL | Atmospheric Emission Licenses |
| EMFC | African Exploration Mining and Finance Corporation |
| AGSA | Auditor-General of South Africa |
| AFS | Annual Financial Statement |
| APP | Annual Performance Plan |
| BBBEE | Broad-Based Black Economic Empowerment |
| Capex | Capital Expenditure |
| CCPF | Climate Change Policy Framework |
| CFO | Chief Financial Officer |
| CIPM | Chief Investment and Portfolio Management |
| DAe | Denel Aerostructure |
| DEA | Department of Environmental Affairs |
| EDD | Department of Economic Development |
| DHET | Department of Higher Education and Training |
| DoD | Department of Defence |
| DoE | Department of Energy |
| DoS | Deed of Settlement |
| DPE | Department of Public Enterprises |
| DPME | Department of Performance Monitoring and Evaluation |
| DPSA | Department of Public Service and Administration |
| DPW | Department of Public Works |
| DSBD | Department of Small Business Development |
| DRDLR | Department of Rural Development and Land Reform |
| DST | Department of Science and Technology |
| DTI | Department of Trade and Industry |
| DWA | Department of Water Affairs |
| EE | Employment Equity |
| EIA | Environmental Impact Assessment |
| ERM | Enterprise Risk Management |
| EWSETA | Energy and Water Sector Education Training Authority |
| FET | Further Education Training |
| HRC | Human Rights Commission |
| IDP | Infrastructure Development Plan |
| ICT | Information and Communication Technology |
| IPAP | Industrial Policy Action Plan |
| IPP | Independent Power Producer |
| IRP | Integrated Resource Plan |
| KLF | Komatiland Forest |
| LTTS | Long Term Turnaround Strategy |
| MDS | Market Demand Strategy |
| MoU | Memorandum of Understanding |
| MRO | Maintenance Repair Overall |

| | |
|------------------|---|
| MTEF | Medium Term Expenditure Framework |
| MTSF | Medium Term Strategic Framework |
| MYPD | Multi-Year Price Determination |
| NYDA | National Youth Development Agency |
| NCPM | National Corridor Performance Measure |
| NDP | National Development Plan |
| NEF | National Empowerment Fund |
| NGP | National Growth Path |
| NSDS | National Skills Development Strategy |
| NSF | National Skills Fund |
| NT | National Treasury |
| PRC | Presidential Review Committee |
| PAIA | Promotion of Access to Information Act |
| PBMR | Pebble Bed Modular Reactor |
| PFMA | Public Finance Management Act |
| PICC | Presidential Infrastructure Coordinating Commission |
| PMO | Project Management Office |
| PPA | Power Purchase Agreement |
| PPPFA | Preferential Procurement Policy Framework Act |
| PSJV | Pooling and Sharing Joint Venture |
| PSP | Private Sector Participation |
| R & D | Research & Development |
| RMC | Richtersveld Mining Corporation |
| SAA | South African Airways |
| SAFCOL | South African Forestry Company Ltd |
| SANReN | South African National Research Network |
| SAQA | South African Qualification Authority |
| SAX | South African Express |
| SDIP | Service Delivery Improvement Plan |
| SIPs | Strategic Integrated Projects |
| SITA | State Information Technology Agency |
| SKA | Square Kilometer Array Telescope |
| SMF | Significant and Materiality Framework |
| SMME | Small Medium and Micro Enterprises |
| SCM | Supply Chain Management |
| SOC | State Owned Company |
| TFR | Transnet Freight Rail |
| TOR | Terms of Reference |
| TPT | Transnet Port Terminal |
| TRE | Transnet Rail Engineering |
| TWG | Technical Working Group |
| UNGC | United Nations Global Compact |
| WACS | West Africa Cable System |
| WUL | Water Use License |
| WWF | World Wide Fund |
| YEP | Youth Economic Participation |

1. FOREWORD

BY THE MINISTER

The Financial Year 2014/15 was both challenging and constructive for the Department of Public Enterprises and the State Owned Companies (SOCs) reporting to it.

In the context of a depressed global economy, SOCs play a pivotal role in leveraging growth in the national economy, both by delivering vital services, such as energy and freight services, but also by stimulating growth along the supply chain. This entails considerably more than maximising shareholder value, in that SOCs are expected to play a catalytic role in the South African economy. The DPE therefore has the responsibility to ensure that the SOCs in its portfolio are giving effect to the Government's vision and strategy with respect to social and economic development.

In so doing, it has to work to ensure that SOCs find the appropriate balance between financial and economic competitiveness, as well as broader developmental goals. This process must be achieved without compromising the sustainability of the enterprises.

The financial year, as indicated, was not without challenges and the problems confronting the Eskom Build Programme, whilst ameliorated, were not entirely resolved. As a result, the country continued to experience periodic power shortages in the last two quarters of the year under review, with inevitable detrimental effects on the economy.

Shortcomings in the tariff structure caused a shortfall in funding to cover operational costs, as well as to ensure a reasonable return on the investment necessary to generate additional capacity.

The Department has supported Eskom to secure tariff adjustments that will enhance its financial



Ms. Lynne Brown, MP
Minister

security and has provided equity injection, as well as guarantees aimed at lowering financing cost and stabilising the balance sheet of the company. Although additional funding is still required to meet the target of the R300 billion borrowing programme, as R271.6 billion (90.2%) of the necessary funding had been secured in March 2014.

In the interim, steady progress has been made with the construction of the Medupi, Kusile and Ingula power plants.

The Department has continued its efforts to expand access to renewable energy sources, and construction of the 100 MW Sere Wind Farm has been completed within budget and on schedule. At the same time, the Department has supported the Renewable Energy Independent Power Producer Programme and a total of 467.3 MW is currently being delivered to the system by the Independent Power Producers (IPPs).

During the 2014/15 financial year there was a continued roll-out of Transnet's Market Demand Strategy, which has seen more than R120 billion invested in infrastructure and capital projects

(particularly in the rail sector) over the past five years. This investment is seen as crucial to the efficiency of the logistics system, aims to reduce the cost of logistics in order to strengthen the economy's competitiveness. It also serves to stimulate growth in the construction supply chain and to support the other dimensions of the Government's transformation programme, including skills upgrading and Broad-Based Black Economic Empowerment (BBBEE).

During the course of the year, and following Cabinet resolutions on the need for a more strategic alignment of SOCs across Government, a decision was made to place South African Airways under the Treasury and Broadband Infraco, administered by the Department of Telecommunications and Postal Services. The DPE has worked closely with both departments in order to ensure a smooth governance transition for both entities. The transfers will allow the Department to focus its energies on the remainder of the SOCs under its jurisdiction and, in particular, to strengthen the performance of Eskom and Transnet – both of which play a pivotal role in the South African economy. This will also include the turnaround of SAX and supporting the industrialisation programme of Government through Denel, Alexkor and SAFCOL.

I am pleased to report that progress was made in other SOCs in the Department's portfolio. The turnaround in Denel is continuing apace and its order book currently stands at over R33 billion. Alexkor, similarly, succeeded in increasing its diamond production from a low of 46.000 carats in recent years, to 79.000 carats in the 2014/2015 financial year, and SA Express, whilst still in high care, is making progress to implement cost efficiency programmes. SAFCOL, in addition to ensuring its own financial viability, spent R6.5 million on social economic development in communities adjacent to its operations.

The year ahead is likely to be equally challenging, but I am confident that the Department has the governance structures in place and the expertise necessary to fulfill its mandate as the Government shareholder, and to ensure that the operations of its SOCs are fully aligned to the national strategic objectives.

In conclusion, I would like to thank the Deputy Minister for his support during this challenging period. I would also like to acknowledge the role played by the Acting Director-General who has been a driving force in implementing often difficult but necessary policy decisions aimed at strengthening the performance of SOCs in our country. I would also like to thank the staff of the Department for their commitment and dedication throughout the year.



Ms. Lynne Brown

Minister: Department of Public Enterprises

2. DEPUTY MINISTER STATEMENT

The State-Owned Companies (SOCs) are positioned strategically as levers to drive radical economic transformation. The path informing radical economic transformation amongst others entails ensuring capacitating the youth with the necessary skills and knowledge towards creating a transformed society.

In the last financial year, the SOCs through their academies and discharging their CSI investments have been to both rural and semi-urban communities in a drive to ensure that conditions are improved for conducive education. This is in response to the NDP call of ensuring that all schools meet the minimum standards and are upgraded to ensure that their infrastructure reaches optimum standards. Through their Infrastructure Development Programme, Eskom funded the improvement of infrastructure in schools located in rural Limpopo, North West and KZN provinces. While on the other hand, Safcol continued to deliver in building schools using timber frame structures for the most needy communities. Nordene primary school in Mpumalanga was the beneficiary of six classrooms while Nongoma in KZN received six classrooms and staffroom.

In further response to the National Development Plan (NDP), the SOCs are contributing to ensuring an increase in the number of learners eligible to study mathematics and science at university. Vaal Reefs Technical benefitted from the connection of the telematics system which is set to benefit an extra six schools in the surrounding. The system has yielded results already at St John's College in Umtata. Harding and Zikode High Schools were connected to the system during the month of March 2015.

The National skills development strategy directs training in disciplines which are friendly to the economic imperatives. As this is contained in the



Mr. Gratitude Magwanishe, MP
Deputy Minister

NDP, the SOCs collectively enrolled 224 artisan trainees, 385 technician trainees, 230 engineering trainees, 8 cadet pilots and 3134 learners in sector specific programmes (i.e. train drivers) in previous financial year.

Over and above this, the Department through its partnership with the Department of Higher Education and Training, has successfully facilitated a process for Eskom to secure R174 million while Denel secured R58 million to train an additional 1 250 and 197 artisan trainees respectively. Denel has already recruited 124 artisan trainees to be supported by R42 million received from the National Skills.

It is important that skills acquired through SOCs training should benefit the communities by ensuring absorption into the formal economy. In the last financial year alone, DPE-SOC employed a total 170.000 personnel.

With more young people recruited into the academies, we are in discussions with the Ministry of Cooperative Governance and Traditional Affairs to have the SOCs graduates engaged in projects

that serve to repair and maintain the infrastructure of the municipalities.

I thank the Minister for her leadership and drive to ensure stability in the state owned companies, the officials of the department under the guidance of the Acting Director General as well as the leadership of the SOCs.

A handwritten signature in black ink, appearing to read 'Magwanishe', with a stylized flourish above the name.

Mr. Gratitude Magwanishe

Deputy Minister: Department of Public Enterprises

3. OVERVIEW OF THE ACCOUNTING OFFICER

As indisputable drivers of industrial development and catalysing agents of transformative change, the DPE SOCs remain key to South Africa and the African continent. The Department, supporting the Minister of Public enterprises as the shareholder representative of these key enterprises, cannot underscore the importance of re-orientating all six SOCs as relentless tools of the developmental state.

Improvement in the performance of the SOCs will require changes in the ecological system within which the SOCs operate. This must be augmented by improvement in the execution of the oversight function and capacity to ensure that SOCs remain financially sustainable as they execute their developmental mandate. The reform of the SOCs remain an essential part of the work programme of the Department and is targeted to ensure that SOCs support the aspiration of the developmental state, and that further losses experienced by some SOCs are significantly reduced.

The performance of SOCs in the electricity sector and freight logistics is essential for the development of the South African economy.

Enhancing performance in this area requires a highly concentrated, results-oriented Department where commercial discipline is never subverted and transformation objectives continue to be prioritised. The building blocks for this renaissance were put in place during the 2013/2014 period. In this 2014/2015 annual report, an account of such is illustrated which includes our achievements whilst being cognisant of prevailing challenges.

In the period under review, major events in the operational environment signified a demand for re-orientation that best serves the country. Fundamental shifts have been the transfer of BBI and SAA from DPE to DTSPS and NT respectively, for



Matsietsi Mokholo
Accounting Officer

full optimisation. The BBI shift is the realisation of Government's resolve that ICT sector SOCs must be consolidated for effective execution of the South Africa connect strategy for the 2020 broadband universal access target.

The need for improvement in operational performance, married to strong financial performance in the case of SAA, had not been a blissful one, in spite of experiencing operational excellence. As a result, in December 2014, Cabinet resolved to shift the oversight of SAA from the Department to National Treasury. Collaboration between the Department and National Treasury remains crucial for the full turnaround of the national carrier.

The fact is, during the 2014/2015 period, the Department has absolutely achieved a significant number of targets in the 2014/2015 APP and once more obtained an unqualified audit opinion with findings from the Auditor-General report. However, as a responsible Department, we have identified that we cannot congratulate ourselves wholeheartedly when AG's opinions do not correlate with the financial performance of our companies, as well as security of supply for South Africa. As part of our re-orientation, the Department's performance

ratings will be divorced from those of our SOCs. We are unrelenting in this respect and have already commenced with serious deliverables as we positively evolve.

December 2014 saw Cabinet approve the Eskom Five Point Plan, which includes the establishment of a War Room where DPE remains an integral lead player in the transformation of the South African economy. Critically too, emergency measures to stabilise and improve the generation performance of Eskom, are under way. The actions of the Five Point Plan have been incorporated into the 2015/2016 APP, as well as the shareholder compact.

This year has borne the synchronization of the first unit in Eskom's new Build Programme. This is testimony to South Africa's capacity for mega and complex infrastructure project execution. Herein is the foundation laid to stabilise the supply of electricity. The lessons learned remain critical for further improvement.

We can also applaud Transnet, our national freight carrier, on improving by 24% in terms of on-time train departures compared to the previous year, and by 5% compared to budget; this was due to diligent monitoring and follow-up on the root causes of deviations. Indeed, ease of business is central to industrial development.

Overall, financial sustainability of our SOCs is the order of the day within this coming year's APP. CAPEX programmes across Eskom and Transnet will substantially increase and perhaps see an injection into the already large collective asset value of these two SOCs, which currently sits at over R800 billion.

To ensure that the DPE is repositioned as a central nodal point for efficiencies, commercial ambitions and developmental imperatives, in the last quarter of this year the Department has tabled a new strategy framed to support the reform of the SOCs for effective advancement of developmental state aspirations, as outlined in the NDP. Specific projects across the Department, explicitly outlined in the strategy, include:

- financial sustainability of SOCs;
- the path to less load shedding;
- rail and port volume increases;
- more capital programmes across Eskom and Transnet;
- improved performance management of boards;
- shareholder restructuring for effective role-function;
- key decision-making capacity within the state; and
- defined roles and mandates within the system.

With the themes of Strategy, Governance, Operations and Finance as departure points, and these projects firmly in place, it is our unequivocal intention to give rise to a new DPE brand and ultimately a new type of SOC designed for unrelenting service delivery.

In addition, it is our firm resolve that the moral compass of the Department must be of highest priority. As a result, in the financial year under review, there has been a robust focus on internal controls to address maladministration and fruitless and wasteful expenditure, as stipulated by PFMA requirements.

It is clear that in order to deliver our strategy, we will require a dedicated focus on enforcing a culture of moral and financial discipline in all our activities.

I wish to express gratitude to Minister Lynne Brown, Deputy Minister Bulelani Magwanishe, and all the DPE staff for their unflinching support, leadership and unanimity in the serious role the DPE plays in the economy, as we are mandated to do, and doing so as is our duty.



Ms. Matsietsi Mokholo
Accounting Officer

4. STATEMENT OF RESPONSIBILITY OF PERFORMANCE INFORMATION

Statement of responsibility of performance information for the financial year that ended on 31 March 2015

Statement of responsibility of performance information for the financial year ended 31 March 2015

I acknowledge my responsibility for the accuracy of the Annual Performance and the fair presentation of the report and confirm, to the best of my knowledge and belief, the following:

- The AFS have been prepared in accordance with modified cash basis of accounting and relevant guidelines specified/issued by the National Treasury.
- Annual Performance Information is prepared and completed in accordance with Annual Performance Report guidelines and National Treasury Strategic Plan and Annual Performance Plan Framework.

In my opinion, the performance information fairly reflects the performance information of the Department for the financial year ended 31 March 2015.

Yours faithfully

M.A. 

Matsietsi Mokholo

Accounting Officer

5. STRATEGIC OVERVIEW

Vision

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

Mission

The SOCs are strategic instruments of industrial policy and core players in the New Growth Path (NGP). The Department aims to provide decisive strategic direction to the SOCs, so that their businesses are aligned with the national growth strategies arising out of the NGP. It will do this by ensuring that their planning, investments and activities are in line with Government Medium Term Strategic Framework (MTSF) and the Minister's delivery agreement commitments.

Values

Bold – We must dare to be brave.

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

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

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

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

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

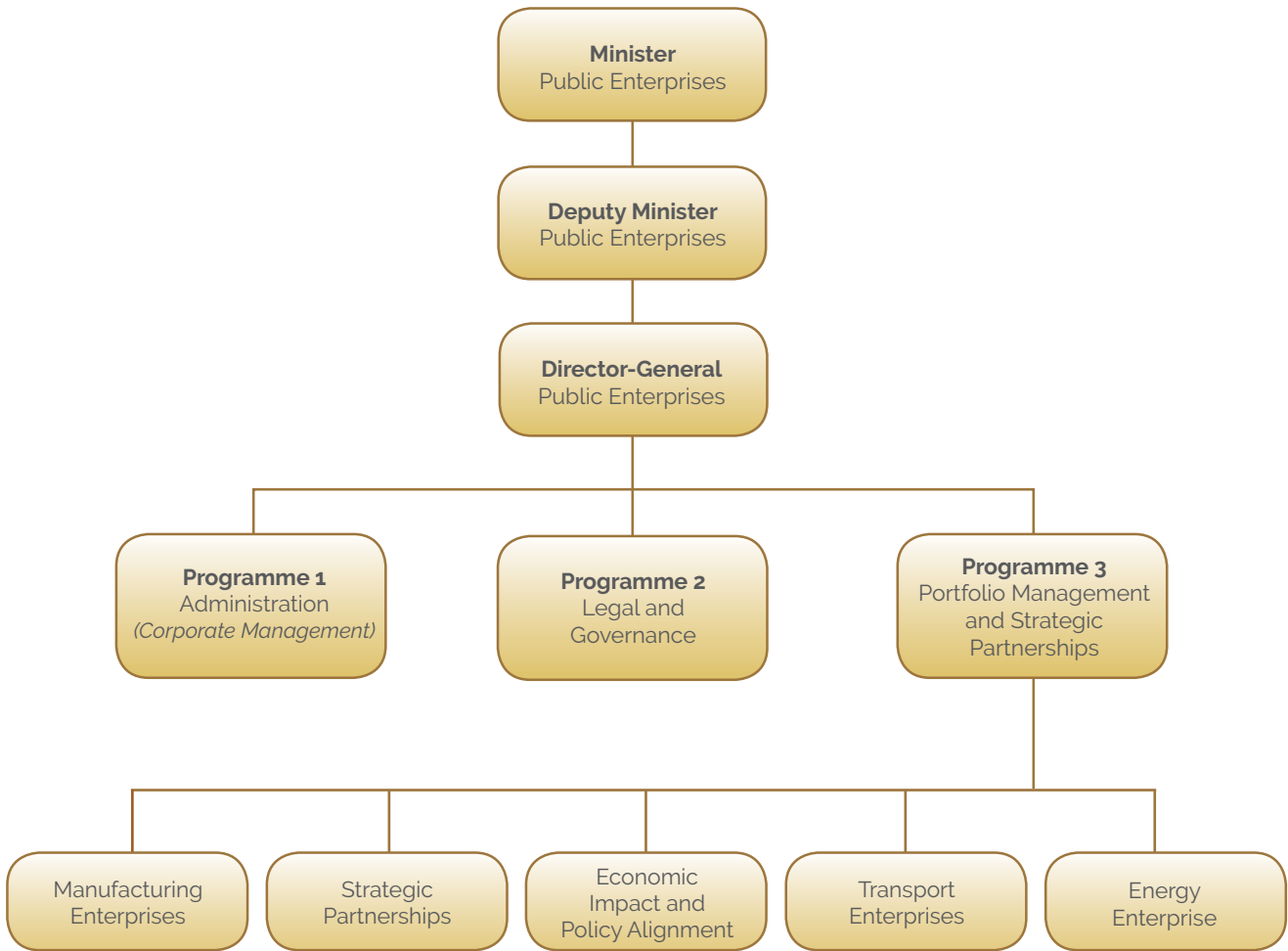
Batho Pele principles – Guide our engagements

6. LEGISLATIVE AND OTHER MANDATES

The Department exercises shareholder oversight on six SOCs. All the SOCs are incorporated as companies in accordance with the provisions of the Companies Act, 2008. Except for Denel, all the SOCs are established in terms of their own enabling legislation which sets out the purpose, mandate and objectives for which they were founded. The Department is the administrator and custodian of all legislation relating to the establishment of SOCs. In terms of section 63(2) of the Public Finance.

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

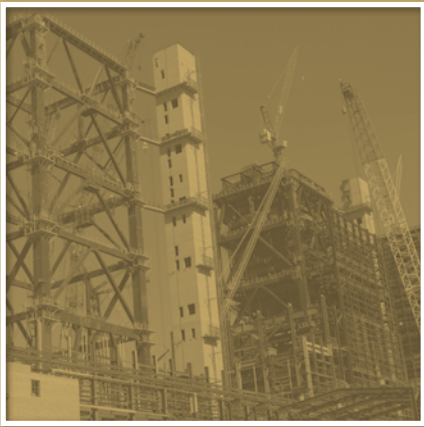
7. ORGANISATIONAL STRUCTURE



8. ENTITIES REPORTING TO THE MINISTER

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

| Name of entity | Legislative mandate | Financial relationship | Nature of operations |
|---|--|----------------------------|---|
| Alexkor | Alexkor Limited Act 116 of 1992 | Shareholder Representative | Alexkor mines diamonds in the Alexander Bay area, including marine mining and land mining. |
| Denel | None | Shareholder Representative | Denel supplies South Africa's Defence Force with strategic and sovereign capabilities. It also plays a major role in contributing to the development of South Africa's advanced manufacturing capabilities. |
| South African Express | South African Express Act 34 of 2007 | Shareholder Representative | South African Express operates regional and domestic flights from OR Tambo International Airport in Johannesburg, serving secondary routes in South Africa and Africa. |
| South African Forestry Company Limited | Management of State Forests Act 128 of 1992 | Shareholder Representative | South African Forestry Company Limited manages and develops commercial forests. The company's activities include forestry management and timber harvesting and processing. |
| Eskom | Eskom Conversion Act 13 of 2001 | Shareholder Representative | Eskom generates 95 per cent of the electricity used in South Africa and 45 per cent of the electricity used in Africa. |
| Transnet | Legal Succession to the South African Transport Services Act 9 of 1989 | Shareholder Representative | Transnet is the largest and most crucial part of the freight logistics chain that delivers goods in South Africa. |



PART B

PERFORMANCE

INFORMATION



1. AUDITOR-GENERAL'S REPORT: PREDETERMINED OBJECTIVES

The AGSA performs the necessary audit procedures on the performance information to provide reasonable assurance on usefulness and reliability of the information. The performance against predetermined objectives is included in the report to management, and there were no material findings reported under the *Predetermined Objectives* heading in the *Report on other Legal and Regulatory Requirements* section of the AGSA report. Refer to page 107 of the Report of the Auditor General, published as Part E: Financial Information.

2. OVERVIEW OF DEPARTMENTAL PERFORMANCE

2.1 Service delivery environment and strategy to improve performance

The role of the Department is to ensure optimal performance of SOCs, which are critical instruments of the developmental state, in catalysing new industries where the Department plays a key role in ensuring part of the national agenda. The SOCs in the portfolio are instrumental in ensuring reliable, affordable security of supply in a host of sectors, ranging from energy to freight logistics.

The Department has been tasked by Cabinet to play a leading role in the development of a Governance Framework that will ensure optimal management of SOCs. The outcome of this work will be a Government Shareholder Management Bill, a SOCs Board Appointment Framework, and a SOCs Remuneration Standards. The NDP demands that the Department reassesses its strategic priorities and the investment activities of its SOCs to ensure their alignment to the overarching vision outlined in the plan. The Department, with each performance contracting cycle, ensures that the SOC strategic plans continue to be aligned to the NDP and other critical national policy directives.

2.2 Service delivery improvement plan

In the period under review the Department embarked on the process of developing its Service Delivery Improvement Plan (SDIP), in consultation with the Department of Public Services and Administration (DPSA).

The plan largely focuses on the identification of key service deliverables to be embarked on by the Department, and how these will be monitored regularly to ensure that the Department remains responsive to service delivery expectations. The SDIP seeks to:

- determine the satisfaction level of services provided by the Department; and
- identify aspects of service delivery that are crucial for shareholder oversight.

2.3 Organisational environment

The assessment of the Department's capacity to deliver on the new Strategic Plan shows that there is a need to boost the capacity of the Department. Given the constrained fiscal environment, the Department needs to employ innovative solutions to augment its capacity. In this regard, the following have been prioritised:

- Rationalisation of Corporate Management programme and re-allocation of capacity to portfolio management and strategic partnerships programme as a strategic driver of the Department;

- enhancement of the training programmes that will ensure improvement of skills for the levels below SMS;
- continued marketing of the Department as an employer of choice for young talent;
- development and implementation of the talent management strategy; and
- review of the department's structure and identification of DPE capabilities.

In order to improve organisational efficiency, the Department undertook a comprehensive business mapping process. This will ensure that the current processes within the Department are streamlined to improve productivity and efficiency. The focus is on eliminating duplications, streamlining approval processes within the organisation, identification of strategic processes crucial for oversight, and leveraging technology to simplify these processes.

2.4 Key policy developments and legislative changes

In the year under review, the Department joined South Africa in celebrating 20 years of democracy. Since 1994, Government has adopted a people-centric paradigm in the development of policy and legislation. The eradication of poverty, unemployment and inequality is at the centre of Government's work. The SOCs under the Department's oversight are at the forefront of Government's strategy meant to respond to the current socio-economic challenges.

Effective policy synchronisation and alignment is an enabler for driving investment in the economy by SOCs. The Department continues to lead in this space through enhanced collaboration with its SOCs. Such efforts offer the synapse demanded by South Africans for comfortable opportunity for SOCs to deliver on their mandates.

The approval of the NDP has shaped the current and future plans of the Department, including its SOCs. The initial work undertaken by the Department showed that its current plans are aligned to the overarching vision of the NDP and the focus is on the implementation.

3. STRATEGIC OUTCOME ORIENTED GOALS

The Minister entered into the Performance Agreement with the President, which outlines her commitments to contribute to the achievement of these outcomes. The Minister of Public Enterprises' performance agreement forms part of the Delivery Agreement on Outcome 6 which seeks to achieve an efficient, competitive and responsive economic infrastructure network. This forms the core mandate of the Department in the current administration. The key objectives of Outcome 6 are:

- increasing the electricity reserve margins,
- increasing investment to 25% of GDP,
- increase rail volume to 330 mt, and
- increase ports productivity.

3.1 Funding of the Build Programme up to 2018

Eskom Build Programme

Eskom continues with the execution of the Build Programme of Medupi, Kusile and Ingula. To date, there has been good progress registered in Kusile and Ingula. Despite many challenges, the first synchronisation of the Medupi Unit 6 was achieved and the commercial operation is anticipated in the second quarter of 2015/16.

The execution of the transmission programme was well above target. Eskom contracted to execute 315 kilometres of transmission lines and achieved 318 kilometres.

Funding remains one of the major challenges with roll-out of the Build Programme in the electricity sector and this has further been worsened by the downgrading of Eskom's credit rating to sub-investment grade. This is as a result of leadership challenges at the entity, increasing cost of delivering the Build Programme, higher primary costs, low revenue collection and tariffs determination.

Government continues to support Eskom to remain financially sustainable and has provided R350 billion guarantees to continue borrowing from the markets to fund the Build Programme. To address the funding challenges, Government further approved the Eskom support package to address the current funding gap. The support package included a R23 billion equity injection, conversion of the sub-ordinated loan of R60 billion and increasing borrowing, and Eskom achieving its full savings plan. Eskom will also have to demonstrate fiscal discipline to optimise business productivity and to reduce its costs base. As at 31 March 2015, R271.6 billion (90.5%) of the R300 billion funding required had been secured. The R300 billion borrowing programme is based on the original funding requirements as at April 2010, and covers the period 1 April 2010 to 31 March 2017.

Ports productivity

Durban

During the period under review, ship turnaround times were slightly below the target of 59 hours, largely due to inclement weather and equipment failure. The gross crane moves per hour (GCH) on Pier 1 and Pier 2 are below target, with Pier 1 at 24 moves (target is 28) and Pier 2 at 25 moves (target is 30). Anchorage waiting time was also below target at 57 hours (target is 46 hours). Infrastructure upgrades are being implemented to improve functioning of the ports. The productivity improvements at the ports remain the key focus area of the Department as they directly relate to the need to support the industrialisation programme of Government, particularly at the Port of Durban. The Port of Durban improved anchorage waiting time since the previous year, which is important for customer satisfaction

Cape Town

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

Average ship turnaround time in Cape Town and Durban improved from the previous year. Cape Town's performance was marginally lower than in the previous year.

Volumes transported by rail

Transnet has continued to move volumes above 200 million tons per annum, despite the lackluster performance of the economy. During the period under review, 226, 6 million tons were moved on rail. This represents a 7,7 per cent volume growth, compared to the 2013/2014 financial year.

Migration of transportation of coal from road to rail

The export coal business exceeded the annual target of 75 million tons by actual achievement of 76 million tons.

Road to rail migration

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

Government furnish baseline productivity

On-time train departures improved by 24%, compared to the previous year, and by 5% compared to budget; this was due to diligent monitoring and follow-up on the root causes of deviations. On-time arrivals also improved by 4.5% compared to the previous year, but declined by 31% compared to budget, partly due to en-route system failures. In order to address the under-performance, monitoring and follow-ups on the root causes of departure and arrival problems, will continue.

There has been delivery and acceptance into operation of 25 of the Class-43 diesel locomotives for General Freight. This has contributed to an 8% improvement in operational efficiency and volume growth.

3.2 Contribution to other outcomes

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

The MTSF 2014 – 2019 represents the first administration period for the implementation of the NDP. In this cycle, the economy is likely to remain constrained as private sector demand will remain weak. Therefore, the SOCs have a bigger role to play, over and above meeting their direct mandate. The Department continues to re-organise and focus the operations of the SOCs to support the developmental priorities of Government as part of the Government's industrialisation programme.

Localisation and transformation

The Department has continued to monitor implementation of the Supplier Development Plans of both Eskom and Transnet. Furthermore, the Department has incorporated localisation targets into the shareholder compacts of these entities to ensure that their procurement expenditures advance the industrialisation programme of Government. The proportion of both components and services sourced locally by these SOCs has gradually increased since the introduction of the Competitive Supplier Development Programme (CSDP). This will support local suppliers and the development of new industrial capabilities in the medium to long term plans.

In the 2014/15 financial year, Transnet achieved 92% local content procurement as a percentage of total expenditure. This is an exceptionally good performance for the year, especially if one takes into consideration that the local content target was only 70% of total expenditure.

Transnet also exceeded the supplier development target by achieving 37% commitment of contract value to be invested in the country: the target was 35%. Transnet's performance with regard to supplier development would have been significantly higher if the current public procurement legislation was flexible

and accommodating of the increased localisation requirements. Engagement with National Treasury on the Preferential Procurement Policy Framework Act is ongoing in order to find a solution that will allow SOCs to maximise the impact of their procurement expenditure in the economy. BBBEE expenditure amounted to 94% of Total Measurable Procurement Spend (TMPS). This was against a target of 70%. Expenditure on Black Women Owned and Black Youth Owned remains low. The Department is continuing to engage Transnet to find ways to improve its support in these areas.

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

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

The commitments made by the SOCs and partnerships with relevant Government departments have resulted in the enhancement of provisioning of scarce and critical skills by SOCs, in order to address skills gaps within SOCs, as well as closing the gaps, the National Skills Accord focuses on the following commitments:

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

4. PERFORMANCE INFORMATION BY PROGRAMME

4.1 Programme 1: Administration

Purpose

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

Programme overview

The programme includes the Ministry, the Office of the Director-General and Corporate Management. It is currently made up of the following sub-programmes: Ministry; Office of the Director-General; Corporate Management; Office of the Chief Financial Officer; Human Resources; Communications; Strategic Planning, Monitoring and Evaluation; Inter-Governmental and Stakeholder Relations; Internal Audit, Security and Facilities Management and Information Management and Technology .

The Office of the Director-General is responsible for the following:

Corporate Management is responsible for the following entities with their respective mandates:

- **Security and Facilities Management** provides a safe and secure environment for internal and external customers, and is also responsible for ensuring effective and efficient facilities management services.

- **Information Management and Technology** oversees IT Infrastructure and Support, Records Management and Library Services.
- **Office of the Chief Financial Officer** is responsible for Financial Management Services to ensure compliance with the Public Finance Management Act, 1999 (Act No 1 of 1999) and Treasury Regulations, and efficient and effective supply chain management services.
- **Human Resources** is responsible for assisting line management to implement operational excellence and for developing the Human Capital potential in the Department.
- **Communications** is responsible for positioning the DPE as an activist shareholder, for making the DPE brand relevant and meaningful to ordinary South Africans, for effective media relations and media communication, and for improved employee engagement.
- **Strategic Planning, Monitoring and Evaluation** is responsible for the coordination, management and oversight of the outcomes based performance reporting of the Department, the implementation of performance monitoring and evaluation processes for individual programmes and business units as a mechanism for measuring delivery of strategic objectives, and for reporting to various stakeholders.
- **Inter-Governmental and Stakeholder Relations** is responsible for coordination, support and provision of advice to the Minister, Deputy Minister, Director-General and the Department on matters related to Inter-Governmental, International and Stakeholder Relations.
- **Internal Audit** provides independent and objective assurance and consulting services designed to add value and improve the Department's operations, and assist the Department to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Strategic objectives, performance indicators, planned targets and actual achievements

Strategic objectives

- Continuously improving financial management mechanisms to ensure solid financial management practice and compliance, as required by PFMA.
- Continuous implementation of the Monitoring and Evaluation policy through integration of Internal Audits and Risk Management into performance monitoring processes.
- Improving Department's operational efficiency through business process mapping.
- Reviewing and implementing the communication strategy, including improving provincial engagements and public participation programmes.
- Strengthening of Human Resource functions within the Department and ensuring that the vacancy rate remains below 10%.
- Introduce the skills development programme that will enable the department to effectively and efficiently ensure an adequate capacitated department.
- Upgrade the IT infrastructures to enable the Department to operate effectively and efficiently.

Performance indicators

| Programme 1: Administration | | | | | |
|--|----------------------------|--|----------------------------|--|--|
| Performance indicator | Actual achievement 2013/14 | Planned target 2014/15 | Actual achievement 2014/15 | Deviation from planned target to actual achievement for 2014/15 | Comment on deviations |
| Promote good governance | | | | | |
| HUMAN RESOURCES | | | | | |
| Business Process Mapping | None | Business Process Mapping concluded | Not achieved | Delays in conclusion of project | As-Is process mapping done, To-Be processes to be finalised in the 2015/16 financial year and automisation of prioritised processes. |
| INFORMATION MANAGEMENT | | | | | |
| IT Independent Assessment | None | Independent Assessment concluded | Achieved | None | None |
| COMMUNICATIONS | | | | | |
| Communication Plan | None | Approved Communication Plan | Not achieved | Delays in the Communication Plan being aligned with DPE Strategy. | The plan to be approved in 2015/16 financial year. |
| STRATEGIC PLANNING, MONITORING AND EVALUATION | | | | | |
| Service Delivery Improvement Plan | None | Approved Service Delivery Improvement Plan | Not achieved | Project delayed following the changes on the SDIP framework and Departmental priorities. | The project completion has been deferred to the 2015/16 financial year. |

| Programme 1: Administration | | | | | |
|---|-----------------------------------|---|-----------------------------------|--|--|
| Performance indicator | Actual achievement 2013/14 | Planned target 2014/15 | Actual achievement 2014/15 | Deviation from planned target to actual achievement for 2014/15 | Comment on deviations |
| SOC performance review standards | None | SOC performance review standards | Not achieved | The scope of the project was finalised and the performance index was also developed. However, the performance review standards were not finalised within the 2014/15 financial year. | The performance standards to be integrated into the performance analysis framework to be developed in 2015/16. |
| Development 3 Year Evaluation Plan | None | Approved 3 Year Evaluation Plan | Achieved | None | None |
| OFFICE OF THE CHIEF FINANCIAL OFFICER | | | | | |
| Payment within 30 days (Compliance with Treasury Regulations 8.2.3) | None | Payment of correct invoices within 30 days | Achieved | None | None |
| Reporting PFMA s40 (4)(c) | None | Submission of 12 monthly management reports to DG and Minister and National Treasury 15th of each month | Achieved | None | None |

| Programme 1: Administration | | | | | |
|--|---|--|-----------------------------------|---|---|
| Performance indicator | Actual achievement 2013/14 | Planned target 2014/15 | Actual achievement 2014/15 | Deviation from planned target to actual achievement for 2014/15 | Comment on deviations |
| Contract Management | None | Contract Management policy | Not achieved | The Department developed Contract Management Procedure following NT Contract Management Framework and guide; the procedure has been approved. | Contract Management Procedures cover all the elements of the policy as guided by contract management framework and guide. |
| INTER-GOVERNMENTAL RELATIONS | | | | | |
| Annual Plan for the Public Participation Programme | None | Public Participation engagements | Achieved | None | None |
| Provincial engagements | None | 4 provincial engagements | Achieved | None | None |
| Build internal capacity to enhance Department's ability to execute its strategic plan and fulfill its mandate | | | | | |
| HUMAN RESOURCES | | | | | |
| Human Resources Plan | Reviewed HR Plan submitted to the Minister and DPSA | Approved Human Resources Plan | Achieved | None | None |
| Attraction and Retention Policy | None | Attraction and Retention Policy approved | Achieved | None | None |

| Programme 1: Administration | | | | | |
|---|-----------------------------------|---|-----------------------------------|---|---|
| Performance indicator | Actual achievement 2013/14 | Planned target 2014/15 | Actual achievement 2014/15 | Deviation from planned target to actual achievement for 2014/15 | Comment on deviations |
| DPE Competency Model | None | Approved DPE Competency Model | Not achieved | Organisational capabilities and competencies were identified; however, the ranking of capabilities not finalised. | The project was put on hold due to changes on the strategic objectives of the Department as set out in the new Strategy of the DPE. |
| Support transformation initiatives within the Department | | | | | |
| Internal DPE Transformation Plan | None | Approved Internal Transformation Framework | Achieved | None | None |
| Implementation of the Performance Management Policy | None | Roll-out of the new Performance Management Policy | Achieved | None | None |
| Current vacancy rate reduced | DPE vacancy rate was 1.8% | 10% vacancy rate | Achieved | None | None |

Key achievements

During the 2014/15 financial year the Department embarked on the Business Process Mapping (BPM) to improve and streamline its processes. To date, the Department has completed the AS-IS processes. The mapping of the TO-BE processes will be finalised during the 2015/16 financial year and the automation of prioritised processes will be implemented in the new financial year. Furthermore, the e-recruitment system for the Department was developed and successfully launched in the year under review.

In December 2014, the Department developed the new strategy that will ensure redirection of the Department's activities intended to support the realisation of MTSF objectives, as well as strengthening the capacity of the Department and portfolio of its SOCs. The new strategy was completed in March 2015, in February of the year under review; the Department tabled key proposals on the reform of SOCs in order to support the implementation of the Presidential Review Committee (PRC) recommendations on the SOCs. In addition, during the year under review the Department continued with the implementation and strengthening of performance information reporting and management by integrating the internal audit process into the performance monitoring and verification process, which enabled the Department to streamline its performance reporting process and to ensure accountability within the Department.

All received invoices were paid within 30 days, while submitted monthly management reports were issued to National Treasury, as agreed. There is commitment to improve processes designed to eliminate wasteful and irregular expenditure. The Department continued to improve on the vacancy rate, which was 8.4% by 31 March 2015. However, there were challenges on the filling of strategic positions, particularly in Programme 3.

During the year under review, the Department strengthened its provincial and bilateral engagements, which include Public Participation Programmes. The engagements were successfully held in four provinces: KwaZulu-Natal, Eastern Cape, Western Cape and Northern Cape. The Department, with its SOCs, will continue to work with provinces led by MECs to enhance and align SOCs' socio-economic development plans, provincial growth and development strategies, as well as improve their relationship with provincial stakeholders.

The Department positioned itself as an active shareholder through the implementation of its communications strategy that is geared to optimise the impact of media relations and communication with stakeholders. The initiatives include:

- the War Room Energy Saving Media Campaign;
- 20 Years of Freedom Campaign;
- strategic media briefings and interviews; and
- providing media training for the executive.

The Department has continued to improve its value proposition and made its brand relevant to ordinary South Africans through the Budget Vote, Departmental activities and supporting SOCs activities.

Changes to planned targets

The Department reviewed the relevance of its APP to ensure it supports to the Government priority outcomes. The Talent Management Strategy was removed from the APP to allow further internal engagement on the approach.

Sub-programme expenditure

| Sub-programme name | 2014/15 | | | 2013/14 | | |
|-------------------------|---------------------|--------------------|------------------------|---------------------|--------------------|------------------------|
| | 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 | 32 554 | 28 411 | 4 143 | 31 385 | 31 343 | 42 |
| Management (Prog. 1) | 15 443 | 15 152 | 291 | 4 406 | 4 173 | 233 |
| Internal Audit | 4 493 | 3 565 | 928 | 3 287 | 3 276 | 11 |
| Corporate Services | 29 993 | 28 075 | 1 918 | 28 915 | 28 334 | 581 |
| Chief Financial Officer | 12 962 | 12 578 | 384 | 10 304 | 10 074 | 230 |
| Communications | 16 771 | 16 072 | 699 | 12 996 | 12 840 | 156 |

| Sub-programme name | 2014/15 | | | 2013/14 | | |
|---|---------------------|--------------------|------------------------|---------------------|--------------------|------------------------|
| | 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 |
| Office Accommodation | 8 082 | 8 101 | (19) | 8 786 | 8 785 | 1 |
| Human Resources | 23 547 | 23 396 | 151 | 12 900 | 12 698 | 202 |
| Strategic Planning, Monitoring and Evaluation | 7 143 | 4 377 | 2 766 | 3 416 | 3 379 | 37 |
| Inter-Governmental Relations | 5 871 | 5 871 | 41 | 1 822 | 1 772 | 50 |
| Total | 156 859 | 145 557 | 11 302 | 134 702 | 133 294 | 1 408 |

Expenditure on this programme amounted to R145.557million in 2014/2015, compared to R133.294 million in 2013/2014. The increase of R12.263 million was mainly due to, inter alia, a number of large projects undertaken by Human Resources, audit fees, office accommodation, additional capital assets purchased in the current year, an increase in consultants cost for the War Room project, and the SAA aviation expert required for the turnaround strategy. The under-spending of R10.8 million is the result of projects which were not initiated and not completed in the current financial year, such as the Business Process Mapping, the SOC performance review standards and the delay in the filling of vacant positions.

4.2 Programme 2: Legal and governance

Purpose

Provides legal services and corporate governance systems, facilitates the implementation of all legal aspects of transactions that are strategically important to the Department and SOCs, and ensures alignment with Government's strategic intent.

The sub-programmes in this programme are as follows:

- **Management** comprises the office of the Deputy Director-General, which provides strategic leadership and management of the programme personnel.
- **Legal** - internal legal services and support to oversight of the SOCs. The unit provides legal services, including transaction and contract management support, to the Department, and it provides work specifically related to the commercial activities of the sector teams in respect of the SOCs within their oversight.
- **Governance** - develops and maintains effective corporate governance, systems and processes for the Department and its portfolio of SOCs, which includes providing an overarching policy framework for the shareholder oversight.
- **Risk Management** - identifies reports and monitors both the operational and shareholder risks, including but not limited to SOCs specific and cross cutting risks.

Strategic objectives, performance indicators, planned targets and actual achievements

Strategic objectives

Over the MTEF period the programme will ensure effective shareholder oversight of SOCs by:

- Providing legal services and coordinate governance systems.
- Facilitate the implementation of all legal aspects of transactions that are strategically important to the Department and SOCs.
- Ensuring that financial and operational risk management processes are embedded throughout the Department as and when required, over the medium term.
- Addressing constraints on SOCs contract negotiations and management, to improve commercial competence and contribute to economic growth and development on a regular basis.
- Providing advice on developing the SOCs strategic intent statements, and negotiating shareholder compact framework annually, in terms of the Public Finance Management Act (PFMA) 1999.
- Providing guidance on appropriate delegation frameworks between the SOCs boards and executive management on a regular basis.
- Advising the Minister on the appointments of board of directors through a uniform board appointment methodology.
- Providing a coherent remuneration framework for non-executive directors, executive directors and prescribed officers, with strong focus on performance management.

Performance indicators

| Programme: Legal and Governance | | | | | |
|---|--|---|----------------------------|---|--|
| Performance indicator | Actual achievement 2013/14 | Planned target 2014/15 | Actual achievement 2014/15 | Deviation from planned target to actual achievement for 2014/15 | Comment on deviations |
| Review shareholder oversight function to ensure alignment of SOC to developmental outcomes | | | | | |
| Deregistration of Aventura | Appointment of the liquidator took place and two meetings were held between the Department and the appointed liquidators | Draft Bill to repeal the Overvaal Act 127 of 1993 | Achieved | None | None |
| Resolution of the 20% State shareholding in Namaqualand Mines | None | Agreement on the disposal or housing of the 20% shareholding in Namaqualand Mines | Not achieved | The Department made an offer to the company and negotiations are still ongoing. | Matter has been escalated to the executive to ensure finalisation in 2015/16. |
| Government Shareholder Management (GSM) Bill | None | GSM Bill | Not achieved | FOSAD and Cabinet Lekgotla to make a decision to hold back the project and do a proper review of the project plan to ensure that it covers all the elements of the GSM Bill | The project has been deferred to 2015/16 financial year and an integrated GSM concept will be presented to Cabinet in July 2015. |
| Promote good corporate governance | | | | | |
| Risk modelling tool | None | Feasibility report on risk modelling tool | Not achieved | Project delayed, appointment of the service provider took longer than anticipated and the work began towards the end of the financial year. | Development of risk modelling tool has been deferred to 2015/16 financial year |

Key achievements

Governance

Highlights of the year include a number of activities that are intended to improve not only the corporate governance systems and frameworks of the SOCs, but also to strengthen the Department's oversight. At the forefront of these activities are the continuous strengthening of the boards, the finalisation of the Remuneration Standards and the review of the Protocol on Corporate Governance in the Public Sector and the Board Induction Toolkit.

The Board Appointment Methodology has been in the spotlight and it is ostensible that Government needs to adopt a uniform approach when considering candidates for appointment on boards. To this end, the Department is part of an Inter-Departmental task team that has been established to develop a common set of principles which, once approved, will be adhered to consistently across Government.

The SOCs continue to pilot the new Remuneration and Incentive Standards for Non-Executive Directors, Executive Directors and Prescribed Officers. While there is an appreciation for heightened accountability across Government, much more needs to be done to create awareness and adopt a uniform approach meant to improve the oversight, monitoring and evaluation of remuneration and incentives.

There is contentment that the new Standards will address the majority of the inefficiencies of the previous model. Particularly, it is important to note that stringent measures have been introduced to guard against payment of incentives where poor performance appears prevalent.

The Protocol on Corporate Governance has been updated to incorporate changes in company law and now includes a comprehensive Board Induction Toolkit, which serves as a roadmap for Directors in the fulfillment of their fiduciary duties. However, in light of recent Cabinet decisions taken on implementing the recommendations outlined in the PRC Report, there is a need to ensure that all the Department's tools are aligned to the objectives of the Government Shareholder Management Model and commensurate Bill.

Risk

1. Successfully resolved the dispute on the independence of Aecom's review of the Eskom Build Programme.

Legal

1. Proposals on legislative amendments to combat copper theft were made and handed over to the Working Group of Deputy Ministers.
2. Transformation Guidelines were finalised and approved.
3. Successful transfer of Broadband Infracore to Department of Telecommunications and Postal Services.
4. Facilitated successful exit of Eskom from Energie Manantali Patrimonium.

Reasons for all deviations

The Risk Modeling Tool target was delayed owing to the difficulty in securing a service provider that is suitable to address the complex demands of the project.

Changes to planned targets

Changes under Legal and Governance were as a result of the removal of the SOCs procurement framework from the APP, due to the review of the PPPFA by the National Treasury. The review has been initiated to address the localisation concerns.

Sub-programme expenditure

| Sub-programme name | 2014/15 | | | 2013/14 | | |
|--------------------|---------------------|--------------------|------------------------|---------------------|--------------------|------------------------|
| | Final appropriation | Actual expenditure | Over/Under expenditure | Final appropriation | Actual expenditure | Over/Under expenditure |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Management | 3 059 | 2 879 | 180 | 3 052 | 3 022 | 30 |
| Legal | 12 603 | 11 703 | 900 | 12 789 | 12 704 | 85 |
| Governance | 8 649 | 5 731 | 2 918 | 7 597 | 7 433 | 164 |
| Total | 24 311 | 20 313 | 3 998 | 23 438 | 23 159 | 279 |

Expenditure in the programme amounted to R20.3 million in 2014/2015, compared to R23.1 million in 2013/14. There is R2.9 million differences in expenditure as a result of delays in completion of projects, as compared to the prior financial year. The underspending of R3.9 million is a result of projects deferred to the new financial year such as the risk modeling tool and the Government Shareholder Management Bill

4.3 Programme 3: Portfolio management and strategic partnerships

Purpose

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

The sub-programmes in this programme are as follows:

- **Energy Enterprises** – Includes Eskom and Broadband Infraco.
- **Manufacturing Enterprises** – Includes Denel, Alexkor and SAFCOL.
- **Transport Enterprises** – Includes South African Airways (SAA), South African Express (SAX) and Transnet.
- **Economic Impact and Policy Alignment** – Aligns SOCs with overarching Government economic, social and environmental policies.
- **Strategic Partnerships** – To ensure SOCs commercial sustainability and attainment of desired strategic outcomes and objectives by SOCs.

Programme expenditure

| Sub-programme name | 2014/15 | | | 2013/14 | | |
|--------------------------------------|---------------------|--------------------|------------------------|---------------------|--------------------|------------------------|
| | Final appropriation | Actual expenditure | Over/Under expenditure | Final appropriation | Actual expenditure | Over/Under expenditure |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Energy Enterprises | 17 492 | 15 507 | 1 985 | 17 631 | 15 991 | 1 640 |
| Manufacturing Enterprises | 80 392 | 77 541 | 2 851 | 71 596 | 68 097 | 3 499 |
| Transport Enterprises | 22 453 | 20 598 | 1 855 | 19 789 | 14 985 | 4 804 |
| Economic Impact and Policy Alignment | 11 570 | 10 677 | 893 | 16 069 | 9 686 | 6 383 |
| Strategic Partnerships | 9 850 | 8 253 | 1 597 | 10 914 | 7 256 | 3 658 |
| Total | 141 757 | 132 576 | 9 181 | 135 999 | 116 015 | 19 984 |

Expenditure on the programme amounted to R132,576 million in 2014/15, compared to R116,015 million in 2013/2014. The increase is due to the completion of projects in the current year which had commenced in the previous year. The underspending of R9.1 million is a result of delays in filling vacant positions and projects that have been deferred to the next financial year. The transfer of SAA to National Treasury and Broadband Infraco to the Department of Telecommunications and Postal Services (DTPS) also had a negative impact on the goods and services expenditure.

Detailed information on the five sub-programmes

4.3.1 Sub-programme: Energy enterprise

- Eskom and Broadband Infraco: Shareholder management and oversight of the Eskom business, including the generation, transmission and distribution of electricity, with particular emphasis on ensuring security of supply. To also provide strategic, financial and transactional analysis of Eskom businesses, as well as monitoring of its capital investment programme. Additionally, provide oversight of implementation of the Pebble Bed Modular Reactor (PBMR) care and maintenance programme in order to preserve intellectual property and assets.
- The unit also provides shareholder oversight of Broadband Infraco's activities in implementing the national broadband policy as developed by the Department of Communications. However, it should be noted that Broadband Infraco was transferred through a Presidential Proclamation to the newly formed DTPS on 19 September 2014.

Strategic objectives, performance indicators, planned targets and actual achievements

Strategic objectives

Over the MTEF period the sub-programme will ensure the following:

- Strengthen the Department's oversight role by ensuring the alignment of strategic intent in relation to the SOCs role in achieving Government objectives in the energy and information and communication technology sector on an ongoing basis.
- Contribute to the enhancement of the performance of SOCs by:
 - Evaluating corporate plans to determine whether SOCs' performance aligns with agreed key performance indicators, and providing advice and guidance to their boards on an ongoing basis.
 - Monitoring the implementation of corporate plans and shareholder compacts quarterly.
 - Assessing shareholder and enterprise risk quarterly and advising boards on areas of concern.

Eskom

- Support the security of electricity supply by:
 - Examining Eskom's maintenance plans, operational practices, electricity generation and distribution efficiency, and its reserve margins on an ongoing basis.
 - Ensuring that Eskom supplies electricity by monitoring, evaluating and engaging with Eskom on system security and the new Build Programme to alleviate constraints on an ongoing basis.
 - Monitoring the roll-out of the capital investment programme to ensure it is delivered on time, is of appropriate quality and within budget.
- Monitor the legal and regulatory compliance of Eskom by regularly engaging with relevant stakeholders, such as the Department of Energy, Environmental Affairs and Water Affairs, and with the National Energy Regulator of South Africa (NERSA) regarding policies and regulations affecting Eskom.
- Reduce Eskom's dependence on funding from the fiscus by monitoring cost escalations for its capital investment programme and operations, in order to cost-effectively roll out the Build Programme.
- Overseeing that Eskom's capital investment supports local suppliers industries by monitoring the implementation of relevant programmes through assessment of the company's quarterly reports.

Performance indicators

| Programme / Sub-programme: Energy Enterprise | | | | | |
|--|---|--------------------------|----------------------------|---|-----------------------|
| Performance indicator | Actual achievement 2013/14 | Planned target 2014/15 | Actual achievement 2014/15 | Deviation from planned target to actual achievement for 2014/15 | Comment on deviations |
| Ensure effective oversight and monitoring of Eskom and *Broadband Infraco | | | | | |
| Analysis of Eskom and BBI Corporate Plans | Corporate Plans for Eskom and Broadband Infraco assessed and approved by the Department | Assessed Corporate Plans | Achieved | None | None |

| Programme / Sub-programme: Energy Enterprise | | | | | |
|--|---|---|----------------------------|---|---|
| Performance indicator | Actual achievement 2013/14 | Planned target 2014/15 | Actual achievement 2014/15 | Deviation from planned target to actual achievement for 2014/15 | Comment on deviations |
| Analysis of annual reports | Draft annual reports for both Eskom and Broadband Infraco assessed | Draft annual reports assessed | Achieved | None | None |
| Minister's addresses in preparation of the AGMs | Minister's addresses issued for Eskom AGM held on 10 July 2013 and Broadband infraco AGM held on 08 August 2013 | Minister's addresses submitted for the AGMs | Achieved | None | None |
| Strategic Intent Statement (SIS) | Strategic Intent Statements for Eskom and Broadband issued | Strategic Intent Statements developed | Achieved | None | None |
| Negotiation and approval of Eskom and Broadband Infraco Shareholder Compacts | Eskom and Broadband Infraco 2014/15 Shareholder Compacts approved | Approval of Eskom and Broadband Infraco 2015/16 | Not achieved | Eskom requested an extension to finalise its Compact and submit final document in April 2015. | The analysis and approval of Eskom Shareholder Compact will be concluded in the first quarter of 2015/16 financial year. Infraco Shareholder Compact not finalised due to transfer of the SOC to DPTS. |

| Programme / Sub-programme: Energy Enterprise | | | | | |
|---|---|---|-----------------------------------|--|------------------------------|
| Performance indicator | Actual achievement 2013/14 | Planned target 2014/15 | Actual achievement 2014/15 | Deviation from planned target to actual achievement for 2014/15 | Comment on deviations |
| Assessment of Eskom and BBI quarterly reports - Assessment of operational and financial key areas - Monitoring Road to Rail Migration | 4 quarterly assessment on operational and financial performance for Eskom and Broadband Infracore completed | 4 quarterly reports assessed | Achieved | None | None |
| Assessment of PFMA applications | All received PFMA applications assessments submitted | Assessment of PFMA applications | Achieved | None | None |
| Stabilise our SOC, looking at strengthening of balance sheets and funding options | | | | | |
| Funding for BBI | None | Secure funding for BBI | Achieved | None | None |
| MYPD 3 | None | Brief Cabinet on Eskom financial challenges | Achieved | None | None |
| Position paper on the 10 year tariff path | None | Position paper on the 10 year tariff path | Achieved | None | None |
| Drive economic infrastructure investment to enhance the capacity of the economy with emphasis on the SIPs | | | | | |

| Programme / Sub-programme: Energy Enterprise | | | | | |
|--|---|---|----------------------------|---|-----------------------|
| Performance indicator | Actual achievement 2013/14 | Planned target 2014/15 | Actual achievement 2014/15 | Deviation from planned target to actual achievement for 2014/15 | Comment on deviations |
| Assessment of Eskom Capex Programme | Capacity expansion programme monitored on a quarterly basis. The study conducted to assess Eskom practices on the implementation of capacity expansion programme completed. | Quarterly assessment of Eskom CAPEX program | Achieved | None | None |

* in September 2014 the President signed a proclamation to move Broadband Infraco to the DTPS. The reporting for quarter 3 and 4 was undertaken by DTPS.

Key achievements

ESKOM

Eskom continues to play a dominant role in providing electricity to over 95% of South Africa's needs. The company continues to face significant challenges, including declining sales, ageing and unreliable plants, execution of mega project delivery, and significant financial challenges emanating from the MYPD3 decision and Eskom's own growing costs. Despite these challenges, Eskom achieved great milestones that are set out below.

Completion of Sere Wind Farm ahead of schedule

Eskom successfully completed the construction of its first commercial-scale of wind power plant at the end of December 2014. 100 MW of clean power generated from Sere Wind Farm is being fed into the power grid. In addition to its role in addressing the electricity supply deficit of the country, the Sere Project diversifies Eskom's overall mix and reduces its overall carbon footprint. Eskom's project management in the delivery of this project ahead of schedule is another key success.

Medupi delivery of first power to the grid

On 6 March 2015 the first power from Medupi was successfully fed into the national power grid. This is a significant accomplishment towards sustainable energy supply across the country.

Transmission line construction

It is critical for energy security that the requisite infrastructure which evacuates power generated from power stations to the end customers, be put in place. Eskom successfully completed the construction of transmission lines and substations for the 2014/15 financial year.

Koeberg operational performance

Despite the challenges in the Eskom generation environment, the Koeberg nuclear plant continues to operate as a world class facility, demonstrating South Africa's capability to operate and regulate such a facility.

Electrification: Additional 160 000 households were connected to the grid

In continuation of the success story of the electrification programme, Eskom connected an additional 160 000 households to the grid, changing the lives of ordinary South Africans and contributing to Government's objective of universal access.

Although Eskom's financial requirements are expected to grow aggressively in the coming financial years, the Department continues to work with the company and to support it in striving to achieve sustainable financial stability into the long term. Key to achieving this sustainable financial trajectory for Eskom, are: reviewing the operating business model to achieve an optimal cost structure, particularly in the areas of project cost management, primary energy and other operating expenses; supporting Eskom's application for electricity price increases; working with other Government counterparts to ensure and improve financial leverage; and analysing and supporting additional measures to close the funding gaps.

In the year under review, a task team of Government, chaired by the DPE, received Cabinet approval for a support package meant to ensure that Eskom remains sustainable. The support package included a R23 billion equity injection, conversion of the sub-ordinated loan of R60 billion and increasing borrowing, and Eskom achieving its full savings plan. The Department will continue to monitor these measures throughout the MYPD3 period.

PBMR

The Department consulted other Government Departments on various possible options to dispose of PBMR's non-strategic assets going forward. This is due to the fact that a number of PBMR assets present possible research-related opportunities, and broader consultation on the possibility of donating these assets to universities had to be facilitated. Progress regarding the PBMR project is being prepared for Cabinet briefing and recommendations on how to execute the remainder of the project will be presented in due course. The strategic direction of PBMR is still subject to policy pronouncement by the DoE.

Reasons for all deviations

Deviations under Energy Enterprises were largely attributed to the Cabinet decision to move the Broadband Infracore to DTPS. The President signed a proclamation on the 26th September 2014 to move the entity as part of the rationalisation of the ICT sector. All the work done when the entity was reporting to the Department, particularly quarter 1 and quarter 2, was officially handed over to the DTPS, through consent of the Ministers.

It must further be noted that the human resources associated with the entity's transfer to DTPS, were only moved to DTPS at the end of the financial year (31 March 2015), and therefore expenditure linked to them is accounted for in the financial statement in the Department of Public Enterprises.

Changes to planned targets

The wording of the targets for MYPD 3 and Funding for BBI were revised. The Capex Build Programme was added on the APP as a key priority within the MTSF. The Capex Project Risk Register was removed from the APP because the indicator was monitored under the Capex Build Programme.

Sub-programme expenditure

| Sub-programme energy enterprises | 2014/15 | | | 2013/14 | | |
|----------------------------------|---------------------|--------------------|------------------------|---------------------|--------------------|------------------------|
| | 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 | 2 318 | 2 157 | 161 | 2 152 | 2 144 | 8 |
| Broadband Infraco | 8 317 | 7 145 | 1 172 | 7 384 | 6 998 | 386 |
| Eskom and PBMR | 6 857 | 6 205 | 652 | 8 095 | 6 849 | 1 246 |
| Total | 17 492 | 15 507 | 1 985 | 17 631 | 15 991 | 1 640 |

Expenditure in this programme amounted to R15.507 million in 2014/15, compared to R15.991 million in 2013/14. The decrease is not significant and is attributable to resignations by key staff in the unit. The underspending of R1.9 million is as a result of projects planned under the Energy and Broadband Enterprises unit in respect of Broadband Infraco, which did not materialise because of the transfer of Broadband Infraco to the Department of Telecommunications and Postal Services.

4.3.2 Sub-programme: Manufacturing enterprises

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

Denel – Shareholder management and oversight of Denel's financial performance and strategy implementation.

Alexkor – Shareholder management and oversight of Alexkor, including redirecting Alexkor's commercial focus and sustainability, and overseeing implementation of the Richtersveld Deed of Settlement.

SAFCOL – Shareholder management and oversight, including forestry management, timber harvesting, timber processing and related activities, both domestically and internationally, as well as oversight of the entity's restructuring.

Strategic objectives, performance indicators, planned targets and actual achievements

Strategic objectives

Effective and efficient management of the shareholder oversight function of the Department, with respect to Denel, Alexkor and SAFCOL.

Ensure continued alignment between the shareholder strategic intent and objectives of Denel, Alexkor and SAFCOL, through the annual review of SOCs strategies and mandates in the context of industrial and sectorial policy shifts.

Provision of strategic support to Denel, Alexkor and SAFCOL in delivering outcomes set out in the Shareholder Compacts and Corporate Plans. Furthermore, regular reviews and benchmarking of key performance measures in order to ensure performance improvement and the desired national economic impact.

Identify opportunities for collaboration between SOCs in advancing national economic and industrial development objectives.

The unit had specific focus areas with the three SOCs in its portfolio.

Denel

- Ensuring implementation of a long term growth strategy to achieve financial stability and growth in manufactured export products. The strategy is also aimed at reducing the SOCs dependence on Government guarantees.
- Assisting the SOC to position itself as a recipient of work packages from State-led capital and infrastructure expenditure programmes, leveraging its advanced manufacturing capability. The effort was aligned with the national industrialisation programme.
- Conclusion of studies aimed at reviewing the economic impact of the decision to develop the Rooivalk attack helicopter and the Strategic Equity Partnership strategy, which led to Denel selling off majority stakes in some of its divisions to foreign original equipment manufacturers.

Alexkor

- Ensuring implementation of Alexkor's diversification strategy, which emphasises less reliance on a single resource, namely the Richtersveld Community co-owned mine in Alexander Bay in the Northern Cape.
- Ensuring full implementation of the Deed of Settlement driven restitution programme in the Richtersveld, with the support of the Departments of Minerals Resources and Rural Development and Land Reform (DRDLR).

SAFCOL

- Overseeing the development of SOC's corporate strategy with greater emphasis on sawlog beneficiation and rural economic development.
- Developing a permanent resolution of the minority shareholdings issue in privatised forestry companies temporarily warehoused by the SOC for DRDLR, and development of an appropriate land claims settlement model.

Performance indicators

| Sub-programme: Manufacturing Enterprise | | | | | |
|---|---|---|----------------------------|---|-----------------------|
| Performance indicator | Actual achievement 2013/14 | Planned target 2014/15 | Actual achievement 2014/15 | Deviation from planned target to actual achievement for 2014/15 | Comment on deviations |
| Ensure effective oversight and monitoring of Denel, Alexkor and SAFCOL | | | | | |
| Analysis of SAFCOL, Denel and Alexkor's Corporate Plans | Denel, Alexkor and SAFCOL Corporate Plans assessed | Assessed Corporate Plans | Achieved | None | None |
| Analysis of SAFCOL, Denel and Alexkor's annual reports | Denel, Alexkor and SAFCOL annual reports assessed | Annual reports assessed | Achieved | None | None |
| Minister's addresses in preparation of the AGMs | Minster's addresses issued at Denel, Alexkor and SAFCOL AGMs | Minister's addresses submitted for the AGMs | Achieved | None | None |
| Strategic Intent Statement (SIS) | Denel, Alexkor and SAFCOL Strategic Intent Statements developed | Strategic Intent Statement developed | Achieved | None | None |
| Negotiation and approval of Shareholder Compacts | Denel, Alexkor and SAFCOL Shareholder Compacts approved | 2015/16 Shareholder Compacts approved | Achieved | None | None |
| Assessment of SAFCOL, Denel and Alexkor's quarterly reports - Assessment of operational and financial key areas | Denel, Alexkor and SAFCOL quarterly reports assessed | 4 quarterly reports assessed | Achieved | None | None |
| Assessment of PFMA applications | All received PFMA applications were assessed and submitted | Assessment of PFMA applications | Achieved | None | None |

| Sub-programme: Manufacturing Enterprise | | | | | |
|---|--|---|----------------------------|---|---|
| Performance indicator | Actual achievement 2013/14 | Planned target 2014/15 | Actual achievement 2014/15 | Deviation from planned target to actual achievement for 2014/15 | Comment on deviations |
| Stabilise SOC, looking at strengthening of balance sheets and funding options | | | | | |
| Monitor the implementation of Alexkor's strategy | The new Alexkor strategy that defines the role of the company as a SOC completed and approved by the shareholder | Monitor the implementation of Alexkor strategy | Achieved | None | None |
| Review SAFCOL's new strategy | None | Submission of SAFCOL's strategy to the shareholder for approval | Not achieved | The entity submitted its corporate strategy in March 2015 for assessment and approval, which meant that the department could not assess the strategy in the 2014/15 financial year. | The strategy will be assessed and submitted for approval in the first quarter of 2015/16 financial year |
| Leverage SOC procurement spend to support industrialisation and transformation | | | | | |
| South Africa's MRO Services Hub | None | *Technical capability assessment of the 3 entities concluded (SAA, SAX and Denel) | Not achieved | This project had to be paused due to the Cabinet decision to move SAA to National Treasury in December 2014 | The work is continuing with IMC SAA oversight. Significant progress expected in 2015/16 |

Key achievements

Denel

One of the major focus areas in the year under review was the preservation and development of Denel's strategic and sovereign capabilities, which forms a critical part of the SOC's long term growth strategy and which is also in line with the Department of Defence's (DoD) Defence Review 2014. In this regard, the

Department participated in the DPE-DOD Task Team that identified and classified various defence industrial capabilities

and subsequently formulated a role that Denel will be playing in developing a defence industry capability in supporting of the South African National Defense Force (SANDF's) operational capability.

In support of this work, the Minister of Public Enterprises approved a cooperation agreement between the two Departments. It is expected that in 2015/16 an operational and contracting framework between Denel and Armscor will be concluded to ensure implementation of the agreement.

The Department, through the Minister, Deputy Minister, Acting Director-General and other senior officials, supported the SOC in its endeavour to secure more export orders for the country. This was in appreciation of the importance of bilateral political relationships in securing sales orders. In the year under review, the SOCs were promoted at the AAD 2014, IDEX 2015, and LIMA 2015 exhibitions.

In fulfilling the objectives of the 2014 Defence Review, which identified space technologies as critical to the defence of the country, Denel agreed to take over the ailing facilities of Sunspace, which was rebranded Denel Spaceteq. The Department, through the PFMA process and with input from National Treasury, established appropriate measures to ensure that the arrangement does not place undue stress on the SOC. One of the critical conditions was adequate order cover from the Department of Science and Technology (DST) and the South African National Space Agency (SANSA).

The net result of the efforts of various stakeholders is that the SOC has continued on a path to sustainability with exports exceeding 50% of R5,6 billion in revenues, the net after tax profit is well over R200 million (representing a 300% improvement), and the order book has improved to over R30 billion.

The delay in the decisions on major aircraft acquisition by SOC has impacted negatively on Denel's participation in offset opportunities, particularly Denel Aerostructures, which was created on the back of offsets. These packages are critical in maintaining certain critical advanced manufacturing capabilities in the SOC. The situation is expected to improve in the 2015/16 financial year.

The Department completed two studies, the first of which sought to gauge the impact which the development of the Rooivalk Attack Helicopter had on the South African economy. The second aimed to assess the success of the Strategic Partnerships strategy rolled out by Denel in response to the deterioration in the SANDF armament procurement budget, and which involved the invitation of selected international original equipment manufacturers to take up equity shareholding in the SOC divisions. The studies confirmed that in order to maintain local defence capabilities, flagship acquisition programmes like that of Rooivalk are critical and that the spill-over effects could be significant for many years. The Strategic Partnerships study demonstrated that the country has benefited from the strategy and therefore it should remain an option in opening up locally manufactured defence products to international markets. However, there is recognition that such a strategy should take into account issues of national interest, such as security of supply and preservation of sovereign capabilities.

Alexkor

Following the incorporation of Alexander Bay into the Richtersveld Local Municipality, the Department has been working vigorously to ensure that the properties in the town are registered and that title deeds are handed over to the community, in line with the directives of the Deed of Settlement. It is expected that the process will be completed in the second quarter of 2015/16, which will also enable the transfer of a final

tranche to the community, amounting to R45 million. This will ensure that Alexkor has continued access to some of the properties in the town to accommodate contractors posted to the mine.

The Muisvlak plant, commissioned in 2013/14, was officially opened by the then Minister of Public Enterprises in April 2014. The plant has assisted in improving diamond production to over 70 000 carats (an improvement of more than 60% in the previous year). The result is that the mine is now fully profitable (R35 million profit was recorded in 2014/15) with over 15% improvement in its revenues, to R400 million.

The SOC diversification strategy requires alignment between the two State-owned mining companies, Alexkor and **African Exploration Mining and Finance Corporation** (EMFC). The Department has identified the development of a cooperation and collaboration agreement between the two entities as an area of focus in the 2015/16 financial year.

Diamond thefts continue to bedevil the mine and the SOC, therefore, during 2015/16 the Department will be focusing on developing a security strategy that is inclusive of relevant industry partners and law enforcement agencies.

SAFCOL

The previous trend of tough business conditions continued to negatively affect the SOC in the year under review. In attempting to address this challenge, SAFCOL delivered a turnaround strategy to the Department in the last month of the fourth quarter. The review and approval process will be completed in the first quarter of 2015/16.

For the year under review, the SOC had budgeted for revenue of R917 million and a profit of R21 million. These targets were not achieved and SAFCOL generated income of R817 million, which represents a 5% reduction compared to actual revenues in 2014/15. The SOC is scheduled to report an R11 million loss.

It should be noted, however, that Siyaqhubheka, a privatised forestry operation in KwaZulu-Natal, delivered a R34 million profit which impacted positively on the SOCs' loss. The question on minority shareholding remains unresolved and there has not been a significant improvement in the land claims situation, which currently affects 61% of the SOC land holdings. With the reopening of the claims process, it is expected that land claims will increase to cover 100% of SAFCOL's holdings.

Reasons for deviation

The transfer of SAA to National Treasury had a negative impact on the Department's ability to achieve some of the SOCs collaboration strategic projects identified, namely the Aviation Maintenance Repair Overall (MRO) consolidation and airlines' aircraft acquisition offset opportunities. These projects could not proceed following the transfer of SAA to National Treasury. To date, the Department has compiled a statement of capability for each SOC, identifying capabilities which can be consolidated. A roadmap for the consolidation has been developed. The product will inform the industrial participation discussion with aircraft Original Equipment Manufacturers (OEMs), leveraging SAA and SAX acquisitions.

Changes to planned targets

The changes have been minor with regards to the monitoring of the SAFCOL's Corporate Strategy.

Sub-programme expenditure

| Sub-programme: Manufacturing enterprises | 2014/15 | | | 2013/14 | | |
|---|---------------------|--------------------|------------------------|---------------------|--------------------|------------------------|
| | Final appropriation | Actual expenditure | Over/Under expenditure | Final appropriation | Actual expenditure | Over/Under expenditure |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Management | 4 285 | 4 273 | 12 | 3 692 | 2 832 | 860 |
| Denel | 68 333 | 67 226 | 1 107 | 61 362 | 60 880 | 482 |
| Alexkor | 1 792 | 927 | 865 | 905 | 193 | 712 |
| SAFCOL | 5 982 | 5 115 | 867 | 5 637 | 4 192 | 1 446 |
| Total | 80 392 | 77 541 | 2 851 | 71 596 | 68 097 | 3 499 |

Expenditure in the sub-programme amounted to R77,541 million in 2014/2015, compared to R68,097 million in 2013/14. The increase was as a result of an increase in the Denel indemnity claim of R63,141 million (2013/14: R57,250 million), and increased capacity which also allowed completion of projects scheduled for the current financial year. The underspending of R2.8 million results from a delay in filling vacant positions and the impact of the transfer of SAA to National Treasury. The project to ensure collaboration between SAA and SAX could subsequently not be completed.

4.3.3 Sub-programme: Transport enterprises

Purpose

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

The programme comprises of the following sub-programmes:

- **Management** – Consists of the office of the Deputy Director-General, which provides strategic leadership and management of personnel.
- **Transnet** – Responsible for shareholder management and oversight of Transnet, which includes the capital expansion programme and effective operation of the entity and its business units.
- **SAX and SAA** – Responsible for shareholder management and oversight of SAX and SAA, as well as for overseeing its establishment as a regional carrier with a focus on the African market.

Strategic objectives

- Effective shareholder oversight of SAA, SAX and Transnet.
- Ensuring that Transnet focuses on the achievement of an efficient, competitive and responsive infrastructure, resulting in increased volumes and productivity (output 3 of outcome 6).

Over the MTEF the sub-programme will:

- Implement and maintain National Corridor Performance Measurement (NCPM) tools and indicators.
- Monitor and assist SAX's 20:20 vision strategy on an ongoing basis.
- Provides strategic guidance as and when required, to strengthen the financial positions of SAX in order to ensure its long-term sustainability.
- Support the implementation of transformation at SAX in support of national policies and economic

growth, with a specific focus on skills development; job creation; procurement that supports BBBEE; and CSI targeted at designated groups, such as the youth, women, people with disability and cooperatives.

- Lead the formulation of policies and strategies for sustainability on the airlines and improvements within the aviation sector and related system over the medium term plans.
- Monitor the development of the West Africa aviation hub in support of the Department's Africa strategy, which focuses on regional infrastructure development as a means to improve South African aviation.
- Facilitate national policy development that will ensure an enabling environment for the achievement of the SOCs' strategic objectives.
- Monitor the development of economic regulation and competition policy to ensure that the strategic objectives of SOC's are not compromised.

Performance indicators

| Sub-programme: Transport Enterprises | | | | | |
|--|---|---|----------------------------|---|--|
| Performance indicator | Actual achievement 2013/14 | Planned target 2014/15 | Actual achievement 2014/15 | Deviation from planned target to actual achievement for 2014/15 | Comment on deviations |
| Ensure effective oversight and monitoring of Transnet, *SAA and SAX | | | | | |
| Analysis of Transnet, SAA and SAX Corporate Plans | SAA, SAX and Transnet Corporate Plans assessed | Assessed Corporate Plans | Achieved | None | None |
| Assessment of annual reports | SAA, SAX and Transnet draft annual reports assessed | Annual reports assessed | Achieved | None | None |
| Minister's addresses in preparation of the AGMs | SAA, SAX and Transnet Minister's addresses issued at the AGMs | Minister's addresses submitted for the AGMs | Achieved | None | None |
| Strategic Intent Statement (SIS) | SAA, SAX and Transnet Strategic Intent Statement valid until 2015/16 financial year | Strategic Intent Statements developed | Not achieved | Transnet SIS was developed | SAX funding challenges should be resolved in 2015/16 enabling signing off of SIS. SAX and SAA SIS could not be signed off due to pending guarantee applications to NT. |

| Sub-programme: Transport Enterprises | | | | | |
|--|---|---|-----------------------------------|--|---|
| Performance indicator | Actual achievement 2013/14 | Planned target 2014/15 | Actual achievement 2014/15 | Deviation from planned target to actual achievement for 2014/15 | Comment on deviations |
| Negotiation and approval of Shareholder Compacts | SAA, SAX and Transnet 2014/2015 Shareholder Compacts approved by the minister | 2015/2016 Shareholder Compacts approved | Not achieved | Transnet 2015/2016 Shareholder Compact approved. SAX 2015/16 Shareholder Compact not finalised. SAA Shareholder Compact not finalised at the time when the function was transferred to NT. | SAX Shareholder Compact will be approved in the 2015/16 financial year. |
| Assessment of Transnet, SAA and SAX quarterly reports | 4 quarterly financial and operational performance reports assessed | 4 quarterly reports assessed | Achieved | None | Quarter 2 and 3 of SAA was assessed by NT |
| Assessment of PFMA applications | All PFMA applications received were assessed and signed by the Minister | Assessment of PFMA applications | Achieved | None | None |
| Stabilise our SOC, looking at strengthening of balance sheets and funding options | | | | | |
| Monitor the implementation of the SAA LTTS and SAX 20:20 Vision | None | Monitor the Implementation of the SAA LTTS and SAX 20:20 Vision | Achieved | None | None |
| Review funding requirement for SAA and SAX | None | Funding requirements for SAA and SAX defined | Achieved | None | None |

| Sub-programme: Transport Enterprises | | | | | |
|---|----------------------------|--|----------------------------|---|---|
| Performance indicator | Actual achievement 2013/14 | Planned target 2014/15 | Actual achievement 2014/15 | Deviation from planned target to actual achievement for 2014/15 | Comment on deviations |
| Drive economic infrastructure investment to enhance the capacity of the economy, with emphasis on the SIPs | | | | | |
| Quarterly assessment of Transnet's investment programme | None | Quarterly investment programme assessments | Achieved | None | None |
| Quarterly assessment of the airline's fleet renewal programme | None | Quarterly assessment of the airline's fleet renewal programme | Not achieved | Only quarter 4 and 1 assessments were completed | Quarter 2 and 3 not assessed. Based on SAX's weak financial position, the airline could not proceed with the fleet renewal programme. SAX may continue with its fleet renewal programme in the future once the financial position has improved. |
| Whole-of-state policy | None | Whole-of-state policy - fly South Africa policy/act - Transit visa - Airlift Strategy alignment with Tourism Strategy | Not achieved | The Airlift Strategy and National Civil Aviation policy were reviewed and submitted to the Department of Transport. Consultation with Home Affairs on impact of transit visa regime took place. | The Department's formulation of the way forward will be informed by the Departments of Transport and Home Affairs assessment of the proposed policies. |

**In December 2014 the President signed a proclamation to move SAA to National Treasury. The assessment of quarter 3 & 4 and the finalisation of the SIS and Shareholder Compacts were undertaken by NT.*

Key achievements

Transnet

During the year under review, the Department assessed and approved two significant PFMA (Section 54) applications from Transnet. The first application related to the expansion of manganese exports from the current capacity of 5.5 million tons to 16 million tons per annum. This entailed relocating manganese export facilities from Port Elizabeth to the Port of Ngqura. Over 75% of the world's manganese ore resources are located in the Northern Cape Province, and this project is expected to unlock opportunities for local mining companies to increase their global footprint as manganese suppliers. The estimated total cost of the project is R26.7 billion. During construction the project is expected to generate 30 000 jobs in the Northern Cape, as well as in the Eastern Cape.

The second Transnet PFMA (Section 54) application assessed by the Department was for the acquisition of 100 coal locomotives. With this acquisition, Transnet will be able to add 125 locomotives to the general freight business lines in order to mitigate the risk of lost volume.

The Department has also engaged with the Department of Transport (DoT) with regard to policy development in the rail sector. In conjunction with the DoT, a Director General's rail policy Steering Committee was established to ensure policy alignment between the two Departments in this sector. The Department finalised a Memorandum of Understanding (MoU) with DoT with regard to the establishment of an Interim Rail Economic Regulator (IRER) Ministerial Task Team. The scope definition for the IRER commenced during the 2014/15 financial year and a chairperson of the task team, as well as rail and economic regulations experts, were appointed to assist the body.

As part of the inter-modal strategy in the SIS, the Department prioritised enhancement of inland terminals in order to improve the effectiveness of logistics systems, the efficiency of train operations and more effective train scheduling to meet customer demands. The City Deep Inland Terminal's capacity was increased to address the inefficiencies in the logistics system.

SAA

SAA developed a Recovery Plan that was presented to both the Ministers of Public Enterprises and Finance on the 10th of November 2014. The Recovery Plan is intended to bring the airline back on to a path of recovery, following the slow progress in implementing the Long Term Turnaround Strategy. It is envisaged to lead to a saving of R2 billion between 1 April 2015 and 31 March 2016. This will reduce the projected losses for the 2015/16 financial year from R3.5 billion to R1.5 billion.

SAA also received a R6.488 billion Government guarantee in December 2014, following the development of the Recovery Plan. The shareholder oversight responsibility of SAA was transferred to National Treasury via Presidential Proclamation No. 88 of 12 December 2014, which was published in the National Gazette no. 38354 on the 19th of December 2014. Over and above the transfer, the office of the Deputy President was charged with the responsibility to oversee the operational and financial turnaround of SAA to long-term sustainability.

Some of the key developments for the airline during the year included the approval of the re-routing of the Beijing route through Abu Dhabi, saving the airline approximately R300 million in losses per annum; receipt of four A320 aircraft to revitalise the fleet; the appointment of the first Black Chief Pilot; and the appointment of the Chief Commercial Officer, a critical position that had been vacant since October 2012.

SA Express

SA Express developed austerity measures in November 2014 and based on these, the airline was granted an extension of an existing guarantee from R539 million and R567 million.

Some of the key developments for the airline during the year included withdrawal from the following unprofitable routes: Cape Town to Windhoek, Cape Town to Maputo, Johannesburg to Pietermaritzburg, Johannesburg to Nelspruit, Cape Town to Kimberley and Cape Town to George. On 26 January 2015 the airline finalised the appointment of the new Chief Financial Officer, who will provide leadership and stability in the airline's finance division.

Reasons for all deviations

Deviations under Transport Enterprises were due to the Cabinet decision to move the South African Airways to National Treasury in December 2014. The work done during quarter 1 and quarter 2 when the entity was reporting to the Department was handed over to the National Treasury.

Changes to planned targets

The Department continuously reviews the relevance of its APP to ensure that it supports the Government outcomes. In the period under review, the Department undertook a review of its APP to assess the relevance of certain projects and to align the annual targets to available resources.

As a result, a few changes to the annual targets were effected and a revised APP was approved by the executive authority of the Department. The revised annual targets were used to monitor performance within the programme.

Sub-programme expenditure

| Sub-programme: Transport enterprises | 2014/15 | | | 2013/14 | | |
|---|---------------------|--------------------|------------------------|---------------------|--------------------|------------------------|
| | 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 | 2 991 | 2 708 | 283 | 2 997 | 2 845 | 152 |
| Transnet | 10 494 | 9 216 | 1 278 | 11 587 | 7 098 | 4 489 |
| SAA Express | 8 968 | 8 674 | 294 | 5 205 | 5 042 | 162 |
| Total | 22 453 | 20 598 | 1 855 | 19 789 | 14 985 | 4 804 |

Expenditure in the sub-programme amounted to R20.598 million in 2014/15, compared to R14.985 in 2013/14. The increase was due to funds expended on the SAA turnaround strategy. The underspending of R1.8 million is the result of delay in filling vacant positions and the associated goods and services.

4.3.4 Sub-programme: Economic Impact and Policy Alignment

Purpose

To align shareholder oversight of the SOCs in relation to Government's over-arching economic, social and environmental policies, and to implement strategic interventions to contribute towards achievement of national objectives in support of economic growth and transformation.

Management comprises the Office of the Deputy Director-General, which provides strategic leadership and management of the programme personnel. This sub-programme comprises:

- **Environmental Policy Alignment** – Oversees alignment and implementation of SOCs' Strategically Important Developments (SIDs), with a special focus on Eskom's and Transnet's Build Programmes. Oversight and alignment of the Climate Change Policy Framework for SOCs in support of national policies and the green economy.
- **Economic Policy Alignment** – This focuses on appropriate macro-economic modeling and research to enhance the links between industrial policy, macro-economic policy and the role of SOCs. Economic modeling will be outsourced to relevant institutions to determine the impact of SOC investment and operations on the economy, including the impact on customers and suppliers.
- **Transformation, Skills and Youth Development** – This focuses on the provision of scarce and critical skills by SOCs in support of the National Skills Agenda, the NGP and the NDP, as well as optimising SOC skills training facilities through the NSF (amongst others). Transformation and Youth Development areas will form new fields for incorporation into SOCs Shareholder Compacts. This includes overseeing alignment and implementation of the SOCs transformation agendas in support of national policies and the NGP Framework, with a focus on: job creation; youth development and the development of targeted groups (i.e. women, people with disabilities, co-operatives, etc); Broad-Based Black Economic Empowerment (BBBEE); Employment Equity (EE).

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

Strategic objectives, performance indicators, planned targets and actual achievements

Strategic objectives

1. Oversee and supervise processes to conduct macro-economic modeling, research and impact evaluation to ensure SOCs' contribution towards economic growth. Enhance alignment between national industrial policy, macro-economic policy and the role of SOCs and monitor implementation.
2. Oversee processes to ensure that SOCs comply with the environmental laws and optimise the impact of SOCs on the reduction of carbon emissions and development of a green economy, while supporting SOCs' business needs.
3. Oversee alignment and implementation of SOCs economic and social transformation agendas in support of national policies and economic growth, with a specific focus on skills development, job creation, procurement/BBBEE and CSI targeted at designated groups (youth, women, People with Disabilities (PWD) and cooperatives, etc).

Performance indicators

| Sub-programme: Economic Impact and Policy Alignment | | | | | |
|--|----------------------------|---|----------------------------|--|--|
| Performance indicator | Actual achievement 2013/14 | Planned target 2014/15 | Actual achievement 2014/15 | Deviation from planned target to actual achievement for 2014/15 | Comment on deviations |
| Drive economic infrastructure investment to enhance the capacity of the economy with emphasis on the SIPs | | | | | |
| Transnet Pricing Structure assessment | None | Impact assessment reports on Transnet Pricing Structure on logistical cost | Not achieved | Difficulty in sourcing required skills | Outsourcing processes to be undertaken in Q1 of 2015/16 financial year. |
| Monitor Streamlining of environmental processes (EIAs, WUL, WA and AEL through MoU structures) | None | Analysis of SOC quarterly WULs & EIAs applications on Dashboard | Achieved | None | None |
| Leverage SOC developmental and transformation interventions to support socio-economic objectives | | | | | |
| Transformation Framework and Guidelines developed | None | Transformation Strategic Framework and Guidelines approved | Not achieved | Approval process of the Strategic Transformation Framework and Guidelines delayed. | Transformation Strategic Framework and Guidelines was processed and approved in April 2015 |
| Developed Transformation Measurement Tool | None | Draft Transformation Measurement Tool developed | Achieved | None | None |
| Defined Transformation Indicators in the Shareholder Compact | None | SOC socio-economic Indicators in Shareholder Compacts and Corporate Plans defined | Achieved | None | None |
| SOC contribution to Transformation monitored and assessed | None | Reports on SOC transformation contribution | Achieved | None | None |

Key achievements

Climate change, aviation biofuels and carbon tax issues

SAA has demonstrated a commitment to global and regional efforts at lowering emissions and engaged Government and other stakeholders on research regarding aviation biofuels. A work plan in this respect has been completed by SAA and is the culmination of rigorous and collaborative studies by SAA and the Department. Technology options for processing this potential fuel source are also offered in the work plan and include those most suited to the Southern African climate. SAA remains vigilant and continues to engage Government, specifically the policy Departments, on possible future developments.

At the end of 2014 the Department appointed an independent service provider to provide technical advice pertaining to technology options on the aviation biofuels programme of SAA. The research undertaken described and evaluated the approved bio-jet fuel technologies, described the process to convert renewable feed stocks to bio-jet and determined both capital and operational costs.

The report determines feed stock, power, water and other raw materials that need to go into the process and all the steps required in producing the final product. It further provides process descriptions and schematics for Hydrogenated Esters of Fatty Acids (HEFA) and Synthetic Paraffinic Kerosene (SPK) technologies. Process economics were developed for both technologies, using US Gulf Coast as a standard, and for deployment of both technologies in Brazil. The report also assessed and compared the strengths and weaknesses of the HEFA and SPK technologies.

The Biofuels Programme has, however, since been handed over to National Treasury via the DPE handover process of SAA.

After many engagements with the SOCs, the DPE's position on carbon tax takes into account the state of the economy and the industrialisation path.

Government Department collaboration on water and environmental issues

An MoU with seven other relevant Government Departments was successfully concluded and signed to collaborate and align environmental, water and other regulatory matters that affect the SOCs and Strategic Integrated Projects (SIPs). A joint working committee was formed, and TORs, as well as a work plan, have been completed. The Department has enhanced its partnership with DEA and other environmental authorities at Local and Provincial Government level. Furthermore, the Department provided leadership and support to Eskom in its engagement to resolve the SOC's environmental compliance challenges at various power stations, which could potentially lead to their partial closure. Certain amendments to Eskom's new Atmospheric Emission Licenses (AELs) were successfully negotiated and recommendations were made to the Minister regarding the interventions needed by the entity to reduce the risk of further significant non-compliance by various coal-fired power stations in its generation portfolio.

SOC skills development monitoring

The Department and DHET continued to work together to ensure that SOCs in the DPE portfolio contribute to the MTSF priority Outcome 5: A skilled and capable workforce to support an inclusive growth path through the Skills Development Steering Committee. A Committee, co-chaired by DPE and DHET, is focusing on strengthening the supply of the scarce and critical skills required by SOCs. This initiative includes SOCs optimising their training facilities to develop skills for the national pool over and above their own skills needs. This will ensure support to the economic development drive envisaged in both the NDP and NGP as agreed in the MoU concluded between the DPE and DHET.

Through this partnership, the Department has successfully facilitated a process for Eskom and Denel to secure R174 million and R58 million to train an additional 1 250 and 197 artisan trainees, respectively. Denel has already recruited 124 artisan trainees to be supported by R42 million received from the NSF with the remaining 73 artisan trainees to be recruited during the 2015/16 financial year. Eskom will also recruit a total of 1 250 artisan trainees in two groups of 625 each during the 2015/2016 financial year, to be supported by the R174 million to be acquired from the NSF.

In addition, to the 2014/15 financial year, SOCs have collectively enrolled a total of 5 288 trainees in various scarce and critical skills and learning programmes, comprising 792 artisan trainees, 616 technician trainees, 387 engineering trainees, 11 cadet pilots, as well as 3 134 learners in sector specific programmes (i.e. train drivers).

As a further component of skills development, SOCs are also partnering with and providing support to various FET Colleges in areas such as: lecturers support, where college lecturers are being given exposure to the latest technology and teaching methods; and also learner support, where learners are placed in SOCs to undergo experiential workplace learning in order to attain artisan status. SOCs also donate machinery and equipment to FET college partners as the need arises.

Youth Empowerment Programme

Corporate Social Investment (CSI)

In enhancing the programmes of the DPE-SOC CSI Forum, the Department embarked on the process of identifying CSI flagship projects focusing on enterprise and supplier development, education, health and sport. This initiative aims to ensure collaboration that will optimise SOC joint resources and will promote a new paradigm which recognises CSI as a business imperative for all SOCs. Based on this commitment, CSI priorities for the 2014/15 financial year were approved and endorsed by SOCs for nationwide implementation with respective provincial partners and other identified delivery stakeholders.

Education and health

As one of the priorities of the Youth Empowerment Programme (YEP) a telematics pilot project was implemented in the Vaal Reef Technical High School in Klerksdorp (North West), in the Harding Secondary School, and in the Zikode High School in Umhlumayo (KwaZulu-Natal). Learners studying maths and science in grades 11 and 12 were presented with a telematics system that will provide live broadcast revision sessions, supported by computers and internet connectivity (WIFI) to ensure full functionality of the system. The intervention included donations of maths dictionaries to participating schools and sanitary towels for girl learners.

Enterprise and supplier development

In furtherance of the resolutions of an Enterprise and Supplier Development (ESD) workshop held in 2013, further engagements with key stakeholders (including SOCs in the DPE portfolio, as well as the EDD, DTI, Department of Small Business Development (DSBD) and National Youth Development Agency (NYDA) were held to scope ESD within SOCs, as well as to determine the extent of their contribution to national objectives in this sector, and towards development of a national ESD Strategy. The strategy is viewed as critical to enhancing the existing ESD initiatives, as well as to strengthen possible collaboration between SOCs. The initiatives are meant to deliver better results and increase the participation of designated groups in SOCs supplier networks.

Reasons for all deviations

The Performance indicators were not achieved, due to the challenges of capacitating the unit.

Changes to planned targets

Economic Modeling Indicator was removed due to capacity constraints within the unit. The Department continuously reviews its APP to ensure it remains relevant and able to support the Government outcomes. In the period under review the Department undertook a review process of its APP to assess relevance of the certain projects and align the annual targets to available resources. As a result, few changes on the annual targets were effected. A revised APP was approved by the Executive Authority of the Department. The revised annual targets were used to monitor performance within the programme.

Sub-programme expenditure

| Sub-programme: Economic impact and policy alignment | 2014/15 | | | 2013/14 | | |
|--|---------------------|--------------------|------------------------|---------------------|--------------------|------------------------|
| | 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 | 2 939 | 2 656 | 283 | 1 817 | 1 379 | 438 |
| Environmental Policy Alignment | 2 693 | 2 677 | 16 | 3 460 | 2 652 | 808 |
| Economic Policy Alignment | 796 | 216 | 580 | 3 316 | 411 | 2 905 |
| Transformation, Skills Development and Youth | 5 142 | 5 128 | 14 | 7 476 | 5 244 | 2 232 |
| Total | 11 570 | 10 677 | 893 | 16 069 | 9 686 | 6 383 |

Expenditure in the sub-programme was R10.677 million in 2014/15, compared to R9.686 in 2013/14. The increase was due to increased staff capacity which is reflected in the cost of employment. The underspending of R893 000 is as a result of some positions not being filled due to the specialised nature of the skills required.

4.3.5 Sub-programme: Strategic partnerships

Purpose

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

The programme is comprised of the following sub-programmes

- **Management** consists of the office of the Deputy Director-General, which provides strategic leadership and management of programme personnel.
- **Project oversight** – This includes definition of catalytic investments to be driven by the Department and oversight of project implementation from pre-feasibility to completion, including the design of relevant compacts.
- **Funding mechanisms** – This entails the development of innovative funding structures and the design of associated compacts with relevant partners.
- **Strategic relationships** – This involves development of over-arching procurement leverage policies; oversight of SOC fleet procurement design and implementation; and development and implementation of capability building programmes and institutions.

Strategic objectives, performance indicators, planned targets and actual achievements

Strategic objective

- Oversight of catalytic project implementation from pre-feasibility stage to completion, including the design of relevant compacts.
- Implementation of innovative funding structures and design of associated compacts with relevant partners.
- Oversight of Eskom's and Transnet's implementation of the CSDP; oversight of Transnet's locomotive fleet procurement design and implementation; and development and implementation of Executive Leadership Programme.

Performance indicators

| Sub-programme: Strategic partnerships | | | | | |
|--|----------------------------|--|----------------------------|---|-----------------------|
| Performance indicator | Actual achievement 2013/14 | Planned target 2014/15 | Actual achievement 2014/15 | Deviation from planned target to actual achievement for 2014/15 | Comment on deviations |
| Drive economic infrastructure investment to enhance the capacity of the economy with emphasis on the SIPs | | | | | |
| DPE MOA with DBSA | None | Establish steering committee for the review of key infrastructure projects for funding | Achieved | None | None |

| Sub-programme: Strategic partnerships | | | | | |
|--|--|--|----------------------------|---|---|
| Performance indicator | Actual achievement 2013/14 | Planned target 2014/15 | Actual achievement 2014/15 | Deviation from planned target to actual achievement for 2014/15 | Comment on deviations |
| Funding Strategy for SOC | Draft innovative Funding Solution Framework developed | Funding proposal for key infrastructure projects that are part of SIPs | Not achieved | The Department, due to loss of critical resources, could not continue with the work. The Department has had a number of recruitment activities for the resource, and it has proven a challenge to fill the post due to attractiveness of the public service compared to private sector offering | The Department has developed a plan to ensure access to the skills required, including temporary contracting, while developing internal resources |
| Private Sector Participation Concept Framework | Draft PSP Framework developed, but further consultation required | Draft Private Sector Participation Framework | Not achieved | The Department, due to loss of critical resources, could not continue with the work. The Department has had a number of recruitment activities for the resource, and it has proven a challenge to fill the post due to attractiveness of the public service compared to private sector offering | The Department has developed a plan to ensure access to the skills required, including temporary contracting while developing internal resources |

Sub-programme: Strategic partnerships

| Performance indicator | Actual achievement 2013/14 | Planned target 2014/15 | Actual achievement 2014/15 | Deviation from planned target to actual achievement for 2014/15 | Comment on deviations |
|---------------------------------------|---|---|-----------------------------------|---|--|
| Implementation of the Africa Strategy | Africa Strategy approved and launching and roll-out to the SOC undertaken | Establishment of the Steering Committee | Achieved | None | None |
| Coal Mining Fund | None | Quarterly monitoring of the establishment of the fund | Not achieved | The Department, due to loss of critical resources, could not continue with the work. The Department has had a number of recruitment activities for the resource, and it has proven a challenge to fill the post due to attractiveness of the public service compared to private sector offering | The Department has developed a plan to ensure access to the skills required, including temporary contracting, while developing internal resources. The SOC has continued with its portion of the project, including obtaining approval through its governance structures. The department will be in the position to review the SOC proposed model once the SOC governance structures have given approval, as its resources will be available by then |

| Sub-programme: Strategic partnerships | | | | | |
|---|---|--|----------------------------|--|--|
| Performance indicator | Actual achievement 2013/14 | Planned target 2014/15 | Actual achievement 2014/15 | Deviation from planned target to actual achievement for 2014/15 | Comment on deviations |
| Project Management Office | PMO office established, model to roll-out structure included on the 2014/15 Business Plan | Operational PMO within DPE | Not achieved | The Department, due to loss of critical resources, could not continue with the work. The PMO office establishment could not be accomplished. The SIP1 business plan was reviewed. SIP 9 and 10 business plan review could not be done during the year under review | The Department has initiated the reviewing of the function which may lead to its restructuring |
| Leverage SOC procurement spend to support industrialisation and transformation | | | | | |
| Strategic SOCs customer sector forum – Oil and Gas and Boat Repair | None | Proposals on service offering improvements by Transnet | Not achieved | The project was halted due to the initiation of Operation Phakisa. | Work incorporated into Operation Phakisa led by the DPE |
| Strategic SOC customer sector forum – Automotive | None | Proposals on service offering improvements by Transnet | Achieved | None | None |
| DPE-SOC industrialisation and localisation Forum | None | Quarterly meetings of the Forum | Not achieved | The Department, due to loss of critical resources, could not continue with the work. Quarter 4 meeting could not take place in the financial year as result | None |

Key achievements

Leveraging SOCs procurements continues to be important towards achieving Government's development objectives. The CSDP was introduced to promote investment and enhance the competitiveness of SOC supplier industries. The DPE-SOCs Industrialisation and Localisation Forum was established to cement and enhance the CSDP within all SOCs in the DPE portfolio. In the financial year of 2014/2015, the DPE-SOCs Industrialisation and Localisation Forum shared best practices in strategic sourcing, supplier development and localisation. The sharing of best practices enables other SOCs within the DPE to also procure in a way that promotes industrialisation and transformation objectives. The Department also launched the Industrialisation Supplier Development Association (ISDA) as a means through which the shareholder can obtain feedback around the effectiveness of the Department's supplier development programmes.

The automotive sector is an extremely competitive global industry and contributes significantly to the economic growth of South Africa. Therefore, competitive service provision by Transnet to the Automotive Industry is essential. In the 2014/15 financial year, Transnet developed proposals with timelines on the improvement of service provision to this industry. A study was undertaken and completed on the oil and gas sector. This important piece of work has been incorporated into a national strategic project, referred to as Operation Phakisa.

Funding mechanisms

The Department, through the Strategic Partnerships Unit, has managed to identify projects through SOCs for entering into African markets. The implementation of these projects will be effected through a collaborative approach (i.e. the South Africa Inc. approach) to assist SOCs that are to compete in the African markets. The investments of the SOCs within the continent have been identified and mapped. The department has also continuously provided support in terms of the development of both national and regional infrastructure projects through Infrastructure Investment Programme for South Africa (IIPSA). A total number of 248 projects were received for review and approval. The Project Steering Committee (PSC) has been established to manage the projects and the DPE is a voting member of the steering committee under the leadership of the National Treasury.

Project oversight

Through the Strategic Partnerships Unit the Department ensured that the quarterly report on Presidential Infrastructure Coordinating Commission (PICC) from Eskom was submitted on a quarterly basis. The aim of the report is to ensure that projects that are part of the IDP, carried out by DPE- SOCs, are reported and interrogated in pursuit of good governance of the DPE-SOCs. However, it is worth noting that the capacity constraints faced by this unit hampered further developments with respect to the operationalisation and effective monitoring by the Project Management Office (PMO). The purpose of the PMO is to standardise reporting of all projects pertaining to IDP led by DPE-SOCs. Notwithstanding the above challenges, the 100 MW Sere Wind Farm is operating and was connected to the national grid.

Reasons for all deviations

Delays on the filling of the Chief Director: Funding Mechanisms post and the loss of key personnel in the unit had a significant impact on the completion of the projects. The Department is currently in the process of reviewing the Strategic Partnerships sub-programme to ensure that its mandate and objectives are properly defined and aligned with the Department's strategic objectives, as outlined in the new strategy.

Changes to planned targets

None

Sub-programme expenditure

| Sub-programme: Strategic partnerships | 2014/15 | | | 2013/14 | | |
|---|---------------------|--------------------|------------------------|---------------------|--------------------|------------------------|
| | Final appropriation | Actual expenditure | Over/Under expenditure | Final appropriation | Actual expenditure | Over/Under expenditure |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Management | 3 831 | 3 798 | 33 | 4 398 | 3 697 | 700 |
| Project Oversight | 2 747 | 1 959 | 788 | 2 309 | 1 559 | 750 |
| Funding Mechanisms | 883 | 146 | 736 | 1 192 | 215 | 979 |
| Supplier Relationships | 2 389 | 2 350 | 40 | 3 015 | 1 785 | 1 230 |
| Total | 9 850 | 8 253 | 1 597 | 10 914 | 7 256 | 3 658 |

Expenditure in the sub-programme is R8.253 million in 2014/15, compared to R7.256 million in 2013/14. The increase is due to projects undertaken to strengthen supplier relationships. The underspending of R1.5 million is as a result of delays in filling the key positions, which also resulted in projects not initiated and therefore underspending in goods and services.

5. SUMMARY OF FINANCIAL INFORMATION

5.1 Departmental receipts

| Departmental receipts | 2014/15 | | | 2013/14 | | |
|--|------------|-------------------------|-----------------------|------------|-------------------------|-------------------------|
| | Estimate | Actual amount collected | Over/Under collection | Estimate | Actual amount collected | (Over)/Under collection |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Sale of goods and services other than capital assets | 54 | 69 | (15) | 52 | 60 | (8) |
| Interest, dividends and rent on land | 20 | 3 | 17 | 65 | 31 | 34 |
| Sale of capital assets | - | 2 | (2) | 3 | - | 3 |
| Financial transactions in assets and liabilities | 28 | - | 28 | 220 | 282 | (62) |
| Total | 102 | 74 | 28 | 340 | 373 | (33) |

Collection of departmental revenue

Revenue collection is not a core function of the Department, therefore there is no specific plan in place in this regard. Any revenue collected by the Department and reported under Note 2 of the Financial Statements, is of an incidental nature, such as parking fees, interest received on debts, sale of redundant capital assets and interest on bank accounts. Capital assets such as computers are initially offered to schools and in the event that they are not required, they are auctioned to staff.

5.2 Programme expenditure

| Programme | 2014/15 | | | 2013/14 | | |
|---|---------------------|--------------------|------------------------|---------------------|--------------------|------------------------|
| | 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 | 156 859 | 145 557 | 11 302 | 134 702 | 133 294 | 1 408 |
| Legal and Governance | 24 311 | 20 313 | 3 998 | 23 438 | 23 159 | 279 |
| Portfolio Management and Strategic Partnerships | 141 757 | 132 576 | 9 181 | 135 999 | 116 015 | 19 984 |
| Total | 322 927 | 298 912 | 24 418 | 294 139 | 272 468 | 21 671 |

Underspending amounting to R24.5 million was recorded in the 2014/15 financial year. The use of the underspent hinged on vacancies in a number of scarce skills posts. It was also due to an under-spending on Goods and Services amounting to R17.58 million (16.8% of the budget), which arose due to the fact that some projects were delayed because of capacity constraints.

5.3 Transfer payments, excluding public entities

None

5.4 Public entities

Financial assets and transfer payments have been made to the following organisations:

| Entity | Total budget R'000 | Expenditure R'000 | Remaining budget R'000 | % of Total budget used |
|-------------------------|--------------------|-------------------|------------------------|------------------------|
| Denel (indemnity claim) | 63 141 | 63 141 | - | 100 |

- The transfer to Denel amounting to R63 141 million, in respect of Denel's indemnity claim, was disbursed in December 2014. Refer Annexure 1A of the Annual Financial Statements.

Refer Note 6 of the Annual Financial Statements – Payments for Financial Assets. The Department does not exercise control over accounting arrangements in respect of the SOCs within its portfolio, except for the approval of the appointment of external auditors.

The achievements of these entities are reported in their annual reports, which are separately tabled in Parliament.

5.5 Conditional grants and earmarked funds paid

Earmarked funds

Alexkor R350 million

Denel R700 million

Refer to section 6.4 for details on the transfers.

5.6 Capital investment, maintenance and asset management plan

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

Asset management is dealt with under Section 11 of the Accounting Officer's Report.

- The transfer to Denel amounting to R63 141 million in respect of Denel's indemnity claim, was disbursed in December 2014. Refer Annexure 1A of the Annual Financial Statements.

PART C

GOVERNANCE



1. INTRODUCTION

Commitment by the Department to maintain the highest standards of governance is fundamental to the management of public finances and resources. Users want assurance that the Department has good governance structures in place to effectively and efficiently utilise the State resources at its disposal.

2. RISK MANAGEMENT

The Department continued to maintain risk management practices that are consistent with the approved Enterprise Risk Management Framework and Policy, as well as the Public Sector Risk Management Framework. Strategic and operational risk assessments were conducted and relevant risk registers were maintained.

An independent assessment of the Department's and the SOCs risk practices is under way and should be concluded by the second quarter of the 2015/16 financial year. The insights gathered should assist the Department to:

- enhance its enterprise and SOC risk oversight practices, and develop a roadmap that ensures the Department maintains a more mature risk management tool for enterprise risk and SOC oversight.

3. FRAUD AND CORRUPTION

The Department maintained fraud and corruption prevention and whistle blowing policies that are supported by the implementation of an approved fraud prevention plan. During the period under review, extensive awareness was conducted on fraud and corruption, how to report it and the rights of whistle blowers. The Internal Audit Unit maintained custodianship of the whistle blowing box in order to ensure reported incidents are addressed in line with relevant legal provisions.

A whistle blowing report recorded during the course led to forensic investigations meant to assess the merits of the allegations. The investigations are still under way.

A Fraud and Corruption Forum comprising relevant internal functionaries was established to enhance oversight in the implementation of the fraud prevention plan, and to ensure adequate tracking and response to registered incidents. This initiative is consistent with the need to maintain an effective anti-corruption system as required of public institutions.

4. MINIMISING CONFLICT OF INTEREST

The Public Service Commission introduced the e-disclosure system for disclosing of financial interests during 2014/15 to identify, analyse and eliminate conflict of interest in the workplace. The Department extended awareness on this subject to all staff members within the organisation. Awareness was raised on conflict of interests, performance of remunerated work outside the public service, and the receipt of gifts.

5. CODE OF CONDUCT

During 2014/15 Human Resources provided information to all staff on the Government code of conduct and integrity management framework, through operational branch meetings and information sharing sessions.

6. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

The following health and safety measures were undertaken during the past year:

- The DPE Occupational Health and Safety Committee is in place and functional.
- All fire equipment on the premises were serviced.
- All air conditioners in the building were serviced and the exercise was undertaken to measure oxygen levels within DPE workspace.
- Two emergency evacuation drills were conducted and all DPE officials on site at the time participated.

7. INTERNAL CONTROL UNIT

The Department does not have an Internal Control Unit; however, a combined assurance reporting matrix comprising the Heads of Programmes, Enterprise Risk Unit, Strategic Planning, Monitoring and Evaluation Unit and Internal Audit Unit has been established. The structure is premised on practices designed to optimise the coverage obtained from management, internal assurance providers and external assurance providers, on the risk areas affecting the Department, as well as the need to regularly assess controls that are implemented adequately and effectively.

The system established ensured that multiple stakeholders provide their opinion on the functioning of controls, as opposed to management perception being the overriding factor in determining whether controls require improvement. The majority of internal controls were found to be adequate in supporting management's pursuit of its stated objectives. However, human resource capacity has been identified as an area that requires improvement in order to ensure that existing controls are implemented timeously. The Audit and Risk Committee continued to monitor the management's commitments and improvement plans in order to ensure that an adequate internal control system is maintained and supports the attainment of the Department's objectives.

8. INTERNAL AUDIT AND AUDIT COMMITTEE

Internal Audit

The Department has an Internal Audit Unit with a co-source arrangement with a registered firm of accountants and auditors. The Unit is responsible for evaluating the control environment and assisting the Audit Committee to fulfill its responsibilities. The unit also provides the Audit Committee and management with assurance on whether internal controls, risk management and governance processes are adequate and effective. This is achieved by means of an independent, objective evaluation of the internal controls, risk management and governance processes and suggested enhancements of controls and processes. The Chief Audit Executive has a direct line of reporting to the Accounting Officer and Audit Committee. The Unit carries out its responsibilities as mandated by the internal audit charter.

Internal Audit objective and key activities

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

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

- Developing an Internal Audit Rolling Three-year Strategic and Annual Operation plan, using appropriate risk-based methodology that takes into account any risks or control concerns identified on the Strategic Risk register and by Management, for approval by the Audit Committee.
- Executing the planned audits as per the Internal Audit Operational plan, as approved, including, and as appropriate, any special tasks or projects requested by management and the Audit Committee.
- Following up and reporting on all internal and external audit findings and recommendations for all reported issues.
- Issuing periodic reports to the Audit Committee and Management, summarising results of the audit activities and updating the Audit Committee on emerging trends and successful practices in internal auditing.

Internal Audit achievements

The Internal Audit Rolling Three-Year Strategic and Annual Operation Plan approved by the Audit Committee were in line with the risk-based approach and took into account the Department's strategic risk register. Significant audit findings were reported to Management and the Audit Committee. In addition, all outstanding audit findings were followed-up and reports were presented to Management and the Audit Committee on a quarterly basis.

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

Audit Committee

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

Audit Committee objective and key activities:

The overall objective and key activities of the Audit Committee is to support the Accounting Officer and Executive Management in fulfilling oversight responsibilities for the financial reporting process, the audit process, and systems of internal control, governance and risk management, including:

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

Membership and attendance

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

The table below provides relevant information on the Audit Committee members, including their attendance of Audit Committee meetings:

| Initial and surname | Qualifications | Internal or external | If internal, position in the Department | Date appointed | Date resigned | No. of meetings attended |
|---|--|----------------------|---|----------------|---------------|--------------------------|
| Mr. R Cascarino (Chairperson) | <ul style="list-style-type: none"> • Master of Business Administration, Thesis on Internal Audit • SCOTBEC Diploma in Computer Data Processing • CIA - Certified Internal Auditor • CISA - Certified Information Systems Auditor • CFE - Certified Fraud Examiner • CISM - Certified Information Security Manager • CRMA - Certification in Risk Management Assurance | External | N/A | 01 April 2014 | N/A | 4/4 |

| Initial and surname | Qualifications | Internal or external | If internal, position in the Department | Date appointed | Date resigned | No. of meetings attended |
|---------------------|--|----------------------|---|----------------|---------------|--------------------------|
| Mr. WE Huma | <ul style="list-style-type: none"> B Proc Bachelor of Law (LLB) Masters of Law (LLM) Doctor of Law (LLD) (thesis outstanding) Diploma in Company Direction (Corporate Governance) | External | N/A | 01 April 2014 | N/A | 4/4 |
| Ms. M Dolamo | <ul style="list-style-type: none"> B Com (Accounting) B Com (Hons) and CTA Chartered Accountant, South Africa | External | N/A | 01 April 2014 | N/A | 3/4 |

9. AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year that ended 31 March 2015.

Audit Committee responsibility

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

The effectiveness of internal control

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

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

- Enterprise Risk Management (ERM) Practices
- Performance Information Review (Alignment of the Strategic plan and Annual Performance plan)
- Security and Facilities Management
- Performance Information Review (Completeness, accuracy and validity of supporting evidence for achievement)

- Human Resources Management and Development
- Communications
- Economic Impact and Policy Alignment (EIPA)
- Strategic Partnerships
- Financial Management
- Supply Chain and Asset Management
- Information Technology General Controls (ITGC)

The following were areas of concern:

- In quarter 1, concerns were expressed over the time to finalise the AG performance audit report from 2012, The AG and DG expressed their intent to finalise the report.
- The Audit Committee expressed concerns on the repetitive nature of the findings on IT general controls. Commitment was given to address this issue.
- The issue of communication with SOC's Audit Committees was raised and the Minister's support for meetings once or twice in the financial year was expressed.
- In quarter 4 the Audit Committee expressed concern regarding the amount of time it took to clear issues outstanding for more than 90 days. The DDG: CM undertook to address this before the next Audit Committee meeting.
- The Audit Committee also raised concerns over the number of acting positions, especially at executive level, as well as the time it takes to fill vacancies.

The Audit Committee also expressed concerns on non-compliance with SCM processes which results in affecting the Department negatively.

Risk management

- In quarter 2 it was noted that public image was being impacted by perceptions regarding the procurement activities of the SOCs.
- In quarter 3 concerns were expressed that management may be passing the responsibility of risk management over to the CRO, instead of engaging to resolve their own risks.
- In quarter 4 concerns were expressed that the risk register may not accurately reflect the current SOC challenges. The risk register will be reviewed and the ongoing review procedure modified as required.

In-Year Management and monthly/quarterly report

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

Evaluation of Financial Statements

We have reviewed the annual financial statements prepared by the Department and are satisfied that they fairly present the financial performance and position of the Department of Public Enterprises as on 31 March 2015.

Auditor-General's Report

We have reviewed the Department's implementation plan for audit issues raised in the previous year, and we are satisfied that the matters have been adequately resolved, except for the following:

- procurement and contract management and changes made in annual report; and
- Information Technology Governance, Security Management and User Access Management (Information Technology).

It is worth noting that the Audit Committee has raised concerns over the adequacy and effectiveness of the internal controls, which have resulted in the Department regressing from achieving a clean audit in 2014, to an unqualified audit opinion.

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



Mr. Richard Cascarino
Chairperson of the Audit Committee
Department of Public Enterprises
Date: 31/7/2015

PART D HUMAN RESOURCES



1. LEGISLATION THAT GOVERNS HUMAN RESOURCES MANAGEMENT

The information provided in this part is prescribed by the Public Service Regulations (Chapter 1, Part IIIJ.3 and J.4).

2. OVERVIEW OF HUMAN RESOURCES

The leadership development programme that was initiated to enhance team cohesion, continued during 2014/15 and Leadership Conversations were initiated as a means to developing clear values and cultural expectations that will be imparted to all employees.

The development of the role of HR as a strategic business partner for line managers is in line with the DPSA competency framework. Annual assessment of this new role is undertaken in line with the DPSA assessment tool.

The Health and Wellness service provider appointed by the Department, provides support to all employees and their immediate family members on a 24 hour basis. In addition, an Executive Wellness Programme initiated for all executives and chief directors was implemented in response to the high levels of stress and strain experienced by senior officials. Quarterly interventions on health and wellness challenges were rolled out in support of the annual health calendar.

The overall staff turnover rate increased during the 2014/15 financial year, which resulted in a vacancy rate of 8.4% – higher than the previous year. In light of the current fiscal constraints and the fact that the Departmental Strategy makes no provision for additional posts, existing human resources will need to be reorganised and carefully managed. A Business Process Management system was implemented during 2014/15 and will continue during 2015/16. A work study programme that forms part of the Business Process Mapping project was initially planned for completion during the year under review. However, it has since been deferred to the next financial year. Its objective will be to re-organise the current system in order to ensure optimal utilisation of existing resources. The Departmental HR plan will also be reviewed in line with the new Departmental Strategy.

The Department continues to monitor organisational and individual performance to ensure alignment and achievement of strategic goals. Individual performance agreements were aligned to organisational targets and Government performance directives.

The Department initiated a project to identify its strategic capabilities and skills gaps, in order to be able to deliver on its set objectives. This project will be anchored by a Talent Management Programme, aimed at identifying core and critical skills needed by the Department to deliver on its strategic objectives.

The Department initiated a project to re-brand its employer value proposition, which included an e-recruitment project that was implemented in the 2014/15 financial year. The Department also reviewed its talent pipeline, currently supplied through the graduates and internship projects, to ensure alignment with its critical and core skills. A new intake of interns is planned for 2015/16. A career management programme was introduced with the aim of assisting non-SMS members with career path options, and as a means to ensure their suitability for future posts.

The Acting Director-General hosted quarterly sessions with all employees regarding progress on the climate survey and the Department's performance report.

The Employee Relations function successfully implemented training interventions on conflict management with particular emphasis on the mediation of employee dissatisfaction on issues relating to conditions of employment.

The management changing processes that are under way in the Department, will be ongoing to ensure that all elements of change are coordinated well and appropriate platforms are created to keep all stakeholders informed, and to ensure they are consulted on change initiatives.

The tables which follow provide detailed information on various aspects of human resource management and development, recorded in the Department in the 2014/15 financial year.

3. HUMAN RESOURCES OVERSIGHT STATISTICS

3.1 Personnel related expenditure

Table 3.1.1 Personnel expenditure by programme for the period 1 April 2014 to 31 March 2015

| 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) |
|--|---------------------------|-------------------------------|------------------------------|---|---|---|
| Administration | 145,707 | 73,805 | 2608 | 16248 | 50.7 | 581 |
| Legal and governance | 20,313 | 16,834 | 0 | 392 | 82.9 | 802 |
| Port man & strategic partnerships | 132,186 | 52,901 | 0 | 8440 | 40 | 670 |
| Total as on financial systems (BAS) | 298,911 | 143,540 | 2608 | 25081 | 48 | 632 |

Table 3.1.2 Personnel costs by salary band for the period 1 April 2014 to 31 March 2015

| Salary band | Personnel expenditure (R'000) | % of total personnel cost | No. of employees | Average personnel cost per employee (R'000) |
|---------------------------------------|-------------------------------|---------------------------|------------------|---|
| Skilled (Level 3-5) | 1,172 | 0.8 | 5 | 235 |
| Highly skilled production (Level 6-8) | 14,838 | 10.3 | 47 | 316 |

| Salary band | Personnel expenditure (R'000) | % of total personnel cost | No. of employees | Average personnel cost per employee (R'000) |
|---|-------------------------------|---------------------------|------------------|---|
| Highly skilled supervision (Level 9-12) | 31,450 | 21.8 | 61 | 516 |
| Senior management (Level 13-16) | 52,180 | 36.1 | 48 | 1,087 |
| Contract (Level 3-5) | 1,439 | 1 | 12 | 120 |
| Contract (Level 6-8) | 2,895 | 2 | 15 | 193 |
| Contract (Level 9-12) | 8,853 | 6.1 | 18 | 492 |
| Contract (Level 13-16) | 28,939 | 20 | 23 | 1,258 |
| Periodical remuneration | 995 | 0.7 | 15 | 66 |
| Abnormal appointment | 779 | 0.5 | 14 | 55 |
| Total | 143 540 | 100 | 258 | 556 |

Table 3.1.3 Salaries, overtime, home owner's allowance and medical aid by programme for the period 1 April 2014 to 31 March 2015

| Programme | Salaries | | Overtime | | Home owners allowance | | Medical aid | |
|-----------------------------|----------------|------------------------------------|----------------|------------------------------------|-----------------------|-------------------------------|----------------|---------------------------------------|
| | Amount (R'000) | Salaries as a % of personnel costs | Amount (R'000) | Overtime as a % of personnel costs | Amount (R'000) | HOA as a % of personnel costs | Amount (R'000) | Medical aid as a % of personnel costs |
| Administration | 57,329 | 40 | 495 | 0.67 | 834 | 1.1 | 1,183 | 1.6 |
| Legal and governance | 14,339 | 10 | 46 | 0.27 | 30 | 0.2 | 212 | 1.3 |
| Portfolio man & strat partn | 43,486 | 30.2 | 22 | 0.04 | 651 | 1.2 | 686 | 1.3 |
| Total | 115,154 | 80.2 | 563 | 0.39 | 1,515 | 1.1 | 2,081 | 1 |

Table 3.1.4 Salaries, overtime, home owner's allowance and medical aid by salary band for the period 1 April 2014 to 31 March 2015

| Salary band | Salaries | | Overtime | | Home owners allowance | | Medical aid | |
|---|----------------|------------------------------------|----------------|------------------------------------|-----------------------|-------------------------------|----------------|---------------------------------------|
| | Amount (R'000) | Salaries as a % of personnel costs | Amount (R'000) | Overtime as a % of personnel costs | Amount (R'000) | HOA as a % of personnel costs | Amount (R'000) | Medical aid as a % of personnel costs |
| Highly skilled production (Level 3-5) | 796 | 0.5 | 6 | 0 | 68 | 0.05 | 96 | 0.06 |
| Highly skilled production (Level 6-8) | 10,235 | 7 | 290 | 0.2 | 483 | 0.3 | 679 | 0.5 |
| Highly skilled supervision (Level 9-12) | 23,810 | 16.6 | 147 | 0.1 | 305 | 0.2 | 607 | 0.4 |
| Senior management (Level 13-16) | 42,523 | 29.6 | 0 | 0 | 489 | 0.3 | 554 | 0.4 |
| Contract (Level 3-5) | 1,418 | 1 | 21 | 0.01 | 0 | 0 | 0 | 0 |
| Contract (Level 6-8) | 2,790 | 1.9 | 63 | 0.04 | 0 | 0 | 0 | 0 |
| Contract (Level 9-12) | 6,657 | 4.6 | 36 | 0.03 | 34 | 0.02 | 68 | 0.05 |
| Contract (Level 13-16) | 26,146 | 18.2 | 0 | 0 | 136 | 0.09 | 77 | 0.05 |
| Periodical remuneration | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Abnormal appointment | 779 | 0.5 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 115,154 | 80.2 | 563 | 0.39 | 1,515 | 1 | 2,081 | 1.4 |

3.2 Employment and vacancies

The tables in this section summarise the position with regard to employment and vacancies. They include summaries of the number of posts on the establishment, the number of employees, the vacancy rate, the number of that which is additional to the establishment.

This information is presented in terms of three key variables namely:

- programme;
- salary band; and
- critical occupations (see definitions in notes below).

Programmes have identified critical occupations that need to be monitored. In terms of current regulations, it is possible to create a post on the establishment that can be occupied by more than one employee. Therefore, the vacancy rate reflects the percentage of posts that are not filled.

Table 3.2.1 Employment and vacancies by programme as at 31 March 2015

| Programme | Number of posts on approved establishment | Number of posts filled | Vacancy rate (%) | Number of employees additional to the establishment |
|---|---|------------------------|------------------|---|
| Administration, permanent | 127 | 119 | 6.3 | 27 |
| Legal and governance, permanent | 21 | 20 | 4.8 | 0 |
| Portfolio man & strategic Partnership permanent | 79 | 69 | 12.7 | 0 |
| Total | 227 | 208 | 8.4 | 27 |

Table 3.2.2 Employment and vacancies by salary band as at 31 March 2015

| Salary band | Number of posts on approved establishment | Number of posts filled | Vacancy rate (%) | Number of employees additional to the establishment |
|---|---|------------------------|------------------|---|
| Lower skilled (Level 1-2) | 0 | 0 | 0 | 0 |
| Skilled (Level 3-5) | 10 | 9 | 10 | 23 |
| Highly skilled production (Level 6-8) | 52 | 52 | 0 | 0 |
| Highly skilled supervision (Level 9-12) | 76 | 76 | 0 | 4 |
| Senior management (Level 13-16) | 89 | 71 | 20.2 | 0 |
| Total | 227 | 208 | 8.4 | 27 |

Table 3.2.3 Employment and vacancies by critical occupation as at 31 March 2015

| Critical occupation | Number of posts on approved establishment | Number of posts filled | Vacancy rate (%) | Number of employees additional to the establishment |
|--|---|------------------------|------------------|---|
| Administrative related, permanent | 77 | 77 | 0 | 27 |
| Client inform. clerks (switchb. receipt. inform., clerks), permanent | 5 | 5 | 0 | 0 |
| Communication and information related, permanent | 5 | 5 | 0 | 0 |
| Finance and economics related, permanent | 6 | 6 | 0 | 0 |
| Financial clerks and credit controllers, permanent | 6 | 6 | 0 | 0 |
| Food services aids and waiters, permanent | 4 | 4 | 0 | 0 |
| Head of Department/ Chief Executive Officer, permanent | 1 | 0 | 100 | 0 |
| Human resources & organisat developm & relate prof, permanent | 10 | 10 | 0 | 0 |
| Information technology related, permanent | 5 | 5 | 0 | 0 |
| Library, mail and related clerks, permanent | 6 | 6 | 0 | 0 |
| Logistical support personnel, permanent | 5 | 5 | 0 | 0 |
| Messengers, porters and deliverers, permanent | 5 | 5 | 0 | 0 |
| Security officers, permanent | 3 | 3 | 0 | 0 |
| Senior managers, permanent | 89 | 71 | 20.2 | 0 |
| Total | 227 | 208 | 8.4 | 27 |

3.3 Filling of SMS posts

Table 3.3.1 SMS post information as at 31 March 2015

| SMS Level | Total number of funded SMS posts | Total number of SMS posts filled | % of SMS posts filled | Total number of SMS posts vacant | % of SMS posts vacant |
|---|----------------------------------|----------------------------------|-----------------------|----------------------------------|-----------------------|
| Director-General/ Head of Department | 1 | 0 | 0 | 1 | 100 |
| Salary Level 16 | 0 | 0 | 0 | 0 | 0 |
| Salary Level 15 | 9 | 8 | 89 | 1 | 11 |
| Salary Level 14 | 28 | 21 | 75 | 7 | 25 |
| Salary Level 13 | 51 | 42 | 82 | 9 | 18 |
| Total | 89 | 71 | 80 | 18 | 20 |

Table 3.3.2 SMS post information as at 30 September 2014

| SMS Level | Total number of funded SMS posts | Total number of SMS posts filled | % of SMS posts filled | Total number of SMS posts vacant | % of SMS posts vacant |
|---|----------------------------------|----------------------------------|-----------------------|----------------------------------|-----------------------|
| Director-General/ Head of Department | 1 | 1 | 100 | 0 | 0 |
| Salary Level 16 | 0 | 0 | 0 | 0 | 0 |
| Salary Level 15 | 9 | 9 | 100 | | |
| Salary Level 14 | 28 | 21 | 75 | 7 | 25 |
| Salary Level 13 | 51 | 44 | 86 | 7 | 14 |
| Total | 89 | 75 | 84 | 14 | 16 |

Table 3.3.3 Advertising and filling of SMS posts for the period 1 April 2014 to 31 March 2015

| SMS Level | Advertising | Filling of posts | |
|---|---|---|--|
| | Number of vacancies per level advertised within 6 months of becoming vacant | Number of vacancies per level filled within 6 months of becoming vacant | Number of vacancies per level not filled in 6 months but filled within 12 months |
| Director-General/ Head of Department | 1 | 0 | 0 |
| Salary Level 16 | 0 | 0 | 0 |
| Salary Level 15 | 1 | 0 | 0 |
| Salary Level 14 | 9 | 1 | 0 |
| Salary Level 13 | 10 | 1 | 0 |
| Total | 21 | 2 | 0 |

Table 3.3.4 Reasons for not having complied with the filling of funded vacant SMS – for the period 1 April 2014 to 31 March 2015

| |
|---|
| Reasons for vacancies not advertised within six months |
| Organisational structure to be reviewed. |
| Reasons for vacancies not filled within six months |
| All posts were filled within three months of becoming vacant, except in cases where a suitable candidate was not found, and the post was re-advertised. |
| Reasons for vacancies not filled within twelve months |
| N/A |

Table 3.3.5 Disciplinary steps taken for not complying with the prescribed timeframes for filling SMS posts within 12 months for the period 1 April 2014 to 31 March 2015

| |
|---|
| Reasons for vacancies not advertised within six months |
| N/A |
| Reasons for vacancies not filled within six months |
| N/A |

3.4 Job evaluation

Table 3.4.1 Job evaluation by salary band for the period 1 April 2014 to 31 March 2015

| Salary band | Number of posts on approved establishment | Number of jobs evaluated | % of posts evaluated by salary bands | Posts upgraded | | Posts downgraded | |
|---|---|--------------------------|--------------------------------------|----------------|----------------------|------------------|----------------------|
| | | | | Number | % of posts evaluated | Number | % of posts evaluated |
| Lower skilled (Level 1-2) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Skilled (Level 3-5) | 12 | 12 | 100 | 7 | 58.3 | 0 | 0 |
| Highly skilled production (Level 6-8) | 50 | 3 | 6 | 3 | 100 | 0 | 0 |
| Highly skilled supervision (Level 9-12) | 76 | 21 | 27.6 | 0 | 0 | 0 | 0 |
| Senior Management service band A | 51 | 0 | 0 | 0 | 0 | 0 | 0 |

| Salary band | Number of posts on approved establishment | Number of jobs evaluated | % of posts evaluated by salary bands | Posts upgraded | | Posts downgraded | |
|----------------------------------|---|--------------------------|--------------------------------------|----------------|----------------------|------------------|----------------------|
| | | | | Number | % of posts evaluated | Number | % of posts evaluated |
| Senior management service band B | 28 | 0 | 0 | 0 | 0 | 0 | 0 |
| Senior management service band C | 9 | 0 | 0 | 0 | 0 | 0 | 0 |
| Senior Management service band D | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 227 | 36 | 15.9 | 10 | 27.8 | 0 | 0 |

Table 3.4.2 Profile of employees whose positions were upgraded due to their posts being upgraded for the period 1 April 2014 to 31 March 2015

| Gender | African | Asian | Coloured | White | Total |
|--------------|-----------|----------|----------|----------|-----------|
| Female | 6 | 0 | 0 | 0 | 6 |
| Male | 4 | 0 | 0 | 0 | 4 |
| Total | 10 | 0 | 0 | 0 | 10 |

Table 3.4.3 Employees with salary levels higher than those determined by job evaluation for the period 1 April 2014 to 31 March 2015

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

Table 3.4.4 Profile of employees who have salary levels higher than those determined by job evaluation for the period 1 April 2014 to 31 March 2015

| Gender | African | Asian | Coloured | White | Total |
|--------------|---------|-------|----------|-------|-------|
| Female | 0 | 0 | 0 | 0 | 0 |
| Male | 0 | 0 | 0 | 0 | 0 |
| Total | 0 | 0 | 0 | 0 | 0 |

| | |
|--|-------------|
| Total number of employees whose salaries exceeded the grades determined by job evaluation | None |
|--|-------------|

3.5 Employment changes

Table 3.5.1 Annual turnover rates by salary band for the period 1 April 2014 to 31 March 2015

| Salary band | Number of employees at beginning of period - 1 April 2014 | Appointments and transfers into the Department | Terminations and transfers out of the Department | Turnover rate |
|---|---|--|--|---------------|
| Lower skilled (Level 1-2) | 0 | 0 | 0 | 0 |
| Skilled (Level 3-5) | 6 | 1 | 1 | 16.7 |
| Highly skilled production (Level 6-8) | 56 | 6 | 5 | 8.9 |
| Highly skilled supervision (Level 9-12) | 71 | 14 | 8 | 11.3 |
| Senior management service bands A | 49 | 8 | 14 | 28.6 |
| Senior management service bands B | 22 | 2 | 6 | 27.3 |
| Senior management service bands C | 9 | 3 | 2 | 22.2 |
| Senior management service bands D | 1 | 0 | 1 | 100 |
| Total | 214 | 34 | 37 | 17.3 |

Table 3.5.2 Annual turnover rates by critical occupation for the period 1 April 2013 to 31 March 2015

| Critical occupation | Number of employees at beginning of period - April 2014 | Appointments and transfers into the Department | Terminations and transfers out of the Department | Turnover rate |
|---|---|--|--|---------------|
| Administrative related, permanent | 68 | 12 | 21 | 30.9 |
| Client inform. clerks (switchb. receipt. inform. clerks), permanent | 3 | 0 | 0 | 0 |
| Communication and information related, permanent | 5 | 4 | 1 | 33.3 |
| Financial and related professionals, permanent | 12 | 1 | 0 | 0 |
| Financial clerks and credit controllers, permanent | 4 | 0 | 0 | 0 |
| Food services aids and waiters, permanent | 4 | 1 | 0 | 0 |
| Head of Department/ Chief Executive Officer, permanent | 1 | 0 | 1 | 100 |
| Human resources & organisat developm & relate prof, permanent | 10 | 0 | 0 | 0 |
| Information technology related, permanent | 5 | 0 | 1 | 20 |
| Library, mail and related clerks, permanent | 6 | 1 | 0 | 0 |
| Logistical support personnel, permanent | 7 | 0 | 0 | 0 |
| Messengers, porters and deliverers, permanent | 5 | 1 | 0 | 0 |
| Security officers, permanent | 3 | 1 | 0 | 0 |
| Senior managers, permanent | 81 | 13 | 13 | 16 |
| Total | 214 | 34 | 37 | 17.3 |

Table 3.5.3 Reasons why staff left the Department for the period 1 April 2014 to 31 March 2015

| Termination type | Number | % of Total Resignations |
|---|-----------|-------------------------|
| Death | 1 | 2.7 |
| Resignation | 15 | 40.5 |
| Expiry of contract | 20 | 54.1 |
| Dismissal – operational changes | 0 | 0 |
| Dismissal – misconduct | 1 | 2.7 |
| Dismissal – inefficiency | 0 | 0 |
| Discharged due to ill health | 0 | 0 |
| Retirement | 0 | 0 |
| Transfers to other public service departments | 0 | 0 |
| Other | 0 | 0 |
| Total | 37 | 100 |
| Total number of employees who left as a % of total employment | 37 | 100 |

Table 3.5.4 Promotions by critical occupation for the period 1 April 2014 to 31 March 2015

| Occupation | Employees - 1 April 2014 | Promotions to another salary level | Salary level promotions as a % of employees by occupation | Progressions to another notch within a salary level | Notch progression as a % of employees by occupation |
|---|--------------------------|------------------------------------|---|---|---|
| Administrative related | 68 | 0 | 0 | 17 | 25 |
| Client inform. clerks (switchb., recept., inform. Clerks) | 3 | 2 | 66.7 | 2 | 66.7 |
| Communication and information related | 5 | 0 | 0 | 3 | 60 |
| Financial and related professionals | 12 | 0 | 0 | 4 | 33.3 |
| Financial clerks and credit controllers | 4 | 0 | 0 | 1 | 25 |
| Food services aids and waiters | 4 | 3 | 75 | 3 | 75 |
| Head of Department/ Chief Executive Officer | 1 | 0 | 0 | 0 | 0 |

| Occupation | Employees - 1 April 2014 | Promotions to another salary level | Salary level promotions as a % of employees by occupation | Progressions to another notch within a salary level | Notch progression as a % of employees by occupation |
|--|-----------------------------|--|---|--|---|
| Human resources & organisat. developm. & related prof. | 10 | 3 | 30 | 4 | 40 |
| Information technology related | 5 | 0 | 0 | 1 | 20 |
| Library mail and related clerks | 6 | 0 | 0 | 4 | 66.7 |
| Logistical support personnel | 7 | 0 | 0 | 0 | 0 |
| Messengers, porters and deliverers | 5 | 0 | 0 | 1 | 20 |
| Security officers | 3 | 2 | 66.7 | 1 | 33.3 |
| Senior managers | 81 | 0 | 0 | 31 | 38.3 |
| Total | 214 | 10 | 4.7 | 72 | 33.6 |

Table 3.5.5 Promotions by salary band for the period 1 April 2014 to 31 March 2015

| Salary band | Employees - 1 April 2014 | Promotions to another salary level | Salary bands promotions as a % of employees by salary level | Progressions to another notch within a salary level | Notch progres- sion as a % of employees by salary bands |
|---|-----------------------------|--|---|--|--|
| Lower skilled (Level 1-2) | 10 | 7 | 70 | 3 | 30 |
| Skilled (Level 3-5) | 54 | 3 | 5.7 | 27 | 50.9 |
| Highly skilled production (Level 6-8) | 68 | 0 | 0 | 35 | 52.2 |
| Highly skilled supervision (Level 9-12) | 1 | 0 | 0 | 2 | 200 |
| Senior management (Level 13-16) | 81 | 0 | 0 | 31 | 38.8 |
| Total | 214 | 10 | 4.7 | 98 | 46.4 |

3.6 Employment equity

Table 3.6.1 Total number of employees (including employees with disabilities) by occupational category as on 31 March 2015

| Occupational category | Male | | | | Female | | | | Total |
|---|-----------|----------|----------|----------|-----------|----------|----------|----------|------------|
| | African | Coloured | Indian | White | African | Coloured | Indian | White | |
| Legislators, senior officials and managers, permanent | 26 | 6 | 2 | 2 | 26 | 2 | 2 | 2 | 68 |
| Professionals, permanent | 18 | 0 | 1 | 1 | 19 | 0 | 1 | 1 | 41 |
| Technicians and associate professionals | 27 | 1 | 0 | 1 | 43 | 2 | 0 | 3 | 77 |
| Clerks, permanent | 7 | 0 | 0 | 0 | 4 | 1 | 0 | 0 | 12 |
| Services and sales workers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Elementary occupations | 4 | 1 | 0 | 0 | 5 | 0 | 0 | 0 | 10 |
| Other, permanent | | | | | | | | | |
| Total | 82 | 8 | 3 | 4 | 97 | 5 | 3 | 6 | 208 |
| Employees with disabilities | 1 | 0 | 0 | 1 | 0 | 0 | 0 | 3 | 5 |

Table 3.6.2 Total number of employees (including employees with disabilities) by occupational bands as on 31 March 2015

| 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 | 26 | 6 | 2 | 2 | 26 | 2 | 3 | 4 | 71 |
| Professionally qualified and experienced specialists and mid-management | 18 | 0 | 1 | | 19 | 1 | 1 | 4 | 44 |
| Skilled technical and academically qualified workers, junior management, supervisors, foreman and superintendents | 27 | 1 | 0 | 1 | 43 | 2 | 0 | 3 | 77 |
| Semi-skilled and discretionary decision making | 8 | 0 | 0 | 0 | 0 | 8 | 0 | 0 | 16 |

| Occupational band | Male | | | | Female | | | | Total |
|---------------------------------------|-----------|----------|----------|----------|-----------|----------|----------|-----------|------------|
| | African | Coloured | Indian | White | African | Coloured | Indian | White | |
| Unskilled and defined decision making | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 79 | 7 | 3 | 3 | 96 | 5 | 4 | 11 | 208 |

Table 3.6.3 Recruitment for the period 1 April 2014 to 31 March 2015

| Occupational band | Male | | | | Female | | | | Total |
|--|----------|----------|----------|----------|-----------|----------|----------|----------|-----------|
| | African | Coloured | Indian | White | African | Coloured | Indian | White | |
| Senior management, permanent | 2 | 4 | 0 | 0 | 5 | 1 | 0 | 1 | 13 |
| Professionally qualified and experienced specialists and mid-management, permanent | 4 | 0 | 0 | 0 | 2 | 0 | 1 | 0 | 7 |
| Skilled technical and academically qualified workers, junior management, supervisors, foremen, permanent | 1 | 0 | 0 | 0 | 6 | 1 | 0 | 0 | 8 |
| Semi-skilled and discretionary decision-making, permanent | 1 | 0 | 0 | 0 | 0 | 5 | 0 | 0 | 8 |
| Total | 8 | 4 | 0 | 0 | 13 | 7 | 1 | 1 | 34 |
| Employees with disabilities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Table 3.6.4 Promotions for the period 1 April 2014 to 31 March 2015

| Occupational band | Male | | | | Female | | | | Total |
|---|----------|----------|----------|----------|----------|----------|----------|----------|-----------|
| | African | Coloured | Indian | White | African | Coloured | Indian | White | |
| Top management | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Senior management | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Professionally qualified and experienced specialists and mid-management | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents | 2 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 3 |
| Semi-skilled and discretionary decision making | 2 | 0 | 0 | 0 | 0 | 4 | 0 | 0 | 6 |
| Total | 5 | 0 | 0 | 0 | 0 | 5 | 0 | 0 | 10 |
| Employees with disabilities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Table 3.6.5 Terminations for the period 1 April 2014 to 31 March 2015

| Occupational band | Male | | | | Female | | | | Total |
|---|-----------|----------|----------|----------|-----------|----------|----------|----------|-----------|
| | African | Coloured | Indian | White | African | Coloured | Indian | White | |
| Top management | 3 | 1 | 0 | 0 | 1 | 0 | 0 | 0 | 5 |
| Senior management | 9 | 1 | 0 | 0 | 7 | 0 | 2 | 1 | 20 |
| Professionally qualified and experienced specialists and mid-management | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 |
| Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents | 5 | 0 | 0 | 0 | 4 | 1 | 0 | 0 | 10 |
| Semi-skilled and discretionary decision making | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 19 | 2 | 0 | 0 | 13 | 1 | 2 | 1 | 37 |
| Employees with disabilities | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 2 |

Table 3.6.6 Disciplinary action for the period 1 April 2014 to 31 March 2015

| Disciplinary action | Male | | | | Female | | | | Total |
|---------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| | African | Coloured | Indian | White | African | Coloured | Indian | White | |
| Gross dishonest | 0 | 0 | 0 | 0 | 2 | 0 | 0 | 0 | 2 |
| Total | 0 | 0 | 0 | 0 | 2 | 0 | 0 | 0 | 2 |

Table 3.6.7 Skills development for the period 1 April 2014 to 31 March 2015

| Occupational category | Male | | | | Female | | | | Total |
|--|-----------|----------|----------|----------|-----------|----------|----------|----------|------------|
| | African | Coloured | Indian | White | African | Coloured | Indian | White | |
| Legislators, senior officials and managers | 19 | 2 | 1 | 2 | 19 | 1 | 5 | 1 | 50 |
| Professionals | 12 | 1 | 0 | 0 | 15 | 1 | 0 | 2 | 31 |
| Technicians and associate professionals | 1 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 2 |
| Clerks | 12 | 0 | 0 | 0 | 26 | 0 | 0 | 0 | 38 |
| Elementary occupations | 2 | 0 | 0 | 0 | 3 | 0 | 0 | 0 | 5 |
| Total | 46 | 3 | 1 | 3 | 63 | 2 | 5 | 3 | 126 |
| Employees with disabilities | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 4 |

3.7 Signing of performance agreements by SMS members

Table 3.7.1 Signing of a performance agreement by SMS members as on 31 May 2014

| SMS level | Total number of funded SMS posts | Total number of SMS members | Total number of signed performance agreements | Signed performance agreements as % of total number of SMS members |
|---|----------------------------------|-----------------------------|---|---|
| Director-General/ Head of Department | 1 | 1 | 1 | 1 |
| Special Advisor | 2 | 0 | 0 | 0 |
| Salary level 15 | 7 | 7 | 7 | 10 |
| Salary level 14 | 28 | 21 | 21 | 30 |
| Salary level 13 | 51 | 42 | 42 | 59 |
| Total | 89 | 71 | 71 | 100 |

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

| Reasons |
|--|
| All performance agreements were concluded within the 2014/2015 annual cycle. |

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

| Reasons |
|---------|
| None |

3.8 Performance rewards

Table 3.8.1 Performance rewards by race, gender and disability for the period 1 April 2014 to 31 March 2015

| Race and gender | Beneficiary profile | | | Cost | |
|-----------------|-------------------------|---------------------|-------------------------|--------------|-----------------------------------|
| | Number of beneficiaries | Number of employees | % of total within group | Cost (R'000) | Average cost per employee (R'000) |
| African | | | | | |
| Female | 75 | 96 | 36 | 2 337 | 31.1 |
| Male | 55 | 79 | 26 | 2 110 | 38.4 |
| Asian | | | | | |
| Female | 5 | 5 | 2.4 | 298 | 59.6 |
| Male | 1 | 3 | 0.5 | 65 | 65 |
| Coloured | | | | | |
| Female | 3 | 5 | 1.4 | 71 | 23.8 |
| Male | 3 | 7 | 1.4 | 142 | 47.5 |
| White | | | | | |
| Female | 10 | 11 | 4.8 | 488 | 48.8 |
| Male | 2 | 3 | 1 | 103 | 51.7 |
| Total | 154 | 209 | 73.5 | 562 | 36.5 |

Table 3.8.2 Performance rewards by salary band for personnel below senior management level for the period 1 April 2013 to 31 March 2014

| Salary band | Beneficiary profile | | | Cost | | Total cost as a % of the total personnel expenditure |
|---|-------------------------|---------------------|--------------------------------|--------------------|-----------------------------------|--|
| | Number of beneficiaries | Number of employees | % of total within salary bands | Total cost (R'000) | Average cost per employee (R'000) | |
| Lower skilled (Level 1-2) | 0 | 0 | 0 | 0 | 0 | 0 |
| Skilled (Level 3-5) | 7 | 9 | 100 | 55 | 7.9 | |
| Highly skilled production (Level 6-8) | 48 | 52 | 96 | 674.9 | 14.1 | |
| Highly skilled supervision (Level 9-12) | 49 | 76 | 81 | 1 420.9 | 29 | |
| Total | 110 | 137 | 80 | 2,199 | 20 | |

Table 3.8.3 Performance rewards by critical occupation for the period 1 April 2013 to 31 March 2014

| Critical occupation | Beneficiary profile | | | Cost | |
|--|-------------------------|---------------------|------------------------------|--------------------|-----------------------------------|
| | Number of beneficiaries | Number of employees | % of total within occupation | Total cost (R'000) | Average cost per employee (R'000) |
| Administrative related | 0 | 0 | 0 | 0 | 0 |
| Client inform. clerks (switchboard reception inform. clerks) | 2 | 2 | 1.3 | 17.6 | 8.8 |
| Communication and information related | 6 | 6 | 4.2 | 207.4 | 34 |
| Financial and related professionals | 15 | 15 | 10.4 | 445.2 | 29.7 |
| Financial clerks, and credit controllers | 13 | 13 | 9 | 464.2 | 35.7 |
| Food services aids and waiters | 3 | 3 | 2.1 | 22.4 | 7.5 |
| Head of Department/Chief Executive Officer | 1 | 1 | 0.6 | 90.6 | 90.6 |
| Human resources & organisational development & related professions | 15 | 15 | 10.4 | 467.5 | 31.2 |
| Information technology related | 8 | 8 | 5.6 | 154.5 | 19 |

| Critical occupation | Beneficiary profile | | | Cost | |
|------------------------------------|-------------------------|---------------------|------------------------------|--------------------|-----------------------------------|
| | Number of beneficiaries | Number of employees | % of total within occupation | Total cost (R'000) | Average cost per employee (R'000) |
| Library, mail and related clerks | 3 | 3 | 2.1 | 71.5 | 23.8 |
| Logistical support personnel | 0 | 0 | 0 | 0 | 0 |
| Messengers, porters and deliverers | 3 | 3 | 2.1 | 31.2 | 10 |
| Security officers | 4 | 4 | 2.8 | 83 | 201 |
| Senior managers | 49 | 71 | 34.02 | 3 053 | 62 |
| Total | 122 | 144 | 84.72 | 5 098.8 | 41.8 |

Table 3.8.4 Performance related rewards (cash bonus), by salary band for senior management level for the period 1 April 2014 to 31 March 2015

| Salary band | Beneficiary profile | | | Cost | | Total cost as a % of the total personnel expenditure |
|-------------------|-------------------------|---------------------|--------------------------------|--------------------|---------------------------|--|
| | Number of beneficiaries | Number of employees | % of total within salary bands | Total cost (R'000) | Average cost per employee | |
| Band A (Level 13) | 27 | 48 | 56.2 | 1 638.6 | 60.7 | 0 |
| Band B (Level 14) | 15 | 26 | 58 | 1 378.9 | 91.9 | 0 |
| Band C (Level 15) | 7 | 7 | 100 | 534.6 | 76.3 | 0 |
| Band D (Level 16) | 0 | 1 | 0 | 0 | 0 | 0 |
| Total | 49 | 82 | 58 | 3 552.1 | 72.5 | 0 |

3.9 Foreign workers

Table 3.9.1 Foreign workers by salary band for the period 1 April 2014 to 31 March 2015

| Salary band | 01 April 2014 | | 31 March 2015 | | Change | |
|--|---------------|------------|---------------|------------|----------|-----------|
| | Number | % of total | Number | % of total | Number | % change |
| Lower skilled | 0 | 0 | 0 | 0 | 0 | 0 |
| Highly skilled production (Level 6-8) | 0 | 0 | 0 | 0 | 0 | 0 |
| Highly skilled supervision (Level. 9-12) | 0 | 0 | 0 | 0 | 0 | 0 |
| Contract (Level 9-12) | 0 | 0 | 0 | 0 | 0 | 0 |
| Contract (Level 13-16) | 5 | 100 | 4 | 100 | 1 | 20 |
| Total | 5 | 100 | 4 | 100 | 1 | 20 |

Table 3.9.2 Foreign workers by major occupation for the period 1 April 2014 to 31 March 2015

| Major occupation | 01 April 2014 | | 31 March 2015 | | Change | |
|-------------------|---------------|------------|---------------|------------|----------|-----------|
| | Number | % of total | Number | % of total | Number | % change |
| Senior management | 5 | 100 | 4 | 100 | 1 | 20 |
| Total | 5 | 100 | 4 | 100 | 1 | 20 |

3.10 Leave utilisation

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

| Salary band | Total days | % days with medical certification | Number of employees using sick leave | % of total employees using sick leave | Average days per employee | Estimated cost (R'000) |
|--|--------------|-----------------------------------|--------------------------------------|---------------------------------------|---------------------------|------------------------|
| Lower skills (Level 1-2) | 0 | 0 | 0 | 0 | 0 | 0 |
| Skilled (Level 3-5) | 39 | 100 | 6 | 3.8 | 7 | 23 |
| Highly skilled production (Level 6-8) | 268 | 72.8 | 40 | 25.2 | 7 | 299 |
| Highly skilled supervision (Level 9 -12) | 282 | 77.7 | 44 | 27.7 | 6 | 531 |
| Top and senior management (Level 13-16) | 314 | 80.9 | 38 | 23.9 | 8 | 1,032 |
| Contracts (Level 3-5) | 7 | 42.9 | 4 | 2.5 | 2 | 5 |
| Contract (Level 6-8) | 2 | 100 | 1 | 0.6 | 2 | 2 |
| Contract (Level 9-12) | 51 | 90.2 | 10 | 6.3 | 5 | 77 |
| Contract (Level 13-16) | 125 | 81.6 | 16 | 10.1 | 8 | 481 |
| Total | 1 088 | 79 | 159 | 100 | 7 | 2 450 |

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

| Salary band | Total days | % days with medical certification | Number of employees using disability leave | % of total employees using disability leave | Average days per employee | Estimated cost (R'000) |
|---|------------|-----------------------------------|--|---|---------------------------|------------------------|
| Lower skilled (Level 1-2) | | | | | | |
| Skilled (Level 3-5) | 61 | 100 | 2 | 33.3 | 31 | 75 |
| Highly skilled production (Level 6-8) | 12 | 100 | 1 | 16.7 | 12 | 28 |
| Highly skilled supervision (Level 9-12) | 101 | 100 | 2 | 33.3 | 51 | 338 |
| Senior management (Level 13-16) | 38 | 100 | 1 | 16.7 | 38 | 119 |
| Total | 212 | 100 | 6 | 100 | 35 | 560 |

Table 3.10.3 Annual leave for the period 1 January 2014 to 31 December 2014

| Salary band | Total days taken | Number of employees using annual leave | Average per employee |
|---|------------------|--|----------------------|
| Lower skilled (Level 1-2) | 0 | 0 | 0 |
| Skilled (Level 3-5) | 118 | 20 | 6 |
| Highly skilled production (Level 6-8) | 1 067 | 20 | 53 |
| Highly skilled supervision (Level 9-12) | 1 429 | 22 | 66 |
| Senior management (Level 13-16) | 1 109 | 19 | 57 |
| Contract (3-5) | 44 | 4 | 11 |
| Contract (6-8) | 91 | 7 | 13 |
| Contract (9-12) | 272 | 13 | 21 |
| Contract (13-16) | 385 | 15 | 26 |
| Total | 4 515 | 18 | 253 |

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

| Salary band | Total days of capped leave taken | Number of employees using capped leave | Average number of days taken per employee | Average capped leave per employee as on 31 March 2014 |
|---|----------------------------------|--|---|---|
| Lower skilled (Level 1-2) | 0 | 0 | 0 | 0 |
| 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 pay out for the period 1 April 2014 to 31 March 2015

| Reason | Total amount (R'000) | Number of employees | Average per employee (R'000) |
|--|----------------------|---------------------|------------------------------|
| Leave pay out for 2013/2014 due to non-utilisation of leave for the previous cycle | 0 | 0 | 0 |
| Capped leave pay out on termination of service for 2013/2014 | 0 | 0 | |
| Current leave pay out on termination of service for 2013/2014 | 1 091 | 23 | 94.8 |
| Total | 1 091 | 23 | 94.8 |

3.11 HIV/AIDS & health promotion programmes

Table 3.11.1 Steps taken to reduce the risk of occupational exposure

| Units/categories of employees identified to be at high risk of contracting HIV & related diseases (if any) | Key steps taken to reduce the risk |
|--|------------------------------------|
| None | |
| | |

Table 3.11.2 Details of Health Promotion and HIV/AIDS Programmes
(tick the applicable boxes and provide the required information)

| Question | Yes | No | Details, if yes |
|--|-----|----|---|
| 1. Has the Department designated a member of the SMS to implement the provisions contained in Part VI E of Chapter 1 of the Public Service Regulations, 2001? If so, provide her/his name and position. | X | | Director Employee Relations and Wellness: Darol Holby |
| 2. Does the Department have a dedicated unit or has it designated specific staff members to promote the health and well-being of your employees? If so, indicate the number of employees who are involved in this task and the annual budget that is available for this purpose. | X | | Three employees, Annual Budget: R400 000.00 |
| 3. Has the Department introduced an Employee Assistance or Health Promotion Programme for your employees? If so, indicate the key elements/services of this programme. | X | | Financial and Legal issues, Stress Management, Emotional and Personal Difficulties, Violence and Trauma, Chronic Disease Management General Health Concerns, Bereavement and Loss |
| 4. Has the Department established a committee as contemplated in Part VI E.5 (e) of Chapter 1 of the Public Service Regulations, 2001? If so, please provide the names of the members of the committee and the stakeholders that they represent. | | X | |
| 5. Has the Department reviewed its employment policies and practices to ensure that these do not unfairly discriminate against employees on the basis of their HIV status? If so, list the employment policies/practices reviewed. | X | | Wellness Policy |
| 6. Has the Department introduced measures to protect HIV-positive employees or those perceived to be HIV-positive from discrimination? If so, list the key elements of these measures. | X | | A service provider has been appointed to assist employees who may be affected |
| 7. Does the Department encourage its employees to undergo voluntary counselling and testing (VCT)? If so, list the results that you have achieved. | X | | All 70% employees who tested in the previous financial year were negative |
| 8. Has the Department developed measures/indicators to monitor & evaluate the impact of its health promotion programme? If so, list these measures/indicators. | X | | Quarterly Wellness programmes and assessments of results |

3.12 Labour relations

Table 3.12.1 Collective agreements for the period 1 April 2014 to 31 March 2015

| Subject matter | Date |
|--|-------------|
| None | 0 |
| None | 0 |
| Total number of collective agreements | None |

Table 3.12.2 Misconduct and disciplinary hearings finalised for the period 1 April 2014 to 31 March 2015

| Outcomes of disciplinary hearings | Number | % of total |
|-----------------------------------|----------|------------|
| Correctional counseling | 2 | 29 |
| Verbal warning | 0 | 0 |
| Written warning | 3 | 43 |
| Final written warning | 1 | 14 |
| Suspended without pay | 0 | 0 |
| Fine | 0 | 0 |
| Demotion | 0 | 0 |
| Dismissal | 1 | 14 |
| Not guilty | 0 | 0 |
| Case withdrawn | 0 | 0 |
| Total | 7 | 100 |

| | |
|---|---|
| Total number of disciplinary hearings finalised | 2 |
|---|---|

Table 3.12.3 Types of misconduct addressed at disciplinary hearings for the period 1 April 2014 to 31 March 2015

| Type of misconduct | Number | % of total |
|--------------------|----------|------------|
| Gross dishonesty | 1 | 50 |
| Gross dishonesty | 1 | 50 |
| Total | 2 | 100 |

Table 3.12.4 Grievances logged for the period 1 April 2014 to 31 March 2015

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

Table 3.12.5 Disputes logged with councils for the period 1 April 2014 to 31 March 2015

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

Table 3.12.6 Strike action for the period 1 April 2014 to 31 March 2015

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

Table 3.12.7 Precautionary suspensions for the period 1 April 2014 to 31 March 2015

| | |
|--|-----------|
| Number of people suspended | 4 |
| Number of people whose suspension exceeded 30 days | 0 |
| Average number of days suspended | 13 |
| Cost of suspension (R'000) | R 268 000 |

3.13 Skills development

Table 3.13.1 Training needs identified for the period 1 April 2014 to 31 March 2015

| Occupational category | Gender | Number of employees as on 1 April 2014 | Training needs identified at start of the reporting period | | | |
|--|--------|--|--|---|-------------------------|------------|
| | | | Learnerships | Skills programmes & other short courses | Other forms of training | Total |
| Legislators, senior officials and managers | Female | 62 | 0 | 31 | 0 | 31 |
| | Male | 57 | 0 | 21 | 0 | 21 |
| Professionals | Female | 13 | 0 | 20 | 0 | 20 |
| | Male | 20 | 4 | 18 | 0 | 18 |
| Technicians and associate professionals | Female | 0 | 0 | 0 | 0 | 0 |
| | Male | 0 | 0 | 0 | 0 | 0 |
| Clerks | Female | 44 | 3 | 26 | 0 | 26 |
| | Male | 18 | 4 | 15 | 0 | 15 |
| Elementary occupations | Female | 0 | 0 | 0 | 0 | 0 |
| | Male | 0 | 0 | 0 | 0 | 0 |
| Subtotal | Female | 119 | 8 | 77 | 0 | 77 |
| | Male | 95 | 3 | 54 | 0 | 54 |
| Total | | 214 | 11 | 131 | 0 | 131 |

Table 3.13.2 Training provided for the period 1 April 2014 to 31 March 2015

| Occupational category | Gender | Number of employees as on 1 April 2015 | Training provided within the reporting period | | | |
|--|--------|--|---|---|-------------------------|-----------|
| | | | Learnerships | Skills programmes & other short courses | Other forms of training | Total |
| Legislators, senior officials and managers | Female | 62 | 0 | 29 | 0 | 29 |
| | Male | 57 | 0 | 17 | 0 | 17 |
| Professionals | Female | 13 | 0 | 11 | 0 | 11 |
| | Male | 20 | 0 | 14 | 0 | 14 |
| Technicians and associate professionals | Female | 0 | 0 | 0 | 0 | 0 |
| | Male | 0 | 0 | 0 | 0 | 0 |
| Clerks | Female | 44 | 0 | 20 | 0 | 20 |
| | Male | 18 | 0 | 8 | 0 | 8 |
| Elementary occupations | Female | 0 | 0 | 0 | 0 | 0 |
| | Male | 0 | 0 | 0 | 0 | 0 |
| Subtotal | Female | 119 | 0 | 60 | 0 | 60 |
| | Male | 95 | 0 | 39 | 0 | 39 |
| Total | | 214 | 0 | 99 | 0 | 99 |

3.14 Injury on duty

Table 3.14.1 Injury on duty for the period 1 April 2014 to 31 March 2015

| Nature of injury on duty | Number | % of total |
|---------------------------------------|----------|------------|
| Required basic medical attention only | 1 | 100 |
| Temporary total disablement | 0 | 0 |
| Permanent disablement | 0 | 0 |
| Fatal | 0 | 0 |
| Total | 1 | 100 |

3.15 Utilisation of consultants

Table 3.15.1: Consultant appointments made using appropriated funds, 1 April 2014 to 31 March 2015

| Project Title | Total number of consultants that worked on the project | Duration: Work days | Contract value in Rand |
|--|--|---------------------|------------------------|
| Development and Training Boot Camp | 3 | 64 | 798 000 |
| Strategic planning | 6 | 30 | 4 000 000 |
| Hummingbird & licence | 2 | 114 | 219 130 |
| Maintenance of DPE website | 1 | 250 | 274 267 |
| Development of intranet & hosting of web | 1 | 210 | 359 131 |
| ICT & conduct an independent assessment | 4 | 76 | 416 419 |
| Training for ICT Steering Committee | 2 | 1 | 79 800 |
| Transformation program | 1 | 63 | 214 548 |
| Offer technical advice on aviation biofuels | 1 | 30 | 705 920 |
| To finalise a standard template of the memorandum of Incorporation and advice on other legal matters | 4 | 720 | 545 873 |
| Giving legal advices to the Department | 1 | 60 | 51 000 |
| Review of corporate management structure | 1 | 39 | 407 592 |
| Facilitation & implementation of career management | 2 | 113 | 410 000 |
| Presiding officer for labour relations | 1 | 61 | 494 000 |
| Primavera 6 training | 3 | 6 | 373 464 |
| Mentoring & coaching for SMS | 1 | 118 | 500 000 |
| Review of graduate development plan | 1 | 117 | 350 000 |
| Mediation | 1 | 5 | 155 040 |
| Labour relation matters | 1 | 60 | 350 000 |
| Emotional intelligence | 2 | 116 | 500 000 |
| Disability awareness | 1 | 20 | 435 000 |
| Facilitation services in business process | 1 | 5 | 174 000 |
| Facilitation of strategic planning session | 6 | 3 | 273 921 |
| Website design | 2 | 720 | 969 288 |
| Development of the Communication Strategy | 1 | 79 | 186 960 |
| Media consulting services | 1 | 176 | 986 404 |
| Conduct a study review of the benefits of the strategic equity partnership | 17 | 75 | 789 302 |
| Conduct study to review the benefits of the Roivalk | 10 | 139 | 940 000 |
| Audit of the Denel indemnity claim | 2 | 174 | 77 588 |
| Temporary contractor to assist the Manufacturing Enterprises unit with capacity problem | 1 | 118 | 1 288 544 |

| Project Title | Total number of consultants that worked on the project | Duration: Work days | Contract value in Rand |
|--|--|---------------------|------------------------|
| National corridor performance measurement | 5 | 135 | 4 000 000 |
| Conduct a client satisfaction survey study on SOCs | 1 | 120 | 493 555 |
| Development of guideline manual | 3 | 53 | 484 785 |
| Total | | | 22 303 531 |

Table 3.15.2: Consultant appointments made using appropriated funds, in terms of Historically Disadvantaged Individuals (HDIs) 1 April 2014 to 31 March 2015

| Project title | Percentage (%) ownership by HDI groups | Percentage (%) management by HDI groups | Number of consultants from HDI groups that work on the project |
|--|--|---|--|
| Development & training boot camp | 0 | | 0 |
| Strategic planning | 5 | | |
| Hummingbird & licence | | | 1 |
| Maintenance of DPE website | 0 | | 0 |
| Development of intranet & hosting of web | | | 0 |
| ICT & conduct an independent assessment | 30.10 | 30.10 | 2 |
| Training for ICT Steering Committee | 100 | 100 | 2 |
| Transformation program | 100 | 100 | 1 |
| Offer technical advice on aviation biofuels | 100 | 100 | 1 |
| To finalise a standard template of the memorandum of incorporation and advice on other legal matters | 30.03 | 30.03 | 1 |
| Advisory consulting services | 100 | 100 | 1 |
| Review of corporate management structure | 100 | 100 | 1 |
| Facilitation & implementation of career management | 100 | 100 | |
| Presiding officer for labour relations | 100 | 100 | 1 |
| Primavera 6 training | | | |
| Mentoring & coaching for SMS | 100 | 100 | 1 |
| Review of graduate development plan | 100 | 100 | |
| Mediation | 100 | 100 | 1 |
| Labour relation matters | 100 | 100 | |
| Emotional intelligence | 100 | 100 | 1 |
| Disability awareness | 100 | 100 | 1 |
| Facilitation services in business process | 100 | 100 | |

| Project title | Percentage (%) ownership by HDI groups | Percentage (%) management by HDI groups | Number of consultants from HDI groups that work on the project |
|--|--|---|--|
| Facilitation of strategic planning session | | | 0 |
| Website design | | | 0 |
| Media consulting services | 100 | 100 | 1 |
| Conduct a study to review the value the benefits of the strategic equity partnership | | | 11 |
| Conduct study to review the benefits of the Rooivalk | | | 7 |
| Audit of the Denel indemnity claim | 100 | 100 | 2 |
| Temporary contractor to assist the manufacturing enterprise unit with capacity problem | 100 | 100 | 1 |
| National corridor performance measurement | 36.31 | 36.31 | 0 |
| Conduct a client satisfaction survey study SOC | 100 | 100 | 1 |
| Development of guideline manual | 100 | 100 | 2 |
| Total | | | 38 |

3.16 Severance packages

Table 3.16.1 Granting of employee initiated severance packages for the period 1 April 2014 to 31 March 2015

| Salary band | Number of applications received | Number of applications referred to the MPSA | Number of applications supported by MPSA | Number of packages approved by Department |
|---|---------------------------------|---|--|---|
| Lower skilled (Level 1-2) | 0 | 0 | 0 | 0 |
| 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 |

There was no severance package offered to any employee. However, there was one case of an employee who was offered a mutual separation package, which was accepted.

4. REPORT OF THE ACCOUNTING OFFICER FOR THE YEAR ENDED 31 MARCH 2015

Refer to the Overview of the Accounting Officer and key achievements under Programme 1, 2 and 3

5. GENERAL REVIEW OF THE STATE OF FINANCIAL AFFAIRS

The Department of Public Enterprises provides shareholder oversight to six State-owned Companies (SOCs): Alexkor SOC Limited, Denel SOC Limited, Eskom SOC Limited, the South African Forestry SOC Limited, South African Airways SOC Limited, South African Express SOC Limited and Transnet SOC Limited. The Department's primary objective is to ensure that the State's shareholdings of these companies are financially sustainable and deliver on Government's strategic objectives.

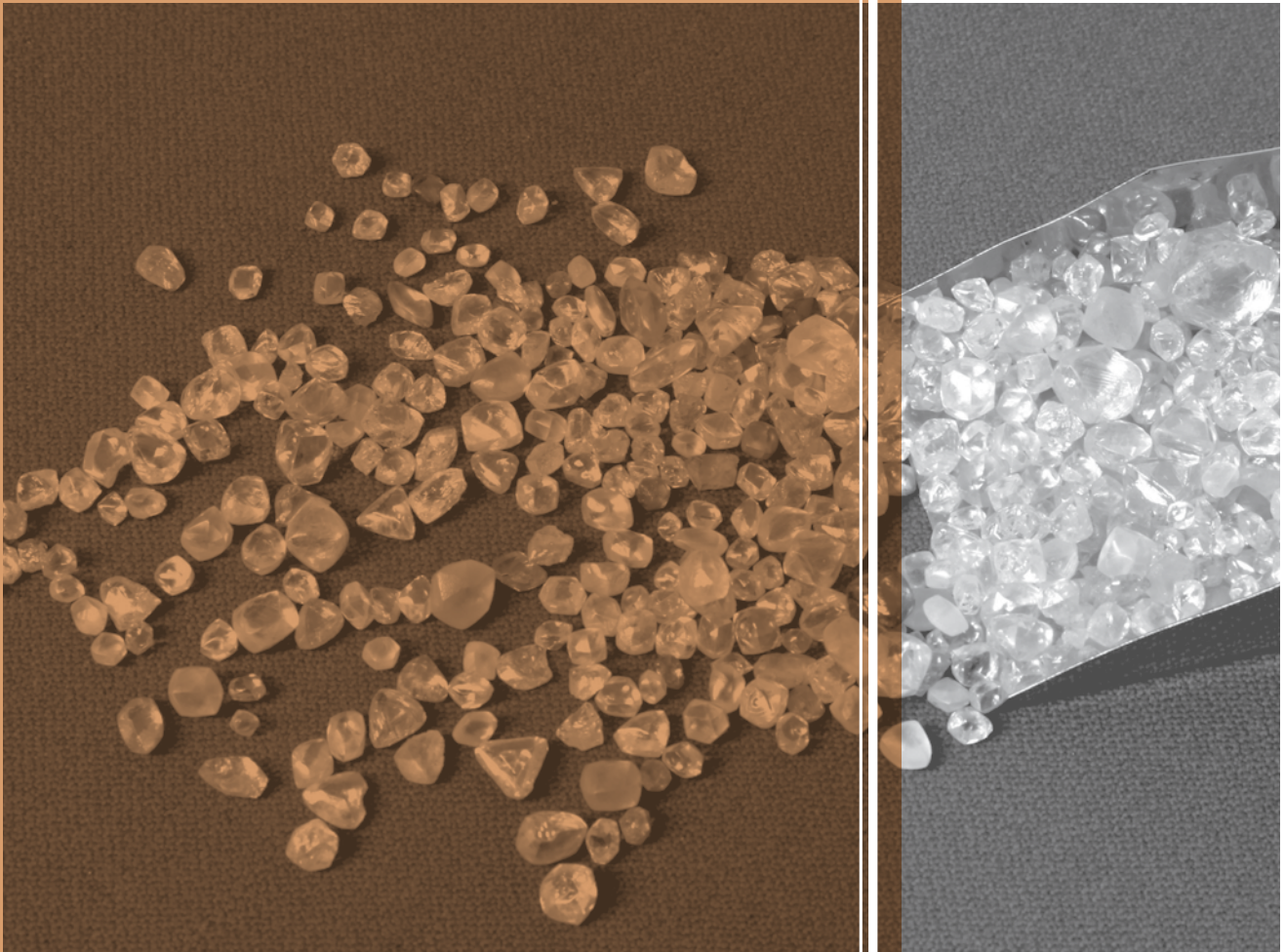
The table below reflects Key Performance Indicators for the Department for the year under review:

| | Programme | Target | Achieved |
|---------------------------------------|--|---------|----------|
| | | 2014/15 | 2014/15 |
| Number of Shareholder Compacts signed | Energy & Broadband Enterprises, Manufacturing Enterprises, Transport Enterprises | 7 | 5* |
| Number of Corporate Plans reviewed | Energy & Broadband Enterprises, Manufacturing Enterprises, Transport Enterprises | 7 | 3* |
| Number of quarterly reports reviewed | Energy & Broadband Enterprises, Manufacturing Enterprises, Transport Enterprises | 28** | 26 |

PART E

FINANCIAL

INFORMATION



Annual Financial Statements for Department of Public Enterprises for the year ended 31 March 2015

i. Report of the Auditor-General to Parliament on Vote No. 11

Report on the financial statements

Introduction

1. I have audited the financial statements of the Department of Public Enterprises set out on pages 112 to 196 which comprise the appropriation statement, the statement of financial position as on 31 March 2015, the statement of financial performance, statement of changes in net assets, and cash flow statement for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Officer's responsibility for the financial statements

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

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department of Public Enterprises as on 31 March 2015 and its financial performance and cash flows for the year then ended, in accordance with the requirements of the MCS prescribed by the National Treasury and the requirements of the PFMA.

Additional matter

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

Unaudited supplementary schedules

8. The supplementary information set out on pages 181 to 195 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

Report on other legal and regulatory requirements

9. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for the selected programme presented in the annual performance report, non-compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading, but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

10. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for Programme 3: Portfolio Management and Strategic Partnerships presented in the annual performance report of the department for the year ended 31 March 2015.
11. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
12. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for Managing Programme Performance Information (FMPPPI).
13. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. I did not identify any material findings on the usefulness and reliability of the reported performance information for Programme 3: Portfolio Management and Strategic Partnerships.

Additional matters

15. Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected programmes, I draw attention to the following matters:

Achievement of planned targets

16. Refer to the annual performance report on page(s) 23 to 62 for information on the achievement of the planned targets for the year.

Transfer of functions

17. Refer to page 39 and 50 of the annual report. The President signed proclamations on 26 September 2014 and 12 December 2014 to move Broadband Infraco and South African Airways to the Department of Postal and Telecommunications portfolio and National Treasury respectively. The performance information relating to the oversight of Broadband Infraco and SAA is for the six (6) months ended 30 September 2014 and for the eight (8) months ending 30 November 2014 respectively.

Compliance with legislation

18. I performed procedures to obtain evidence that the department had complied with applicable legislation regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Procurement and Contract management

19. Goods and services of a transaction value above R500 000 were procured without inviting competitive bids, as required by Treasury Regulations 16A6.1. Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of Treasury regulation 16A6.4.
20. Sufficient appropriate audit evidence could not be obtained that goods and services with a transaction value below R500 000 were procured by means of obtaining the required price quotations, as required by Treasury Regulation 16A6.1.
21. Sufficient appropriate audit evidence could not be obtained that bid adjudication was done by committees which were composed in accordance with the policies of the Department, as required by Treasury Regulations 16A6.2 (a), (b) and (c).
22. Contracts were awarded to bidders who did not submit a declaration of past supply chain practices such as fraud, abuse of SCM system and non-performance, which is prescribed in order to comply with Treasury regulation 16A9.2.
23. Contracts and quotations were awarded to suppliers whose tax matters had not been declared by the South African Revenue Services to be in order as required by Treasury Regulations 16A9.1 (d) and the Preferential Procurement Regulations.
24. Contracts and quotations were awarded to bidders based on points given for criteria that differed from those stipulated in the original invitation for bidding and quotations, in contravention of Treasury Regulations 16A6.3 (a) and the Preferential Procurement Regulations.
25. Quotations were awarded to bidders based on preference points that were not allocated and/or calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations.

Human resource management and compensation

26. Employees were appointed without following a proper process to verify the claims made in their applications in contravention of Public Service Regulation 1/VII/D.8.
27. Performance bonuses were paid to senior managers who were not entitled to such bonuses in contravention of Chapter 4, of the SMS Handbook, 2006.

Expenditure management

28. Effective steps were not taken to prevent irregular expenditure, as required by section 38(1)(c)(ii) of the Public Finance Management Act and Treasury Regulation 9.1.1.

Internal control

29. I considered internal control relevant to my audit of the financial statements, Report on Predetermined Objectives and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the findings on non-compliance with legislation included in this report.

Leadership

30. The Accounting Officer did not exercise sufficient oversight responsibility to ensure that appropriate internal control over the procurement function and staff appointments, was implemented.

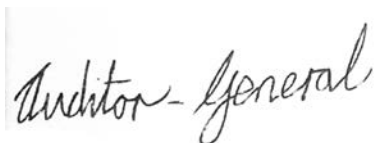
Financial and Performance Management

31. Non-compliance with legislation could have been prevented had compliance been properly reviewed and monitored.

Other reports

Investigations

One (1) investigation into allegations of maladministration, fraud and corruption reported during the year under review is still in progress.



Pretoria

31 July 2015



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

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1. APPROPRIATION STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

| Appropriation per programme | | 2014/15 | | | | | | 2013/14 | | |
|--|--|------------------------|-------------------|----------|---------------------|--------------------|---------------|---|---------------------|--------------------|
| | | 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 | | 152 123 | - | 4 736 | 156 859 | 145 557 | 11 302 | 92.8 | 134 702 | 133 294 |
| 2. Legal and Governance | | 23 967 | - | 344 | 24 311 | 20 313 | 3 998 | 83.6 | 23 438 | 23 159 |
| 3. Portfolio Management and Strategic Partnerships | | 146 837 | - | (5 080) | 141 757 | 132 576 | 9 181 | 93.5 | 135 999 | 116 015 |
| Total | | 322 927 | - | - | 322 927 | 298 446 | 24 481 | 92.4 | 294 139 | 272 468 |

| | 2014/15 | | 2013/14 | |
|--|---------------------|--------------------|---------------------|--------------------|
| | Final appropriation | Actual expenditure | Final appropriation | Actual expenditure |
| TOTAL (brought forward) | 322 927 | 298 446 | 294 139 | 272 468 |
| Reconciliation with statement of financial performance | | | | |
| ADD | | | | |
| Departmental receipts | 203 | | 373 | |
| NRF Receipts | | | | |
| Aid assistance | 7 374 | | 6 101 | |
| Actual amounts per statement of financial performance (total revenue) | 330 504 | | 300 613 | |
| ADD | | | | |
| Aid assistance | | 4 | | 2449 |
| Prior year unauthorised expenditure approved without funding | | | | |
| Actual amounts per statement of financial performance (total expenditure) | | 298 450 | | 274 917 |

| Appropriation per economic classification | | | | | | | | | |
|---|------------------------|-------------------|----------|---------------------|--------------------|---------------|---|---------------------|--------------------|
| | 2014/15 | | | | | 2013/14 | | | |
| | 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 | 255 617 | (987) | - | 254 630 | 230 317 | 24 313 | 90.5 | 233 060 | 211 511 |
| Compensation of employees | 149 574 | 700 | - | 150 274 | 143 541 | 6 733 | 95.5 | 131 663 | 127 771 |
| Salaries and wages | 102 420 | 33 385 | - | 135 805 | 132 257 | 3 548 | 97.4 | 120 882 | 117 067 |
| Social contributions | 47 154 | (32 685) | - | 14 469 | 11 284 | 3 185 | 78.0 | 10 781 | 10 704 |
| Goods and services | 106 043 | (1 687) | - | 104 356 | 86 776 | 17 580 | 83.2 | 101 397 | 83 740 |
| Administrative fees | 808 | 147 | (53) | 902 | 921 | (19) | 102.1 | 492 | 527 |
| Advertising | 2 515 | 196 | - | 2 711 | 2 686 | 25 | 99.1 | 5 089 | 4 704 |
| Minor assets | 1 056 | (825) | - | 231 | 73 | 158 | 31.6 | 358 | 357 |
| Audit costs: External | 2 200 | 630 | - | 2 830 | 2 822 | 8 | 99.7 | 2 143 | 2 087 |
| Bursaries: Employees | 1 000 | (725) | - | 275 | 264 | 11 | 96.0 | 471 | 463 |
| Catering: Departmental activities | 958 | 26 | (4) | 980 | 703 | 277 | 71.7 | 1 778 | 1 622 |
| Communication | 3 644 | 1 182 | (24) | 4 802 | 4 567 | 235 | 95.1 | 4 319 | 3 743 |
| Computer services | 4 148 | 3 522 | - | 7 670 | 6 420 | 1 250 | 83.7 | 4 109 | 4 126 |

| Appropriation per economic classification | | | | | | | | | |
|--|------------------------|-------------------|----------|---------------------|--------------------|----------|---|---------------------|--------------------|
| | 2014/15 | | | | | 2013/14 | | | |
| | Adjusted appropriation | Shifting of funds | Virement | Final appropriation | Actual expenditure | Variance | Expenditure as % of final appropriation | Final appropriation | Actual expenditure |
| Consultants: Business and advisory services | 37 370 | (5 053) | 757 | 33 074 | 25 080 | 7 994 | 75.8 | 23 383 | 12 909 |
| Legal services | 3 166 | (746) | - | 2 420 | 2 108 | 312 | 87.1 | 1 878 | 1 876 |
| Contractors | 1 276 | 1 417 | - | 2 693 | 2 628 | 65 | 97.6 | 948 | 909 |
| Agency and support / outsourced services | 4 074 | (3 007) | - | 1 067 | 984 | 83 | 92.2 | 3 052 | 2 625 |
| Entertainment | 312 | (265) | (6) | 41 | 4 | 37 | 9.8 | 88 | 20 |
| Fleet services | 1 108 | (89) | - | 1 019 | 975 | 44 | 95.7 | 1 229 | 1 190 |
| Inventory: Clothing material and supplies | - | - | - | - | - | - | - | 39 | 29 |
| Inventory: Materials and supplies | - | 49 | - | 49 | 46 | 3 | 93.9 | 1 | 1 |
| Inventory: Medicine | - | 1 | - | 1 | 1 | - | 100.0 | 2 | 1 |
| Consumable supplies | 734 | 252 | - | 986 | 725 | 261 | 73.5 | 857 | 822 |
| Consumable: Stationery, printing and office supplies | 1 423 | 398 | - | 1 821 | 1 524 | 297 | 83.7 | 2 559 | 2 376 |
| Operating leases | 1 790 | (590) | - | 1 200 | 1 196 | 4 | 99.7 | 1 326 | 1 297 |
| Property payments | 390 | (44) | - | 346 | 340 | 6 | 98.3 | 264 | 264 |
| Transport provided: Departmental activity | - | 69 | - | 69 | 68 | 1 | 98.6 | - | - |
| Travel and subsistence | 24 914 | (898) | (799) | 23 217 | 17 485 | 5 732 | 75.3 | 26 889 | 24 017 |

| Appropriation per economic classification | | | | | | | | | |
|---|------------------------|-------------------|----------|---------------------|--------------------|-----------|---|---------------------|--------------------|
| | 2014/15 | | | | | 2013/14 | | | |
| | Adjusted appropriation | Shifting of funds | Virement | Final appropriation | Actual expenditure | Variance | Expenditure as % of final appropriation | Final appropriation | Actual expenditure |
| Training and development | 2 004 | 402 | 222 | 2 628 | 2 608 | 20 | 99.3 | 1 893 | 1 859 |
| Operating payments | 9 498 | 1 014 | - | 10 512 | 9 961 | 551 | 94.8 | 8 957 | 8 373 |
| Venues and facilities | 1 655 | 940 | (93) | 2 502 | 2 282 | 220 | 91.2 | 9 273 | 7 543 |
| Rental and hiring | - | 310 | - | 310 | 305 | 5 | 98.4 | - | - |
| Transfers and subsidies | 63 241 | 689 | - | 63 930 | 63 848 | 82 | 99.9 | 57 669 | 57 612 |
| Provinces and municipalities | - | - | - | - | - | - | - | 4 | 2 |
| Municipalities | - | - | - | - | - | - | - | 4 | 2 |
| Municipal bank accounts | - | - | - | - | - | - | - | 4 | 2 |
| Public corporations and private enterprises | 63 141 | - | - | 63 141 | 63 141 | - | 100.0 | 57 250 | 57 250 |
| Public corporations | 63 141 | - | - | 63 141 | 63 141 | - | 100.0 | 57 250 | 57 250 |
| Other transfers to public corporations | 63 141 | - | - | 63 141 | 63 141 | - | 100.0 | 57 250 | 57 250 |
| Households | 100 | 689 | - | 789 | 707 | 82 | 89.6 | 401 | 347 |
| Social benefits | - | 692 | - | 692 | 611 | 81 | 88.3 | 114 | 100 |

| Appropriation per economic classification | | | | | | | | | |
|---|------------------------|-------------------|----------|---------------------|--------------------|-----------|---|---------------------|--------------------|
| 2014/15 | | | | | | | 2013/14 | | |
| | Adjusted appropriation | Shifting of funds | Virement | Final appropriation | Actual expenditure | Variance | Expenditure as % of final appropriation | Final appropriation | Actual expenditure |
| Other transfers to households | 100 | (3) | - | 97 | 96 | 1 | 99.0 | 300 | 247 |
| Payments for capital assets | 4 069 | 291 | - | 4 360 | 4 274 | 86 | 98.0 | 3 344 | 3 250 |
| Machinery and equipment | 3 966 | 311 | - | 4 277 | 4 192 | 85 | 98.0 | 2 834 | 2 769 |
| Transport equipment | 3 356 | (1 900) | - | 1 456 | 1 396 | 60 | 95.9 | 578 | 562 |
| Other machinery and equipment | 610 | 2 211 | - | 2 821 | 2 796 | 25 | 99.1 | 2 256 | 2 207 |
| Intangible assets | 103 | (20) | - | 83 | 82 | 1 | 98.8 | 510 | 481 |
| Payment for financial assets | - | 7 | - | 7 | 7 | - | 100.0 | 97 | 95 |

| Programme 1: Administration | | | | | | | | | | | | |
|---|------------------------|-------------------|--------------|---------------------|--------------------|---------------|---|---------------------|--------------------|--|---------|--|
| 2014/15 | | | | | | | | | | | 2013/14 | |
| | 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 | | R'000 | |
| Sub programme | | | | | | | | | | | | |
| Ministry Management | 34 799 | (2 245) | - | 32 554 | 28 411 | 4 143 | 87.3 | 31 385 | 31 342 | | | |
| | 18 180 | (2 737) | - | 15 443 | 15 152 | 291 | 98.1 | 9 296 | 9 269 | | | |
| | 29 437 | 556 | - | 29 993 | 28 075 | 1 918 | 93.6 | 27 226 | 27 057 | | | |
| Corporate Services | | | | | | | | | | | | |
| Chief Financial Officer | 11 725 | 1 237 | - | 12 962 | 12 578 | 384 | 97.0 | 11 417 | 11 281 | | | |
| Human Resources | 19 753 | 580 | 3 214 | 23 547 | 23 396 | 151 | 99.4 | 17 674 | 17 618 | | | |
| Communications | 12 042 | 4 729 | - | 16 771 | 16 072 | 699 | 95.8 | 14 371 | 14 226 | | | |
| Strategic Planning, Monitoring and Evaluation | 5 625 | (4) | 1 522 | 7 143 | 4 377 | 2 766 | 61.3 | 4 851 | 4 807 | | | |
| Inter-Governmental Relations | 7 657 | (1 786) | - | 5 871 | 5 830 | 41 | 99.3 | 6 764 | 6 711 | | | |
| Internal Audit | 4 823 | (330) | - | 4 493 | 3 565 | 928 | 79.3 | 3 960 | 3 743 | | | |
| Office Accommodation | 8 082 | - | - | 8 082 | 8 101 | (19) | 100.2 | 7 758 | 7 240 | | | |
| Total for sub programmes | 152 123 | - | 4 736 | 156 859 | 145 557 | 11 302 | 92.8 | 134 702 | 133 294 | | | |
| Economic classification | | | | | | | | | | | | |
| Current payments | 147 954 | (581) | 4 736 | 152 109 | 140 959 | 11 150 | 92.7 | 130 887 | 129 631 | | | |

| Programme 1: Administration | | | | | | | | | |
|---|------------------------|-------------------|----------|---------------------|--------------------|----------|---|---------------------|--------------------|
| 2014/15 | | | | | | | 2013/14 | | |
| | Adjusted appropriation | Shifting of funds | Virement | Final appropriation | Actual expenditure | Variance | Expenditure as % of final appropriation | Final appropriation | Actual expenditure |
| Compensation of employees | 70 972 | 700 | 2 992 | 74 664 | 73 806 | 858 | 98.9 | 66 762 | 66 659 |
| Salaries and wages | 50 535 | 14 536 | 2 992 | 68 063 | 67 644 | 419 | 99.4 | 60 411 | 60 327 |
| Social contributions | 20 437 | (13 836) | - | 6 601 | 6 162 | 439 | 93.3 | 6 351 | 6 332 |
| Goods and services | 76 982 | (1 281) | 1 744 | 77 445 | 67 153 | 10 292 | 86.7 | 64 125 | 62 972 |
| Administrative fees | 808 | (112) | - | 696 | 715 | (19) | 102.7 | 492 | 527 |
| Advertising | 2 515 | (18) | - | 2 497 | 2 472 | 25 | 99.0 | 4 225 | 4 221 |
| Minor assets | 1 056 | (825) | - | 231 | 73 | 158 | 31.6 | 355 | 354 |
| Audit costs: External | 2 200 | 630 | - | 2 830 | 2 822 | 8 | 99.7 | 2 143 | 2 087 |
| Bursaries: Employees | 1 000 | (725) | - | 275 | 264 | 11 | 96.0 | 471 | 463 |
| Catering: | 844 | 37 | - | 881 | 653 | 228 | 74.1 | 1 379 | 1 309 |
| Departmental activities | | | | | | | | | |
| Communication | 2 759 | 1 365 | - | 4 124 | 4 053 | 71 | 98.3 | 3 557 | 3 220 |
| Computer services | 4 148 | 1 766 | - | 5 914 | 4 864 | 1 050 | 82.2 | 4 109 | 4 126 |
| Consultants: Business and advisory services | 20 727 | (2 688) | 1 522 | 19 561 | 16 247 | 3 314 | 83.1 | 7 920 | 7 886 |
| Legal services | 1 000 | (325) | - | 675 | 673 | 2 | 99.7 | - | - |
| Contractors | 1 276 | 1 261 | - | 2 537 | 2 472 | 65 | 97.4 | 848 | 809 |
| Agency and support / outsourced services | 4 074 | (3 069) | - | 1 005 | 923 | 82 | 91.8 | 1 363 | 1 360 |
| Entertainment | 252 | (238) | - | 14 | 4 | 10 | 28.6 | 38 | 20 |
| Fleet services | 1 108 | (90) | - | 1 018 | 974 | 44 | 95.7 | 1 187 | 1 149 |
| Housing | - | - | - | - | - | - | - | - | - |

| Programme 1: Administration | | | | | | | | | |
|--|------------------------|-------------------|----------|---------------------|--------------------|----------|---|---------------------|--------------------|
| | 2014/15 | | | | | 2013/14 | | | |
| | Adjusted appropriation | Shifting of funds | Virement | Final appropriation | Actual expenditure | Variance | Expenditure as % of final appropriation | Final appropriation | Actual expenditure |
| Inventory: Clothing material and supplies | - | - | - | - | - | - | - | 25 | 25 |
| Inventory: Materials and supplies | - | 49 | - | 49 | 46 | 3 | 93.9 | 1 | 1 |
| Consumable supplies | 734 | 252 | - | 986 | 725 | 261 | 73.5 | 658 | 624 |
| Consumable: Stationery, printing and office supplies | 1 416 | 353 | - | 1 769 | 1 480 | 289 | 83.7 | 2 388 | 2 248 |
| Operating leases | 1 790 | (590) | - | 1 200 | 1 196 | 4 | 99.7 | 1 321 | 1 293 |
| Property payments | 390 | (44) | - | 346 | 340 | 6 | 98.3 | 264 | 264 |
| Transport provided: Departmental activity | - | 69 | - | 69 | 68 | 1 | 98.6 | - | - |
| Travel and subsistence | 16 383 | (896) | - | 15 487 | 11 495 | 3 992 | 74.2 | 14 536 | 14 951 |
| Training and development | 2 004 | 402 | 222 | 2 628 | 2 608 | 20 | 99.2 | 1 643 | 1 650 |
| Operating payments | 9 498 | 1 008 | - | 10 506 | 9 955 | 551 | 94.8 | 8 875 | 8 316 |
| Venues and facilities | 1 000 | 898 | - | 1 898 | 1 787 | 111 | 94.2 | 6 326 | 6 069 |
| Rental and hiring | - | 249 | - | 249 | 244 | 5 | 98.0 | - | - |

| Programme 1: Administration | | | | | | | | | |
|--------------------------------------|------------------------|-------------------|--------------|---------------------|--------------------|---------------|---|---------------------|--------------------|
| 2014/15 | | | | | | | 2013/14 | | |
| | Adjusted appropriation | Shifting of funds | Virement | Final appropriation | Actual expenditure | Variance | Expenditure as % of final appropriation | Final appropriation | Actual expenditure |
| Transfers and subsidies | 100 | 283 | - | 383 | 317 | 66 | 82.8 | 374 | 318 |
| Provinces and municipalities | - | - | - | - | - | - | - | 4 | 2 |
| Municipalities | - | - | - | - | - | - | - | 4 | 2 |
| Municipal bank accounts | - | - | - | - | - | - | - | 4 | 2 |
| Households | 100 | 283 | - | 383 | 317 | 66 | 82.8 | 370 | 316 |
| Social benefits | - | 286 | - | 286 | 221 | 65 | 77.3 | 70 | 69 |
| Other transfers to households | 100 | (3) | - | 97 | 96 | 1 | 99.0 | 300 | 247 |
| Payments for capital assets | 4 069 | 291 | - | 4 360 | 4 274 | 86 | 98.0 | 3 344 | 3 250 |
| Machinery and equipment | 3 966 | 311 | - | 4 277 | 4 192 | 85 | 98.0 | 2 834 | 2 769 |
| Transport equipment | 3 356 | (1 900) | - | 1 456 | 1 396 | 60 | 95.9 | 578 | 562 |
| Other machinery and equipment | 610 | 2 211 | - | 2 821 | 2 796 | 25 | 99.1 | 2 256 | 2 207 |
| Intangible assets | 103 | (20) | - | 83 | 82 | 1 | 98.8 | 510 | 481 |
| Payments for financial assets | - | 7 | - | 7 | 7 | - | 100.0 | 97 | 95 |
| Total | 152 123 | - | 4 736 | 156 859 | 145 557 | 11 302 | 92.8 | 134 702 | 133 294 |

| 1.1 Ministry | | | | | | | | | |
|------------------------------------|------------------------|-------------------|----------|---------------------|--------------------|--------------|---|---------------------|----------------------------|
| 2014/15 | | | | | | | | | |
| | Adjusted appropriation | Shifting of funds | Virement | Final appropriation | Actual expenditure | Variance | Expenditure as % of final appropriation | Final appropriation | 2013/14 Actual expenditure |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 |
| Economic classification | | | | | | | | | |
| Current payments | 31 443 | (356) | - | 31 087 | 27 005 | 4 082 | 86.9 | 31 373 | 31 332 |
| Compensation of employees | 18 135 | (356) | - | 17 779 | 17 748 | 31 | 99.8 | 17 342 | 17 330 |
| Goods and services | 13 308 | | | 13 308 | 9 257 | 4 032 | 69.7 | 14 031 | 14 002 |
| Interest and rent on land | - | | | - | - | - | - | - | - |
| Transfers and subsidies | | | | 11 | 10 | 1 | 90.9 | 4 | 2 |
| Households | - | | | 11 | 10 | 1 | 90.9 | 4 | 2 |
| Payments for capital assets | 3 356 | (1 900) | | 1 456 | 1 396 | 60 | 95.9 | 8 | 8 |
| Machinery and equipment | 3 356 | (1 900) | | 1 456 | 1 396 | 60 | 95.9 | 8 | 8 |

| 1.2 Management | | | | | | | | | | | | |
|--------------------------------|-------------------------------|--------------------------|-----------------|----------------------------|---------------------------|-----------------|--|----------------------------|---------------------------|--|----------------------------|---------------------------|
| 2014/15 | | | | | | | 2013/14 | | | | | |
| Economic classification | Adjusted appropriation | Shifting of funds | Virement | Final appropriation | Actual expenditure | Variance | Expenditure as % of final appropriation | Final appropriation | Actual expenditure | 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 | % | R'000 | R'000 |
| Current pay-ments | 18 180 | (2 737) | - | 15 443 | 15 152 | 291 | 99.3 | 15 443 | 15 152 | 99.3 | 9 296 | 9 269 |
| Compensation of employees | 5 740 | 365 | - | 6 105 | 6 077 | 28 | 99.5 | 6 105 | 6 077 | 99.5 | 5 511 | 5 502 |
| Goods and services | 12 440 | (3 102) | - | 9 338 | 9 075 | 263 | 99.1 | 9 338 | 9 075 | 99.1 | 3 785 | 3 767 |

| 1.3 Corporate Services | | | | | | | | | |
|--------------------------------------|------------------------|-------------------|----------|---------------------|--------------------|--------------|---|---------------------|--------------------|
| 2014/15 | | | | | | | 2013/14 | | |
| Economic classification | Adjusted appropriation | Shifting of funds | Virement | Final appropriation | Actual expenditure | Variance | Expenditure as % of final appropriation | Final appropriation | Actual expenditure |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 |
| Current pay-ments | 28 724 | (1 688) | - | 27 036 | 25 198 | 1 838 | 94.3 | 24 635 | 24 520 |
| Compensation of employees | 12 301 | 17 | - | 12 318 | 12 062 | 256 | 97.9 | 11 316 | 11 307 |
| Goods and ser- vices | 16 423 | (1 705) | - | 14 718 | 13 136 | 1 582 | 91.2 | 13 319 | 13 213 |
| Interest and rent on land | - | - | - | - | - | - | - | - | - |
| Transfers and subsidies | 100 | 100 | - | 100 | 45 | 55 | 45.0 | 55 | 55 |
| Households | - | 100 | - | 100 | 45 | 55 | 45.0 | 55 | 55 |
| Payments for capital assets | 713 | 2 144 | - | 2 857 | 2 832 | 25 | 99.1 | 2 536 | 2 482 |
| Buildings and other fixed structures | - | - | - | - | - | - | - | - | - |
| Machinery and equipment | 610 | 2 164 | - | 2 774 | 2 750 | 24 | 99.1 | 2 026 | 2 000 |
| Intangible as- sets | 103 | (20) | - | 83 | 82 | 1 | 98.8 | 510 | 481 |

| 1.4 Chief Financial Officer | | | | | | | | | |
|--------------------------------------|------------------------|-------------------|----------|---------------------|--------------------|------------|---|---------------------|--------------------|
| 2014/15 | | | | | | | 2013/14 | | |
| Economic classification | Adjusted appropriation | Shifting of funds | Virement | Final appropriation | Actual expenditure | Variance | Expenditure as % of final appropriation | Final appropriation | Actual expenditure |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 |
| Current payments | 11 725 | 1 100 | - | 12 825 | 12 445 | 380 | 96.8 | 10 720 | 10 603 |
| Compensation of employees | 7 514 | 700 | - | 8 214 | 8 178 | 36 | 99.6 | 6 970 | 6 965 |
| Goods and services | 4 211 | 400 | - | 4 611 | 4 267 | 344 | 91.9 | 3 750 | 3 638 |
| Interest and rent on land | - | - | - | - | - | - | - | - | - |
| Transfers and subsidies | - | 130 | - | 130 | 126 | 4 | 96.9 | - | - |
| Households | - | 130 | - | 130 | 126 | 4 | 96.9 | - | - |
| Payments for capital assets | - | - | - | - | - | - | - | 600 | 583 |
| Machinery and equipment | - | - | - | - | - | - | - | 600 | 583 |
| Payments for financial assets | - | 7 | - | 7 | 7 | - | 100 | 97 | 95 |

| 1.5 Human Resources | | | | | | | | | |
|--------------------------------|------------------------|-------------------|--------------|---------------------|--------------------|------------|---|---------------------|--------------------|
| 2014/15 | | | | | | | 2013/14 | | |
| Economic classification | Adjusted appropriation | Shifting of funds | Virement | Final appropriation | Actual expenditure | Variance | Expenditure as % of final appropriation | Final appropriation | Actual expenditure |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 |
| Current payments | 19 753 | 535 | 3 214 | 23 502 | 23 356 | 146 | 99.4 | 17 474 | 17 418 |
| Compensation of employees | 9 974 | 137 | 2 992 | 14 203 | 14 130 | 73 | 99.5 | 10 296 | 10 259 |
| Goods and services | 9 779 | (702) | 222 | 9 299 | 9 299 | 73 | 99.3 | 7 178 | 7 159 |
| Transfers and subsidies | - | 45 | | 45 | 40 | 5 | 88.9 | 200 | 200 |
| Households | | 45 | | 45 | 40 | 5 | 88.9 | 200 | 200 |

| 1.6 Communications | | | | | | | | | |
|------------------------------------|------------------------|-------------------|----------|---------------------|--------------------|------------|---|---------------------|--------------------|
| | | 2014/15 | | | | | 2013/14 | | |
| Economic classification | Adjusted appropriation | Shifting of funds | Virement | Final appropriation | Actual expenditure | Variance | Expenditure as % of final appropriation | Final appropriation | Actual expenditure |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 |
| Current payments | 11 942 | 4 685 | | 16 627 | 15 930 | 697 | 95.8 | 14 071 | 14 002 |
| Compensation of employees | 7 021 | (834) | | 6 187 | 6 023 | 164 | 97.3 | 6 873 | 6 863 |
| Goods and services | 4 921 | 5 519 | | 10 440 | 9 908 | 533 | 94.9 | 7 198 | 7 139 |
| Transfers and subsidies | 100 | (3) | | 97 | 96 | 1 | 99.0 | 100 | 47 |
| Households | 100 | (3) | | 97 | 96 | 1 | 99.0 | 100 | 47 |
| Payments for capital assets | | 47 | | 47 | 46 | 1 | 97.9 | 200 | 177 |
| Machinery and equipment | - | 47 | | 47 | 46 | 1 | 97.9 | 200 | 177 |

| 1.7 Strategic Planning, Monitoring and Evaluation | | | | | | | | | |
|---|------------------------|-------------------|--------------|---------------------|--------------------|--------------|---|---------------------|--------------------|
| | | | | | | | | | |
| 2014/15 | | | | | 2013/14 | | | | |
| | 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 | 5 625 | (4) | 1 522 | 7 143 | 4 377 | 2 766 | 61.3 | 4 851 | 4 807 |
| Compensation of employees | 3 728 | (72) | - | 3 656 | 3 414 | 242 | 93.4 | 3 052 | 3 044 |
| Goods and services | 1 897 | 68 | 1 522 | 3 487 | 963 | 2 524 | 27.6 | 1 799 | 1 763 |
| Interest and rent on land | - | - | - | - | - | - | - | - | - |

| 1.8 Inter-Governmental Relations | | | | | | | | | |
|----------------------------------|------------------------|-------------------|----------|---------------------|--------------------|-----------|---|---------------------|--------------------|
| | | | | | | | | | |
| 2014/15 | | | | | 2013/14 | | | | |
| | 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 | 7 657 | (1 786) | - | 5 871 | 5 831 | 40 | 99.3 | 6 764 | 6 711 |
| Compensation of employees | 4 331 | 164 | - | 4 495 | 4 477 | 18 | 99.6 | 3 681 | 3 675 |
| Goods and services | 3 326 | (1950) | - | 1 376 | 1 354 | 22 | 98.4 | 3 083 | 3 036 |

| 1.9 Internal Audit | | | | | | | | | |
|--------------------------------|------------------------|-------------------|----------|---------------------|--------------------|------------|---|---------------------|--------------------|
| | | 2014/15 | | | | | | 2013/14 | |
| | Adjusted appropriation | Shifting of Funds | Virement | Final appropriation | Actual expenditure | Variance | Expenditure as % of final appropriation | Final appropriation | Actual expenditure |
| Economic classification | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 |
| Current payments | 4 823 | (330) | - | 4 493 | 3 565 | 928 | 79.3 | 3 945 | 3 729 |
| Compensation of employees | 2 228 | (521) | - | 1 707 | 1 697 | 10 | 99.4 | 1 722 | 1 714 |
| Goods and services | 2 595 | 191 | - | 2 786 | 1 868 | 918 | 67.0 | 2 223 | 2 015 |
| Interest and rent on land | - | - | - | - | - | - | - | - | - |
| Transfers and subsidies | - | - | - | - | - | - | - | 15 | 14 |
| Households | - | - | - | - | - | - | - | 15 | 14 |

| 1.10 Office Accommodation | | | | | | | | | |
|--------------------------------|------------------------|-------------------|----------|---------------------|--------------------|----------|---|---------------------|--------------------|
| 2014/15 | | | | | | | 2013/14 | | |
| | 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 | 8 082 | - | - | 8 082 | 8 101 | -19 | 100.2 | 7 758 | 7 240 |
| Compensation of employees | - | - | - | - | - | - | - | - | - |
| Goods and services | 8 082 | - | - | 8 082 | 8 101 | -19 | 100.2 | 7 758 | 7 240 |

| Programme 2: Legal and Governance | | | | | | | | | |
|-----------------------------------|------------------------|-------------------|------------|---------------------|--------------------|--------------|---|---------------------|--------------------|
| 2014/15 | | | | | | | 2013/14 | | |
| | 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 | | | | | | | | | |
| Management | 2 826 | 233 | - | 3 059 | 2 879 | 180 | 94.1 | 3 052 | 3 022 |
| Legal | 12 919 | 268 | (584) | 12 603 | 11 703 | 900 | 92.9 | 12 789 | 12 704 |
| Governance | 8 222 | (501) | 928 | 8 649 | 5 731 | 2 918 | 66.3 | 7 597 | 7 433 |
| Total for sub programmes | 23 967 | - | 344 | 24 311 | 20 313 | 3 998 | 83.6 | 23 438 | 23 159 |

| Programme 2: Legal and Governance | | | | | | | | | |
|-----------------------------------|------------------------|-------------------|------------|---------------------|--------------------|--------------|---|---------------------|--------------------|
| 2014/15 | | | | | | | 2013/14 | | |
| Economic classification | Adjusted appropriation | Shifting of funds | Virement | Final appropriation | Actual expenditure | Variance | Expenditure as % of final appropriation | Final appropriation | Actual expenditure |
| Current payments | 23 967 | - | 344 | 24 311 | 20 313 | 3 998 | 83.6 | 23 424 | 23 146 |
| Compensation of employees | 18 198 | - | (656) | 17 542 | 16 834 | 708 | 96.0 | 15 416 | 15 178 |
| Salaries and wages | 11 729 | 5 222 | (656) | 16 295 | 15 607 | 688 | 95.8 | 14 470 | 14 232 |
| Social contributions | 6 469 | (5 222) | - | 1 247 | 1 227 | 20 | 98.4 | 946 | 946 |
| Goods and services | 5 769 | - | 1 000 | 6 769 | 3 479 | 3 290 | 51.4 | 8 008 | 7 968 |
| Catering: | | | | | | | | | |
| Departmental activities | 24 | - | - | 24 | 4 | 20 | 16.7 | 57 | 46 |
| Communication | 204 | - | - | 204 | 125 | 79 | 61.3 | 152 | 142 |
| Computer services | - | - | - | - | - | - | - | - | - |
| Consultants: | | | | | | | | | |
| Business and advisory services | 1 450 | 29 | 1 000 | 2 479 | 393 | 2 086 | 15.9 | 2 462 | 2 458 |
| Legal services | 2 166 | (421) | - | 1 745 | 1 435 | 310 | 82.2 | 1 878 | 1 876 |
| Contractors | - | - | - | - | - | - | - | 98 | 98 |

| Programme 2: Legal and Governance | | | | | | | | | |
|--|------------------------|-------------------|----------|---------------------|--------------------|----------|---|---------------------|--------------------|
| 2014/15 | | | | | | | 2013/14 | | |
| | Adjusted appropriation | Shifting of funds | Virement | Final appropriation | Actual expenditure | Variance | Expenditure as % of final appropriation | Final appropriation | Actual expenditure |
| Agency and support / outsourced services | - | 62 | - | 62 | 61 | 1 | 98.4 | 1 197 | 1 197 |
| Entertainment | 14 | - | - | 14 | - | 14 | - | 8 | - |
| Consumable supplies | - | - | - | - | - | - | - | 2 | 2 |
| Consumable: Stationery, printing and office supplies | - | - | - | - | - | - | - | 2 | 1 |
| Operating leases | - | - | - | - | - | - | - | 5 | 4 |
| Travel and subsistence | 1 831 | 295 | - | 2 126 | 1 394 | 732 | 65.6 | 1 698 | 1 724 |
| Training and development | - | - | - | - | - | - | - | 176 | 156 |
| Operating payments | - | 2 | - | 2 | 2 | - | 100.0 | 34 | 34 |
| Venues and facilities | 80 | 33 | - | 113 | 65 | 48 | 57.5 | 239 | 230 |

| Programme 2: Legal and Governance | | | | | | | | | |
|------------------------------------|------------------------|-------------------|------------|---------------------|--------------------|--------------|---|---------------------|--------------------|
| 2014/15 | | | | | | | 2013/14 | | |
| | Adjusted appropriation | Shifting of funds | Virement | Final appropriation | Actual expenditure | Variance | Expenditure as % of final appropriation | Final appropriation | Actual expenditure |
| Transfers and subsidies | - | - | - | - | - | - | - | 14 | 13 |
| Departmental agencies and accounts | - | - | - | - | - | - | - | 14 | 13 |
| Social security funds | - | - | - | - | - | - | - | 14 | 13 |
| Total | 23 967 | - | 344 | 24 311 | 20 313 | 3 998 | 83.6% | 23 438 | 23 159 |

| 2.1 Management | | | | | | | | | |
|--------------------------------|------------------------|-------------------|--------------|---------------------|--------------------|--------------|---|---------------------|--------------------|
| 2014/15 | | | | | | | 2013/14 | | |
| | Adjusted appropriation | Shifting of funds | Virement | Final appropriation | Actual expenditure | Variance | Expenditure as % of final appropriation | Final appropriation | Actual expenditure |
| Economic classification | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 |
| Current payments | 2 826 | 233 | | 3 059 | 2 879 | 180 | 94.1 | 3 052 | 3 022 |
| Compensation of employees | 1 966 | 233 | | 2 199 | 2 185 | 14 | 99.4 | 2 228 | 2 199 |
| Goods and services | 860 | | | 860 | 694 | 166 | 80.7 | 824 | 823 |

| 2.2 Legal | | 2014/15 | | | | | | | 2013/14 | |
|--------------------------------|---------------|------------------------|-------------------|---------------|---------------------|--------------------|-------------|---|---------------------|--------------------|
| | | Adjusted appropriation | Shifting of funds | Virement | Final appropriation | Actual expenditure | Variance | Expenditure as % of final appropriation | Final appropriation | Actual expenditure |
| Economic classification | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 | |
| Current payments | 12 919 | 268 | (584) | 12 603 | 11 703 | 900 | 92.9 | 12 775 | 12 691 | |
| Compensation of employees | 9 756 | 268 | (584) | 9 440 | 9 429 | 11 | 99.9 | 8 818 | 8 741 | |
| Goods and services | 3 163 | | | 3 163 | 2 274 | 889 | 71.9 | 3 957 | 3 950 | |
| Transfers and subsidies | - | - | - | - | - | - | - | 14 | 13 | |
| Households | - | - | - | - | - | - | - | 14 | 13 | |

| 2.3 Governance | | 2014/15 | | | | | | | 2013/14 | |
|---------------------------|--------------|------------------------|-------------------|--------------|---------------------|--------------------|-------------|---|---------------------|--------------------|
| | | Adjusted appropriation | Shifting of funds | Virement | Final appropriation | Actual expenditure | Variance | Expenditure as % of final appropriation | Final appropriation | Actual expenditure |
| Economic classification | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 |
| Current | 8 222 | (501) | 928 | 8 649 | 5 731 | 2 918 | 66.3 | 7 597 | 7 433 | |
| Compensation of employees | 6 476 | (501) | (72) | 5 903 | 5 220 | 683 | 88.4 | 4 370 | 4 238 | |
| Goods and services | 1 746 | | 1 000 | 2 746 | 511 | 2 235 | 18.6 | 3 227 | 3 195 | |

| Programme 3: Portfolio Management and Strategic Partnership | | | | | | | | | | |
|---|------------------------|-------------------|----------------|---------------------|--------------------|--------------|---|---------------------|--------------------|---------|
| 2014/15 | | | | | | | | | | 2013/14 |
| | 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 | R'000 |
| Sub-programme | | | | | | | | | | |
| Energy and Broadband Enterprises | 17 708 | - | (216) | 17 492 | 15 507 | 1 985 | 88.7 | 17 631 | 15 991 | |
| Manufacturing Enterprises | 81 272 | - | (880) | 80 392 | 77 541 | 2 851 | 96.5 | 71 596 | 68 097 | |
| Transport Enterprises | 24 297 | (598) | (1 246) | 22 453 | 20 598 | 1 855 | 91.7 | 19 789 | 14 985 | |
| Economic Impact and Policy Alignment | 13 286 | - | (1 716) | 11 570 | 10 677 | 893 | 92.3 | 16 069 | 9 686 | |
| Strategic Partnerships | 10 274 | 598 | (1 022) | 9 850 | 8 253 | 1 597 | 83.8 | 10 914 | 7 256 | |
| Total for sub-programmes | 146 837 | - | (5 080) | 141 757 | 132 576 | 9 181 | 93.5 | 135 999 | 116 015 | |
| Economic classification | | | | | | | | | | |
| Current payments | 83 696 | (406) | (5 080) | 78 210 | 69 045 | 9 165 | 88.3 | 78 749 | 58 734 | |
| Compensation of employees | 60 404 | - | (2 336) | 58 068 | 52 901 | 5 167 | 91.1 | 49 484 | 45 934 | |
| Salaries and wages | 40 156 | 13 627 | (2 336) | 51 447 | 49 006 | 2 441 | 95.3 | 46 000 | 42 508 | |

| Programme 3: Portfolio Management and Strategic Partnership | | | | | | | | | |
|---|------------------------|-------------------|----------|---------------------|--------------------|----------|---|---------------------|--------------------|
| 2014/15 | | | | | | | 2013/14 | | |
| | Adjusted appropriation | Shifting of funds | Virement | Final appropriation | Actual expenditure | Variance | Expenditure as % of final appropriation | Final appropriation | Actual expenditure |
| Social contributions | 20 248 | (13 627) | - | 6 621 | 3 895 | 2 726 | 58.8 | 3 484 | 3 426 |
| Goods and services | 23 292 | (406) | (2 744) | 20 142 | 16 144 | 3 998 | 80.2 | 29 265 | 12 800 |
| Administrative fees | - | 259 | (53) | 206 | 206 | - | 100.0 | - | - |
| Advertising | - | 214 | - | 214 | 214 | - | 100.0 | 864 | 483 |
| Minor assets | - | - | - | - | - | - | - | 3 | 3 |
| Catering: | | | | | | | | | |
| Departmental activities | 90 | (11) | (4) | 75 | 46 | 29 | 61.3 | 342 | 267 |
| Communication | 681 | (183) | (24) | 474 | 389 | 85 | 82.1 | 610 | 381 |
| Computer services | - | 1 756 | - | 1 756 | 1 556 | 200 | 88.6 | - | - |
| Consultants: | | | | | | | | | |
| Business and advisory services | 15 193 | (2 394) | (1 765) | 11 034 | 8 440 | 2 594 | 76.5 | 13 001 | 2 565 |
| Contractors | - | 156 | - | 156 | 156 | - | 100.0 | 2 | 2 |
| Agency and support / outsourced services | - | - | - | - | - | - | - | 492 | 68 |
| Entertainment | 46 | (27) | (6) | 13 | - | 13 | - | 42 | - |
| Fleet services | - | 1 | - | 1 | 1 | - | 100.0 | 42 | 41 |

| Programme 3: Portfolio Management and Strategic Partnership | | | | | | | | | |
|---|------------------------|-------------------|----------|---------------------|--------------------|----------|---|---------------------|--------------------|
| 2014/15 | | | | | | | 2013/14 | | |
| | Adjusted appropriation | Shifting of funds | Virement | Final appropriation | Actual expenditure | Variance | Expenditure as % of final appropriation | Final appropriation | Actual expenditure |
| Inventory: Clothing material and supplies | - | - | - | - | - | - | - | 14 | 4 |
| Inventory: Medicine | - | 1 | - | 1 | 1 | - | 100.0 | 2 | 1 |
| Consumable supplies | - | - | - | - | - | - | - | 197 | 196 |
| Consumable: Stationery, printing and office supplies | 7 | 45 | - | 52 | 44 | 8 | 84.6 | 169 | 127 |
| Travel and subsistence | 6 700 | (297) | (799) | 5 604 | 4 596 | 1 008 | 82.0 | 10 655 | 7 342 |
| Training and development | - | - | - | - | - | - | - | 74 | 53 |
| Operating payments | - | 4 | - | 4 | 4 | - | 100.0 | 48 | 23 |
| Venues and facilities | 575 | 9 | (93) | 491 | 430 | 61 | 87.6 | 2 708 | 1 244 |
| Rental and hiring | - | 61 | - | 61 | 61 | - | 100.0 | - | - |

| Programme 3: Portfolio Management and Strategic Partnership | | | | | | | | | |
|---|------------------------|-------------------|----------------|---------------------|--------------------|--------------|---|---------------------|--------------------|
| 2014/15 | | | | | | | 2013/14 | | |
| | Adjusted appropriation | Shifting of funds | Virement | Final appropriation | Actual expenditure | Variance | Expenditure as % of final appropriation | Final appropriation | Actual expenditure |
| Transfers and subsidies | 63 141 | 406 | - | 63 547 | 63 531 | 16 | 100.0 | 57 281 | 57 281 |
| Public corporations and private enterprises | 63 141 | - | - | 63 141 | 63 141 | - | 100.0 | 57 250 | 57 250 |
| Public corporations | 63 141 | - | - | 63 141 | 63 141 | - | 100.0 | 57 250 | 57 250 |
| Other transfers to public corporations | 63 141 | - | - | 63 141 | 63 141 | - | 100.0 | 57 250 | 57 250 |
| Households | - | 406 | - | 406 | 390 | 16 | 96.1 | - | 31 |
| Social benefits | - | 406 | - | 406 | 390 | 16 | 96.1 | - | 31 |
| Total | 146 837 | - | (5 080) | 141 757 | 132 576 | 9 181 | 93.5 | 135 999 | 116 015 |

| 3.2 Manufacturing Enterprises | | | | | | | | | |
|---|------------------------|-------------------|--------------|---------------------|--------------------|--------------|---|---------------------|--------------------|
| | | 2014/15 | | | | | 2013/14 | | |
| Economic classification | Adjusted appropriation | Shifting of funds | Virement | Final appropriation | Actual expenditure | Variance | Expenditure as % of final appropriation | Final appropriation | Actual expenditure |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 |
| Current payments | 18 131 | (52) | (880) | 17 199 | 14 349 | 2 850 | 83.4 | 14 346 | 10 847 |
| Compensation of employees | 13 073 | | (880) | 12 193 | 10 417 | 1 776 | 85.4 | 9 564 | 8 877 |
| Goods and services | 5 058 | (52) | | 5 006 | 3 932 | 1 074 | 78.5 | 4 782 | 1 970 |
| Transfers and subsidies | 63 141 | 52 | | 63 193 | 63 192 | 1 | 100.0 | 57 250 | 57 250 |
| Public corporations and private enterprises | 63 141 | - | - | 63 141 | 63 141 | - | 100.0 | 57 250 | 57 250 |
| Households | - | 52 | - | 52 | 51 | 1 | 98.1 | - | - |

| 3.3 Transport Enterprises | | | | | | | | | | | |
|--------------------------------|------------------------|-------------------|----------------|---------------------|--------------------|--------------|---|---------------------|--------------------|-------|--|
| | 2014/15 | | | | | | 2013/14 | | | | |
| | Adjusted appropriation | Shifting of funds | Virement | Final appropriation | Actual expenditure | Variance | Expenditure as % of final appropriation | Final appropriation | Actual expenditure | | |
| Economic classification | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 | R'000 | |
| Current payments | 24 297 | (688) | (1 246) | 22 363 | 20 515 | 1 848 | 91.7 | 19 789 | 14 985 | | |
| Compensation of employees | 17 467 | (1 054) | (1 024) | 15 389 | 13 772 | 1 617 | 89.5 | 13 608 | 12 386 | | |
| Goods and services | 6 830 | 366 | (222) | 6 974 | 6 743 | 231 | 96.7 | 6 181 | 2 599 | | |
| Transfers and subsidies | - | 90 | | 90 | 83 | 7 | 92.2 | - | - | | |
| Households | - | 90 | | 90 | 83 | 7 | 92.2 | - | - | | |

| 3.4 Economic Impact and Policy Alignment | | | | | | | | | |
|--|------------------------|-------------------|----------------|---------------------|--------------------|------------|---|---------------------|--------------------|
| | | 2014/15 | | | | | 2013/14 | | |
| Economic classification | Adjusted appropriation | Shifting of funds | Virement | Final appropriation | Actual expenditure | Variance | Expenditure as % of final appropriation | Final appropriation | Actual expenditure |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 |
| Current payments | 13 286 | (6) | (1 716) | 11 564 | 10 672 | 892 | 92.3 | 16 069 | 9 686 |
| Compensation of employees | 8 613 | - | (216) | 8 397 | 7 981 | 416 | 95.0 | 6 894 | 6 369 |
| Goods and services | 4 673 | (6) | (1 500) | 3 167 | 2 691 | 476 | 85.0 | 9 175 | 3 317 |
| Transfers and subsidies | - | 6 | - | 6 | 5 | 1 | 83.3 | - | - |
| Households | - | 6 | - | 6 | 5 | 1 | 83.3 | - | - |

| 3.5 Strategic Partnerships | | | | | | | | | |
|--------------------------------|------------------------|-------------------|----------------|---------------------|--------------------|--------------|---|---------------------|--------------------|
| 2014/15 | | | | | | | 2013/14 | | |
| Economic classification | Adjusted appropriation | Shifting of funds | Virement | Final appropriation | Actual expenditure | Variance | Expenditure as % of final appropriation | Final appropriation | Actual expenditure |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | % | R'000 | R'000 |
| Current payments | 10 274 | 563 | (1 022) | 9 815 | 8 219 | 1 596 | 83.7 | 10 914 | 7 256 |
| Compensation of employees | 5 501 | 1 054 | | 6 555 | 6 473 | 82 | 98.7 | 6 015 | 5 450 |
| Goods and services | 4 773 | (491) | (1 022) | 3 260 | 1 746 | 1 514 | 53.6 | 4 899 | 1 806 |
| Transfers and subsidies | - | 35 | - | 35 | 34 | 1 | 97.1 | - | - |
| Households | - | 35 | | 35 | 34 | 1 | 97.1 | - | - |

2. NOTES TO THE APPROPRIATION STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

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 |
|--|---------------------|--------------------|----------------|--|
| 1. Administration | 156 859 | 145 557 | 11 302 | 7.2 |
| 2. Legal and Governance | 24 311 | 20 313 | 3 998 | 16.4 |
| 3. Portfolio Management and Strategic Partnerships | 141 757 | 132 576 | 9 181 | 6.5 |
| Total | 322 927 | 298 446 | 24 481 | 7.6 |

| 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 | 254 630 | 230 317 | 24 313 | 9.4 |
| Compensation of employees | 150 274 | 143 541 | 6 733 | 4.0 |
| Goods and services | 104 356 | 86 776 | 17 580 | 16.8 |
| Interest and rent on land | - | - | - | - |
| Transfers and subsidies | 63 930 | 63 848 | 82 | 0.1 |
| Provinces and municipalities | - | - | - | - |
| Public corporations and private enterprises | 63 141 | 63 141 | - | 100.0 |
| Households | 789 | 707 | 82 | 10.4 |
| Payments for capital assets | 4 360 | 4 274 | 86 | 2.0 |
| Buildings and other fixed structures | - | - | - | - |
| Machinery and equipment | 4 277 | 4 192 | 85 | 2.0 |
| Intangible assets | 83 | 82 | 1 | 1.2 |
| Payments for financial assets | 7 | 7 | - | 100.0 |
| | 322 927 | 298 446 | 24 481 | 7.6 |

An underspending of R24.5 million was recorded for the 2014/2015 financial year, mainly due to compensation of employees and goods and services. This underspending resulted from posts not having been filled due to scarcity of specialist skills in the market and some projects having been delayed due to capacity constraints.

Programme 3: Portfolio Management and Strategic Partnership reflects on goods and services as a result of projects being delayed.

3. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2015

| | Note | 2014/15 R'000 | 2013/14 R'000 |
|---|------|------------------|------------------|
| REVENUE | | | |
| Annual appropriation | 1 | 322 927 | 294 139 |
| Departmental revenue | 2 | 203 | 373 |
| Aid assistance | 3 | 7 374 | 6 101 |
| TOTAL REVENUE | | 330 504 | 300 613 |
| EXPENDITURE | | | |
| Current expenditure | | | |
| Compensation of employees | 4 | 143 541 | 127 771 |
| Goods and services | 5 | 86 776 | 83 740 |
| Aid assistance | 3 | 4 | 2 449 |
| Total current expenditure | | 230 321 | 213 960 |
| Transfers and subsidies | | | |
| Transfers and subsidies | 2 | 63 848 | 57 612 |
| Total transfers and subsidies | | 63 848 | 57 612 |
| Expenditure for capital assets | | | |
| Tangible assets | 8 | 4 192 | 2 769 |
| Intangible assets | 8 | 82 | 481 |
| Total expenditure for capital assets | | 4 274 | 3 250 |
| Payments for financial assets | 6 | 7 | 95 |
| TOTAL EXPENDITURE | | 298 450 | 274 917 |
| SURPLUS/(DEFICIT) FOR THE YEAR | | 32 054 | 25 696 |
| Reconciliation of Net Surplus/(Deficit) for the year | | | |
| Voted funds | | 24 481 | 21 671 |
| Annual appropriation | | 24 481 | 21 671 |
| Departmental revenue and NRF Receipts | 15 | 203 | 373 |
| Aid assistance | 3 | 7 370 | 3 652 |
| SURPLUS/(DEFICIT) FOR THE YEAR | | 32 054 | 25 696 |

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MARCH 2015

| | <i>Note</i> | 2014/15 R'000 | 2013/14 R'000 |
|--|-------------|-------------------|-------------------|
| ASSETS | | | |
| Current assets | | | |
| | | 150 379 | 145 199 |
| Cash and cash equivalents | <u>9</u> | 150 067 | 143 723 |
| Prepayments and advances | <u>10</u> | 171 | 135 |
| Receivables | <u>11</u> | 141 | 1 341 |
| Non-current assets | | | |
| | | 21 552 085 | 25 149 585 |
| Investments | <u>12</u> | 20 200 375 | 23 798 455 |
| Receivables | <u>11</u> | 580 | - |
| Loans | <u>13</u> | 1 351 130 | 1 351 130 |
| TOTAL ASSETS | | 21 705 464 | 25 294 784 |
| LIABILITIES | | | |
| Current liabilities | | | |
| | | 150 959 | 145 199 |
| Voted funds to be surrendered to the Revenue Fund | <u>14</u> | 19 481 | 21 671 |
| Departmental revenue and NRF Receipts to be surrendered to the Revenue Fund | <u>15</u> | 3 | 47 |
| Payables | <u>16</u> | 1 235 | 1 566 |
| Aid assistance unutilised | <u>3</u> | 130 240 | 121 915 |
| Non-current liabilities | | | |
| TOTAL LIABILITIES | | 150 959 | 145 199 |
| NET ASSETS | | 21 551 505 | 25 149 585 |
| Represented by: | | | |
| Capitalisation reserve | | 21 551 505 | 25 149 585 |
| TOTAL | | 21 551 505 | 25 149 585 |

4. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2015

| | <i>Note</i> | 2014/15 | 2013/14 |
|--------------------------------|-------------|--------------------------|--------------------------|
| | | R'000 | R'000 |
| Capitalisation Reserves | | | |
| Opening balance | | 25 149 585 | 24 799 585 |
| Transfers: | | | |
| Movement in Equity | | <u>(3 598 080)</u> | <u>350 000</u> |
| Closing balance | | <u>21 551 505</u> | <u>25 149 585</u> |
| TOTAL | | <u>21 551 505</u> | <u>25 149 585</u> |

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

| | <i>Note</i> | 2014/15 R'000 | 2013/14 R'000 |
|--|-------------|--------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts | | 325 374 | 300 613 |
| Annual appropriated funds received | <u>1.1</u> | 317 927 | 294 139 |
| Departmental revenue received | <u>2</u> | 70 | 342 |
| Interest received | <u>2.2</u> | 3 | 31 |
| Aid assistance received | <u>3</u> | 7 374 | 6 101 |
| Net (increase)/decrease in working capital | | 253 | (772) |
| Surrendered to Revenue Fund | | (21 918) | (10 045) |
| Surrendered to RDP Fund/Donor | | 955 | 2 474 |
| Current payments | | (230 321) | (213 960) |
| Payments for financial assets | | (7) | (95) |
| Transfers and subsidies paid | | (63 848) | (57 612) |
| Net cash flow available from operating activities | <u>17</u> | 10 488 | 20 603 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payments for capital assets | <u>8</u> | (4 274) | (3 250) |
| Proceeds from sale of capital assets | <u>2.3</u> | 130 | |
| (Increase)/decrease in investments | | 3 598 080 | (350 000) |
| Net cash flows from investing activities | | 3 593 936 | (353 250) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Increase/(decrease) in net assets | | 3 598 080 | 350 000 |
| Net cash flows from financing activities | | 3 598 080 | 350 000 |
| Net increase/(decrease) in cash and cash equivalents | | 6 344 | 17 353 |
| Cash and cash equivalents at beginning of period | | 143 723 | 126 370 |
| Cash and cash equivalents at end of period | <u>9</u> | 150 067 | 143 723 |

Summary of significant accounting policies

The financial statements have been prepared in accordance with the following policies, which have been applied consistently in all material aspects, unless otherwise indicated.

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

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

1 Basis of preparation

The financial statements have been prepared in accordance with the Modified Cash Standard. The "modification" results from the recognition of certain near-cash balances in the financial statements, as well as the revaluation of foreign investments and loans and the recognition of resulting revaluation gains and losses. Under this basis, the effects of transactions and other events are recognised in the financial records when the resulting cash is received or paid.

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

2 Going concern

The financial statements have been prepared on a going concern basis.

3 Presentation currency

Amounts have been presented in the currency of the South African Rand (R) which is also the functional currency of the Department.

4 Rounding

Unless otherwise stated, financial figures have been rounded to the nearest one thousand Rand (R'000).

5 Foreign currency translation

Cash flows arising from foreign currency transactions are translated into South African Rands using the exchange rates prevailing at the date of payment/receipt.

6 Current year comparison with budget

A comparison between the approved,final budget and actual amounts for each programme and economic classification, is included in the appropriation statement

7 Revenue

7.1 Appropriated funds

Appropriated funds comprises of departmental allocations as well as direct charges against the revenue fund (i.e. statutory appropriation). Appropriated funds are recognised in the statement of financial performance on the date the appropriation becomes effective. Adjustments made in terms of the adjustments budget process are recognised in the statement of financial performance on the

date the adjustments become effective. The net amount of any appropriated funds due to / from the relevant revenue fund at the reporting date is recognised as a payable / receivable in the statement of financial position.

7.2 Departmental revenue

All Departmental revenue is recognised in the statement of financial performance when received and is subsequently paid into the relevant revenue fund, unless stated otherwise. Any amount owing to the relevant revenue fund at the reporting date is recognised as a payable in the statement of financial position.

7.3 Accrued departmental revenue

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

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

The accrued revenue is measured at the fair value of the consideration receivable. Accrued tax revenue (and related interest and / penalties) is measured at amounts receivable from collecting agents.

8 Expenditure

8.1 Compensation of employees

8.1.1 Salaries and wages

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

8.1.2 Social contributions

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

8.2 Other expenditure

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

8.3 Accrued expenditure payable

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

8.4 Leases

8.4.1 Operating leases

Operating lease payments made during the reporting period are recognised as current expenditure in the statement of financial performance on the date of payment. The operating lease commitments are recorded in the notes to the financial statements.

9 Aid Assistance

9.1 Aid assistance received

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

10 Cash and cash equivalents

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

Bank overdrafts are shown separately on the face of the statement of financial position.

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

11 Prepayments and advances

Prepayments and advances are recognised in the statement of financial position when the Department receives or disburses the cash.

Prepayments and advances are initially and subsequently measured at cost.

12 Loans and receivables

Loans and receivables are recognised in the statement of financial position at cost plus accrued interest, where interest is charged, less amounts already settled or written-off.

13 Investments

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

14 Impairment of financial assets

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

15 Payables

Loans and payables are recognised in the statement of financial position 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 accurately, the movable capital assets are measured at fair value, and where fair value cannot be determined; the movable assets are measured at R1.

All assets acquired prior to 1 April 2002 (or a later date as approved by the OAG), 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 is added to the cost of the asset at the end of the capital project, unless the movable asset is recorded by another department/entity, in which case the completed project costs are transferred to that department.

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 accurately, the intangible capital assets are measured at fair value and where fair value, cannot be determined, the intangible assets are measured at R1.

All assets acquired prior to 1 April 2002 (or a later date as approved by the OAG) may be recorded at R1. Intangible assets are subsequently carried at cost and are not subject to depreciation or impairment.

Subsequent expenditure that is of a capital nature is added to the cost of the asset at the end of the capital project, unless the intangible asset is recorded by another department/entity in which case the completed project costs are transferred to that department.

17 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 event(s) 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 Commitments

Commitments are recorded at cost in the notes to the financial statements when there is a contractual arrangement or an approval by management, in a manner that raises a valid expectation that the Department will discharge its responsibilities, thereby incurring future expenditure that will result in the outflow of cash.

18 Fruitless and wasteful expenditure

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

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

Fruitless and wasteful expenditure receivables are measured at the amount that is expected to be recoverable and are de-recognised when settled, or subsequently written-off as irrecoverable.

19 Irregular expenditure

Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the value of the irregularity, unless it is impracticable to determine, in which case reasons are therefore provided in the note.

Irregular expenditure is removed from the note when it is either condoned by the relevant authority or transferred to receivables for recovery.

Irregular expenditure receivables are measured at the amount that is expected to be recoverable, and are de-recognised when settled or subsequently written-off as irrecoverable.

20 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.

21 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.

22 Prior period errors

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

23 Related party transactions

A related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party. Related party transactions are recorded in the notes to the financial statements when the transaction is not at arm's length.

5. NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

1. Annual appropriation

1.1 Annual appropriation

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

| | 2014/15 | | 2013/14 | |
|--|---------------------|-----------------------|--------------------------------------|------------------------|
| | Final appropriation | Actual funds received | Funds not requested/ not received | Appropriation received |
| | R'000 | R'000 | R'000 | R'000 |
| 1. Administration | 156 859 | 153 174 | 3 685 | 134 702 |
| 2. Legal and Governance | 24 311 | 23 781 | 530 | 23 438 |
| 3. Portfolio Management and Strategic Partnerships | 141 757 | 140 972 | 785 | 135 999 |
| Total | 322 927 | 317 927 | 5 000 | 294 139 |

The funds were not requested as the Department had unspent funds by the 1st of March 2015, and as a result of delays in commencement of projects, it was anticipated that the funds would not be required at year end.

2. Departmental revenue

| | Note | 2014/15 R'000 | 2013/14 R'000 |
|---|------------|------------------|------------------|
| Tax revenue | | | |
| Sales of goods and services other than capital assets | <u>2.1</u> | 68 | 60 |
| Interest, dividends and rent on land | <u>2.2</u> | 3 | 31 |
| Sale of capital assets | <u>2.3</u> | 130 | |
| Transactions in financial assets and liabilities | <u>2.4</u> | 2 | 282 |
| Departmental revenue collected | | 203 | 373 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

2.1 Sales of goods and services other than capital assets

| | <i>Note</i> | 2014/15 | 2013/14 |
|-------------------------------|-------------|----------------|----------------|
| | | R'000 | R'000 |
| Sales by market establishment | | 41 | 36 |
| Other sales | | 27 | 24 |
| Total | | 68 | 60 |

2.2 Interest, dividends and rent on land

| | | | |
|--------------|--|----------|-----------|
| Interest | | 3 | 31 |
| Total | | 3 | 31 |

2.3 Sale of capital assets

| | | | |
|-------------------------|--|------------|----------|
| Machinery and equipment | | 130 | - |
| Total | | 130 | - |

2.4 Transactions in financial assets and liabilities

| | | | |
|---|--|----------|------------|
| Receivables | | 2 | 70 |
| Other Receipts, including Recoverable Revenue | | | 212 |
| Total | | 2 | 282 |

3. Aid assistance

| | <i>Note</i> | 2014/15 | 2013/14 |
|---|-------------|----------------|----------------|
| | | R'000 | R'000 |
| Opening balance | | 121 915 | 115 789 |
| Transferred from statement of financial performance | | 7 370 | 3 652 |
| Paid during the year | | 955 | 2 474 |
| Closing balance | | 130 240 | 121 915 |

3.1 Analysis of balance by source

| | | | |
|-----------------------------------|--|----------------|----------------|
| Aid assistance from other sources | | 130 240 | 121 915 |
| CARA | | | |
| Closing balance | | 130 240 | 121 915 |

3.2 Analysis of balance

| | | | |
|---------------------------|--|----------------|----------------|
| Aid assistance unutilised | | 130 240 | 121 915 |
| Closing balance | | 130 240 | 121 915 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

4. Compensation of employees

4.1 Salaries and wages

| | 2014/15 | 2013/14 |
|----------------------------------|----------------|----------------|
| | R'000 | R'000 |
| Basic salary | 91 933 | 81 558 |
| Performance award* | 6 878 | 2 812 |
| Service-based | 39 | 95 |
| Compensative/circumstantial | 2 018 | 2 201 |
| Periodic payments | 1 277 | 3 171 |
| Other non-pensionable allowances | 30 112 | 27 231 |
| Total | 132 257 | 117 068 |

* Performance award increase as SMS members were paid bonuses whereas in the prior year only non-SMS members were paid.

4.2 Social contributions

Employer contributions

| | | |
|--|----------------|----------------|
| Pension | 9 191 | 8 339 |
| Medical | 2 078 | 2 352 |
| Bargaining council | 15 | 12 |
| Total | 11 284 | 10 703 |
| Total compensation of employees | 143 541 | 127 771 |
| Average number of employees | 224 | 214 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

5. Goods and services

| | <i>Note</i> | 2014/15 | 2013/14 |
|---|-------------|----------------|----------------|
| | | R'000 | R'000 |
| Administrative fees | | 921 | 527 |
| Advertising | | 2 686 | 4 705 |
| Minor assets | 5.1 | 73 | 358 |
| Bursaries (employees) | | 264 | 464 |
| Catering | | 703 | 1 621 |
| Communication | | 4 567 | 3 741 |
| Computer services | 5.2 | 6 420 | 4 127 |
| Consultants: Business and advisory services ¹ | | 25 080 | 12 911 |
| Legal services | | 2 108 | 1 877 |
| Contractors | | 2 628 | 909 |
| Agency and support / outsourced services | | 984 | 2 624 |
| Entertainment | | 4 | 19 |
| Audit cost – external | 5.3 | 2 822 | 2 088 |
| Fleet services | | 975 | 1 191 |
| Inventory | 5.4 | 47 | 31 |
| Consumables | 5.5 | 2 249 | 3 197 |
| Operating leases | | 1 196 | 1 297 |
| Property payments | 5.6 | 8 409 | 7 504 |
| Rental and hiring | | 305 | - |
| Transport provided as part of the Departmental activities | | 68 | - |
| Travel and subsistence | 5.7 | 17 485 | 24 015 |
| Venues and facilities | | 2 282 | 7 545 |
| Training and development | | 2 608 | 1 858 |
| Other operating expenditure | 5.8 | 1 892 | 1 131 |
| Total | | 86 776 | 83 740 |
| 5.1 Minor assets | | | |
| Tangible assets | | | |
| Machinery and equipment | | 73 | 358 |
| Total | | 73 | 358 |
| 5.2 Computer services | | | |
| SITA computer services | | 1 925 | 1 061 |
| External computer service providers | | 4 495 | 3 066 |
| Total | | 6 420 | 4 127 |

¹ The amounts included in the consultants' line item include payments to National Treasury for the Aviation as SAA was transferred to National Treasury and Government Communication Information Services, for the War Room which was commissioned by the Deputy President.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

5.3 Audit cost – External

| | | |
|-------------------|--------------|--------------|
| Regularity audits | 2 822 | 2 088 |
| Total | 2 822 | 2 088 |

5.4 Inventory

| | | |
|-----------------------------------|-----------|-----------|
| Clothing material and accessories | - | 29 |
| Materials and supplies | 46 | 1 |
| Medical supplies | 1 | - |
| Medicine | - | 1 |
| Total | 47 | 31 |

5.5 Consumables

| | | |
|--|--------------|--------------|
| Consumable supplies | 725 | 822 |
| Uniform and clothing | 50 | - |
| Household supplies | 287 | 168 |
| Building material and supplies | 29 | 114 |
| IT consumables | 153 | 268 |
| Other consumables | 206 | 272 |
| Stationery, printing and office supplies | 1 524 | 2 375 |
| Total | 2 249 | 3 197 |

5.6 Property payments

| | | |
|----------------------------------|--------------|--------------|
| Municipal services | 1 633 | 1 533 |
| Property management fees | 6 454 | 5 707 |
| Property maintenance and repairs | 61 | - |
| Other | 261 | 264 |
| Total | 8 409 | 7 504 |

5.7 Travel and subsistence

| | | |
|--------------|---------------|---------------|
| Local | 16 047 | 24 015 |
| Foreign | 1 438 | - |
| Total | 17 485 | 24 015 |

5.8 Other operating expenditure

| | | |
|---|--------------|--------------|
| Professional bodies, membership and subscription fees | 224 | 210 |
| Resettlement costs | 50 | 31 |
| Other | 1 618 | 890 |
| Total | 1 892 | 1 131 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

6. Payments for financial assets

| | <i>Note</i> | 2014/15 R'000 | 2013/14 R'000 |
|-------------------|-------------|--------------------------------|--------------------------------|
| Debts written off | 6.1 | 7 | 95 |
| Total | | 7 | 95 |

6.1 Debts written off

Nature of debts written off

| | | | |
|-------------------------------|--|----------|-----------|
| Staff debts written off | | 7 | 95 |
| Total | | 7 | 95 |
| Total debt written off | | 7 | 95 |

7. Transfers and subsidies

| | | 2014/15 R'000 | 2013/14 R'000 |
|---|-----------------|--------------------------------|--------------------------------|
| Provinces and municipalities | 30 | - | 2 |
| Public corporations and private enterprises | <i>Annex 1D</i> | 63 141 | 57 250 |
| Households | <i>Annex 1G</i> | 707 | 113 |
| Total | | 63 848 | 57 365 |

8. Expenditure for capital assets

| | | 2014/15 R'000 | 2013/14 R'000 |
|--------------------------|----|--------------------------------|--------------------------------|
| Tangible assets | | 4 192 | 2 769 |
| Machinery and equipment | 28 | 4 192 | 2 769 |
| Intangible assets | | 82 | 481 |
| Software | 29 | 82 | 481 |
| Total | | 4 274 | 3 250 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

8.1 Analysis of funds utilised to acquire capital assets – 2014/2015

| | Voted funds | Aid assistance | Total |
|--------------------------|--------------|----------------|--------------|
| | R'000 | R'000 | R'000 |
| Tangible assets | 4 192 | | 4 192 |
| Machinery and equipment | 4 192 | - | 4 192 |
| Intangible assets | 82 | | 82 |
| Software | 82 | - | 82 |
| Total | 4 274 | - | 4 274 |

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

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

9. Cash and cash equivalents

| | Note | 2014/15 | 2013/14 |
|--|------|----------------|----------------|
| | | R'000 | R'000 |
| Consolidated Paymaster General account | | 19 830 | 27 808 |
| Cash on hand | | 61 | 59 |
| Investments (Domestic)* | | 130 176 | 115 856 |
| Total | | 150 067 | 143 723 |

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

10. Prepayments and advances

| | | 2014/15 R'000 | 2013/14 R'000 |
|------------------------|------|------------------|------------------|
| Travel and subsistence | | - | 21 |
| Advances paid | 10.1 | 171 | 114 |
| Total | | 171 | 135 |

10.1 Advances paid

| | | | |
|----------------------|---------|------------|------------|
| National departments | Annex8A | 171 | 114 |
| Total | | 171 | 114 |

11. Receivables

| | Note | 2014/15 | | | 2013/14 | |
|-------------------------|-----------------|-----------------------|--------------------------|---------------------------------|------------|--------------|
| | | R'000 | R'000 | R'000 | R'000 | R'000 |
| | | Less than one year | One to three years | Older than three years | Total | Total |
| Claims recoverable | 11.1 | 38 | 470 | - | 508 | 532 |
| Recoverable expenditure | Annex 4 11.2 | | - | - | - | 676 |
| Staff debt | 11.3 | 103 | 90 | 20 | 213 | 133 |
| Total | | 141 | 560 | 20 | 721 | 1 341 |

11. Claims recoverable

| | | | |
|----------------------|--|------------|------------|
| National departments | | 508 | 532 |
| Total | | 508 | 532 |

11.2 Recoverable expenditure (disallowance accounts)

| | | | |
|------------------------|--|------------|-----|
| Diners club | | - | 661 |
| Cell phone expenditure | | - | 15 |
| Total | | 676 | |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

11.3 Staff debt

| | | |
|--------------|------------|------------|
| Bursaries | 148 | 92 |
| Other | 65 | 41 |
| Total | 213 | 133 |

12. Investments

| | Note | 2014/15 R'000 | 2013/14 R'000 |
|---------------------------------|------|-------------------|-------------------|
| Non-current | | | |
| Shares and other equity | | | |
| Alexkor SOC Ltd | | 400 000 | 400 000 |
| Aventura SOC Ltd | | 60 000 | 60 000 |
| Denel SOC Ltd | | 6 176 376 | 6 176 376 |
| Eskom SOC Ltd * | | - | - |
| Safcol SOC Ltd | | 318 013 | 318 013 |
| South African Airways SOC Ltd** | | - | 3 598 080 |
| Transnet SOC Ltd | | 12 660 986 | 12 660 986 |
| South African Express SOC Ltd | | 585 000 | 585 000 |
| Total | | 20 200 375 | 23 798 455 |

Analysis of non-current investments

| | | |
|------------------------------|-------------------|-------------------|
| Opening balance | 23 798 455 | 23 448 455 |
| Additional cash [^] | - | 350 000 |
| Non-cash movements | (3 598 080) | |
| Closing balance | 20 200 375 | 23 798 455 |

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

[^] For the comparative year, there were additional shares purchased to the value of R350 million

** There was a transfer of SAA to National Treasury in the current financial year.

12.1 Impairment of investments

| | Note | 2014/15 R'000 | 2013/14 R'000 |
|---------------------------------------|------|------------------|------------------|
| Estimate of impairment of investments | | 49 128 | 169 199 |
| Total | | 49 128 | 169 199 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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

The impairments for 2014/2015 are estimates as these figures are based on provisional amounts and are still subject to the SOC's external audit process and therefore subject to change.

At the beginning of 2008/2009, the Aventura investment was fully impaired to R60 million.

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

In the current financial year, Denel's cumulative impairment has been reduced by R232 million to R4 281 million from the prior period of R4 513 million, being the difference between the cost of the investment of R6 176 million (2013/2014: R6 176 million) and the net asset value of R1 896 million (2013/2014: R1 664 million).

The investment in Safcol limited has been impaired by R315 million to R3 096 million which is the difference between the cost of the investment of R318 million and the net asset value of R3 096 million.

13. Loans

| | <i>Note</i> | 2014/15 | 2013/14 |
|----------------------------|-------------|------------------|------------------|
| | | R'000 | R'000 |
| Public corporations | | 1 351 130 | 1 351 130 |
| Total | | 1 351 130 | 1 351 130 |
| Analysis of balance | | | |
| Opening balance | | 1 351 130 | 1 351 130 |
| Closing balance | | 1 351 130 | 1 351 130 |

14. Voted funds to be surrendered to the Revenue Fund

| | <i>Note</i> | 2014/15 | 2013/14 |
|--|-------------|----------------|----------------|
| | | R'000 | R'000 |
| Opening balance | | 21 671 | 9 709 |
| Transfer from statement of financial performance | | 24 481 | 21 671 |
| Voted funds not requested/not received | 1.1 | (5 000) | - |
| Paid during the year | | (21 671) | (9 709) |
| Closing balance | | 19 481 | 21 671 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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

| | <i>Note</i> | 2014/15 | 2013/14 |
|--|-------------|----------------|----------------|
| | | R'000 | R'000 |
| Opening balance | | 47 | 10 |
| Transfer from Statement of Financial Performance | | 203 | 373 |
| Paid during the year | | (247) | (336) |
| Closing balance | | 3 | 47 |

16. Payables – current

| | <i>Note</i> | 2014/15 | 2013/14 |
|-------------------|-------------|----------------|----------------|
| | | R'000 | R'000 |
| Advances received | 16.1 | 1 078 | 1 446 |
| Clearing accounts | 16.2 | 157 | 22 |
| Other payables | 16.3 | - | 98 |
| Total | | 1 235 | 1 566 |

16.1 Advances received

| | | |
|-----------------|--------------|--------------|
| Public entities | 1 078 | 1 446 |
| Total | 1 078 | 1 446 |

16.2 Clearing accounts

| | | |
|--------------|------------|-----------|
| SARS | 157 | 22 |
| Total | 157 | 22 |

16.3 Other payables

| | | |
|--------------|----------|-----------|
| Diabo Trust | - | 98 |
| Total | - | 98 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

17. Net cash flow available from operating activities

| | <i>Note</i> | 2014/15 | 2013/14 |
|--|-------------|----------------|----------------|
| | | R'000 | R'000 |
| Net surplus/(deficit) as per Statement of Financial Performance | | 32 054 | 25 696 |
| Add back non-cash/cash movements not deemed operating activities | | (21 566) | (5 093) |
| (Increase)/decrease in receivables – current | | 620 | (747) |
| (Increase)/decrease in prepayments and advances | | (36) | (100) |
| Increase/(decrease) in payables – current | | (331) | 75 |
| Proceeds from sale of capital assets | | (130) | |
| Expenditure on capital assets | | 4 274 | 3 250 |
| Surrenders to Revenue Fund | | (21 918) | (10 045) |
| Surrenders to RDP Fund/Donor | | 955 | 2 474 |
| Voted funds not requested/not received | | (5 000) | - |
| Net cash flow generated by operating activities | | 10 488 | 20 603 |

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

| | <i>Note</i> | 2014/15 | 2013/14 |
|--|-------------|----------------|----------------|
| | | R'000 | R'000 |
| Consolidated Paymaster General account | | 19 830 | 27 808 |
| Cash on hand | | 61 | 59 |
| Cash with commercial banks (local) | | 130 176 | 115 856 |
| Total | | 150 067 | 143 723 |

19. Contingent liabilities and contingent assets

| | | <i>Note</i> | 2014/15 | 2013/14 |
|--|---------------|-----------------|--------------------|--------------------|
| | | | R'000 | R'000 |
| Liable to | Nature | | | |
| Motor vehicle guarantees | Employees | <i>Annex 3A</i> | - | - |
| Housing loan guarantees | Employees | <i>Annex 3A</i> | - | 52 |
| Other guarantees | | <i>Annex 3A</i> | 146 153 152 | 136 025 553 |
| Claims against the Department | | <i>Annex 3B</i> | 713 148 | 590 119 |
| Inter-Governmental payables (unconfirmed balances) | | <i>Annex 5</i> | - | 2 |
| Total | | | 146 866 300 | 136 615 726 |

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

20. Commitments

| | <i>Note</i> | 2014/15 | 2013/14 |
|---------------------------------|-------------|----------------|----------------|
| | | R'000 | R'000 |
| Current expenditure | | - | - |
| Approved and contracted | | 20 129 | 15 850 |
| Approved but not yet contracted | | 1 084 | 1 328 |
| Total commitments | | 21 213 | 17 178 |

There are commitments of R5 075 415 which are longer than a year.

21. Accruals and payables not recognised

| | 2014/15 | | | 2013/14 |
|---|----------------|-----------------|--------------|----------------|
| | R'000 | | | R'000 |
| Listed by economic classification | | | | |
| | 30 Days | 30+ Days | Total | Total |
| Goods and services | 1 508 | | 1 508 | 1 779 |
| Total | 1 508 | - | 1 508 | 1 779 |
| Listed by programme level | | | | |
| Administration | | | 1 370 | 1 760 |
| Legal and Governance | | | 45 | 6 |
| Portfolio Management and Strategic Partnerships | | | 93 | 13 |
| Total | | | 1 508 | 1 779 |
| Confirmed balances with other departments | | <i>Annex 5</i> | - | 675 |
| Total | | | - | 675 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

22. Employee benefits

| | <i>Note</i> | 2014/15 | 2013/14 |
|-----------------------------------|-------------|----------------|----------------|
| | | R'000 | R'000 |
| Leave entitlement | | 1 907 | 1 820 |
| Service bonus (Thirteenth cheque) | | 2 314 | 1 976 |
| Performance awards | | 5 484 | 6 554 |
| Capped leave commitments | | 1 714 | 1 975 |
| Total | | 11 419 | 12 325 |

23. Lease commitments

23.1 Operating leases expenditure

| 2014/15 | Specialised military equipment | Land | Buildings and other fixed structures | Machinery and equipment | Total |
|---|---|-------------|---|--|--------------|
| Not later than 1 year | - | - | - | 525 | 525 |
| Later than 1 year and not later than 5 years | - | - | - | 141 | 141 |
| Later than five years | - | - | - | - | - |
| Total lease commitments | - | - | - | 666 | 666 |

| 2013/14 | Specialised military equipment | Land | Buildings and other fixed structures | Machinery and equipment | Total |
|---|---|-------------|---|--|--------------|
| Not later than 1 year | - | - | - | 666 | 666 |
| Later than 1 year and not later than 5 years | - | - | - | 588 | 588 |
| Later than five years | - | - | - | - | - |
| Total lease commitments | - | - | - | 1 254 | 1 254 |

The lease for the office premises is valid on a month to month basis to the value of R853 000. The Department is in the process of acquiring new office premises and as the agreement is not concluded, the estimate of future rentals cannot yet be determined.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

24. Irregular expenditure

24.1 Reconciliation of irregular expenditure

| | <i>Note</i> | 2014/15 | 2013/14 |
|--|-------------|----------------|----------------|
| | | R'000 | R'000 |
| Opening balance | | 711 | - |
| Prior period error | | - | - |
| As restated | | 711 | - |
| Add: Irregular expenditure – relating to prior year | | - | - |
| Add: Irregular expenditure – relating to current year | | 10 983 | 711 |
| Less: Prior year amounts condoned | | - | - |
| Less: Current year amounts condoned | | - | - |
| Closing balance | | 11 694 | 711 |
| Analysis of awaiting condonation per age classification | | | |
| Current year | | 10 983 | - |
| Prior years | | 711 | 711 |
| Total | | 11 694 | 711 |

24.2 Details of irregular expenditure – current year

| Incident | Disciplinary steps taken/criminal proceedings | 2014/15 |
|--|--|----------------|
| | | R'000 |
| Procurement process not followed | Under investigation | 10 488 |
| Performance bonuses paid to employees who do not qualify | Under investigation | 245 |
| Approval not in line with financial delegations | Under investigation | 250 |
| Total | | 10 983 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

24.3 Details of irregular expenditures under investigation

| Incident | 2014/15 R'000 |
|--|------------------|
| Transversal contract processes not followed | 130 |
| Payment of a subcontract to a service provider when no procurement process was followed. | 250 |
| Procurement process not followed | 10 488 |
| Performance bonuses paid to employees who do not qualify | 245 |
| Approval not in line with financial delegations | 250 |
| Total | 11 363 |

The investigation for irregular expenditure from prior year amounting to R331 000 has been finalised, however it has not been condoned by the Accounting Officer.

25. Fruitless and wasteful expenditure

25.1 Reconciliation of fruitless and wasteful expenditure

| | Note | 2014/15 R'000 | 2013/14 R'000 |
|---|------|------------------|------------------|
| Opening balance | | 3 | - |
| Prior period error | | - | - |
| As restated | | 3 | - |
| Fruitless and wasteful expenditure – relating to prior year | | - | - |
| Fruitless and wasteful expenditure – relating to current year | | 260 | 530 |
| Less: Amounts resolved | | - | (527) |
| Fruitless and wasteful expenditure awaiting resolution | | 263 | 3 |

25.2 Analysis of awaiting resolution per economic classification

| | | |
|--------------|------------|----------|
| Current | 263 | 3 |
| Total | 263 | 3 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

25.3 Analysis of current year's fruitless and wasteful expenditure

| Incident | Disciplinary steps taken/criminal proceedings | 2014/15 R'000 |
|---|---|---------------|
| No show for accommodation, shuttle service and car hire | None | 15 |
| Bonus paid to employees who did not qualify | Under investigation | 245 |
| Total | | 260 |

26. Related party transactions

| Revenue received | Note | 2014/15 R'000 | 2013/14 R'000 |
|----------------------------|----------|-------------------|-------------------|
| Transfers received | | 63 141 | 57 250 |
| Total | | 63 141 | 57 250 |
| Other | | | |
| Guarantees issued/received | Annex 3A | 34 182 000 | 35 017 082 |
| Total | | 34 182 000 | 35 017 082 |

27. Key management personnel

| | No. of Individuals | 2014/15 R'000 | 2013/14 R'000 |
|---|--------------------|---------------|---------------|
| Political office bearers (provide detail below) | 3 | 4 282 | 3 773 |
| Officials: | | | - |
| Level 15 to 16 | 13 | 13 752 | 9 714 |
| Level 14 (incl. CFO if at a lower level) | 27 | 23 495 | 22 573 |
| Family members of key management personnel | | - | - |
| Total | | 41 529 | 36 060 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

28. Movable Tangible Capital Assets

MOVEMENT IN MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2015

| | Opening balance R'000 | Additions R'000 | Disposals R'000 | Closing balance R'000 |
|--|-----------------------------|--------------------|--------------------|-----------------------------|
| MACHINERY AND EQUIPMENT | 19 940 | 4 252 | 718 | 23 474 |
| Transport assets | 4 532 | 1 396 | 599 | 5 329 |
| Computer equipment | 8 220 | 2 230 | 65 | 10 385 |
| Furniture and office equipment | 3 338 | 389 | - | 3 727 |
| Other machinery and equipment | 3 850 | 237 | 54 | 4 033 |
| TOTAL MOVABLE TANGIBLE CAPITAL ASSETS | 19 940 | 4 252 | 718 | 23 474 |

28.1 Additions

ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2015

| | Cash R'000 | Non-cash R'000 | (Capital Work in progress current costs and finance lease payments) R'000 | Received current, not paid (Paid current year, received prior year) R'000 | Total R'000 |
|---|---------------|-------------------|---|---|----------------|
| MACHINERY AND EQUIPMENT | 4 192 | 60 | - | - | 4 252 |
| Transport assets | 1 396 | - | - | - | 1 396 |
| Computer equipment | 2 230 | - | - | - | 2 230 |
| Furniture and office equipment | 389 | - | - | - | 389 |
| Other machinery and equipment | 177 | 60 | - | - | 237 |
| TOTAL ADDITIONS TO MOVABLE TANGIBLE CAPITAL ASSETS | 4 192 | 60 | | | 4 252 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

28.2 Disposals

DISPOSALS OF MOVABLE TANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2015

| | Sold for cash | Transfer out or destroyed or scrapped | Total disposals | Cash received actual |
|--|---------------|---------------------------------------|-----------------|----------------------|
| | R'000 | R'000 | R'000 | R'000 |
| MACHINERY AND EQUIPMENT | 599 | 119 | 718 | 130 |
| Transport assets | 599 | - | 599 | 130 |
| Computer equipment | - | 65 | 65 | - |
| Other machinery and equipment | - | 54 | 54 | - |
| TOTAL DISPOSAL OF MOVABLE TANGIBLE CAPITAL ASSETS | 599 | 119 | 718 | 130 |

28.3 Movement

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

| | Opening balance | Prior period error | Additions | Disposals | Closing balance |
|--|-----------------|--------------------|--------------|--------------|-----------------|
| | R'000 | R'000 | R'000 | R'000 | R'000 |
| MACHINERY AND EQUIPMENT | 18 710 | (59) | 2 832 | 1 543 | 19 940 |
| Transport assets | 3 970 | - | 562 | - | 4 532 |
| Computer equipment | 8 104 | (9) | 1 452 | 1 327 | 8 220 |
| Furniture and office equipment | 3 110 | (50) | 419 | 141 | 3 338 |
| Other machinery and equipment | 3 526 | - | 399 | 75 | 3 850 |
| TOTAL MOVABLE TANGIBLE CAPITAL ASSETS | 18 710 | (59) | 2 832 | 1 543 | 19 940 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

28.4 Minor assets

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

| | Specialised military assets | Intangible assets | Heritage assets | Machinery and equipment | Biological assets | Total |
|---------------------------|-----------------------------|-------------------|-----------------|-------------------------|-------------------|--------------|
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Opening balance | - | 50 | - | 4 190 | - | 4 240 |
| Additions | - | - | - | 73 | - | 73 |
| Disposals | - | - | - | (54) | - | (54) |
| TOTAL MINOR ASSETS | - | 50 | - | 4 209 | - | 4 259 |

| | Specialised military assets | Intangible assets | Heritage assets | Machinery and equipment | Biological assets | Total |
|-------------------------------------|-----------------------------|-------------------|-----------------|-------------------------|-------------------|------------|
| Number of minor assets at cost | - | - | - | 193 | - | 193 |
| TOTAL NUMBER OF MINOR ASSETS | | | | 193 | | 193 |

MOVEMENT IN MINOR ASSETS PER THE ASSET REGISTER FOR THE YEAR ENDED AS ON 31 MARCH 2015

| | 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 | - | 42 | - | 4 016 | - | 4 058 |
| Prior period error | - | - | - | (31) | - | (31) |
| Additions | - | 8 | - | 426 | - | 434 |
| Disposals | - | - | - | (221) | - | (221) |
| TOTAL MINOR ASSETS | - | 50 | - | 4 190 | - | 4 240 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

28.5 Movable assets written off

MOVABLE ASSETS WRITTEN OFF FOR THE YEAR ENDED AS ON 31 MARCH 2015

| | 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 |
| Assets written off | - | - | - | - | - | - |
| TOTAL MOVABLE ASSETS WRITTEN OFF | - | - | - | - | - | - |

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

| | 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 |
| Assets written off | - | - | - | 339 | - | 339 |
| TOTAL MOVABLE ASSETS WRITTEN OFF | - | - | - | 339 | - | 339 |

29. Intangible Capital Assets

MOVEMENT IN INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2015

| | Opening balance | | Additions | Disposals | Closing Balance |
|--|--------------------|---|-----------|-----------|--------------------|
| | R'000 | | R'000 | R'000 | R'000 |
| SOFTWARE | 2 189 | - | 82 | - | 2 271 |
| TOTAL INTANGIBLE CAPITAL ASSETS | 2 189 | | 82 | | 2 271 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

29.1 Additions

ADDITIONS TO INTANGIBLE CAPITAL ASSETS PER ASSET REGISTER FOR THE YEAR ENDED 31 MARCH 2015

| | Cash | Non-cash | (Develop- ment work in progress – current costs) | Received current year, not paid (Paid current year, received prior year) | Total |
|---|-----------|----------|--|--|-----------|
| | R'000 | R'000 | R'000 | R'000 | R'000 |
| SOFTWARE | 82 | - | - | - | 82 |
| TOTAL ADDITIONS TO INTANGIBLE CAPITAL ASSETS | 82 | - | - | - | 82 |

29.2 Movement for 2013/14

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

| | Opening balance | Prior period error | Additions | Disposals | Closing balance |
|--|--------------------|-----------------------|------------|-----------|--------------------|
| | R'000 | R'000 | R'000 | R'000 | R'000 |
| SOFTWARE | 1 708 | - | 481 | - | 2 189 |
| TOTAL INTANGIBLE CAPITAL ASSETS | 1 708 | - | 481 | - | 2 189 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

30. Transfer of functions

Provide a description of the changes as a result of the transfer or receipt of functions

As a result of the change in functions, the cost of investments has decreased together with the loan extended to the SOC.

30.1. Statement of Financial Position

| <i>Note</i> | Bal per dept 2013/14 AFS before transfer 2013/14 R'000 | Functions per dept (transferred) / received 2014/15 R'000 | Functions per dept (transferred) / received 2014/15 R'000 | Functions per dept (transferred) / received 2014/15 R'000 | 2014/15 Bal after transfer 2014/15 R'000 |
|----------------------------|---|--|--|--|--|
| ASSETS | | | | | |
| Current Assets | | | | | |
| Unauthorised expenditure | - | - | - | - | - |
| Cash and cash equivalents | - | - | - | - | - |
| Other financial assets | - | - | - | - | - |
| Prepayments and advances | - | - | - | - | - |
| Receivables | - | - | - | - | - |
| Loans | - | - | - | - | - |
| Aid assistance prepayments | - | - | - | - | - |
| Aid assistance receivable | - | - | - | - | - |
| Non-Current Assets | 23 798 455 | (3 598 080) | - | - | 20 200 375 |
| Investments | 23 798 455 | (3 598 080) | - | - | 20 200 375 |
| Receivables | - | - | - | - | - |
| Loans | - | - | - | - | - |
| Other financial assets | - | - | - | - | - |
| TOTAL ASSETS | 23 798 455 | (3 598 080) | - | - | 20 200 375 |
| LIABILITIES | | | | | |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

| <i>Note</i> | Bal per dept 2013/14 AFS before transfer 2013/14 | Functions per dept (transferred) / received 2014/15 | Functions per dept (transferred) / received 2014/15 | Functions per dept (transferred) / received 2014/15 | 2014/15 Bal after transfer 2014/15 |
|---|--|---|---|---|---|
| Current liabilities | | | | | |
| Voted funds to be surrendered to the Revenue Fund | - | - | - | - | - |
| Departmental revenue and NRF Receipts to be surrendered to the Revenue Fund | - | - | - | - | - |
| Bank Overdraft | - | - | - | - | - |
| Payables | - | - | - | - | - |
| Aid assistance repayable | - | - | - | - | - |
| Aid assistance unutilised | - | - | - | - | - |
| Non-Current Liabilities | - | | | | |
| Payables | - | - | - | - | - |
| TOTAL LIABILITIES | - | - | - | - | - |
| NET ASSETS | 23 798 455 | (3 598 080) | - | - | 20 200 375 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

30.1 Notes

| <i>Note</i> | Bal per dept 2013/14 AFS before transfer | Functions per dept (transferred) / received | Functions per dept (transferred) / received | Functions per dept (transferred) / received | 2014/15 Bal after transfer |
|--|---|--|--|--|----------------------------------|
| | 2013/14 R'000 | 2014/15 R'000 | 2014/15 R'000 | 2014/15 R'000 | 2014/15 R'000 |
| Contingent liabilities | - | - | - | - | - |
| Contingent assets | - | - | - | - | - |
| Commitments | - | - | - | - | - |
| Accruals and payables not recognised | - | - | - | - | - |
| Employee benefits | - | - | - | - | - |
| Lease commitments – Operating lease | - | - | - | - | - |
| Lease commitments – Finance lease | - | - | - | - | - |
| Lease commitments – Operating lease revenue | - | - | - | - | - |
| Accrued departmental revenue | - | - | - | - | - |
| Irregular expenditure | - | - | - | - | - |
| Fruitless and wasteful expenditure | - | - | - | - | - |
| Impairment | - | - | - | - | - |
| Provisions | - | - | - | - | - |
| Movable tangible capital assets | - | - | - | - | - |
| Immovable tangible capital assets | - | - | - | - | - |
| Intangible capital assets | - | - | - | - | - |

South African Airways SOC Ltd: There has not yet an agreement for the transfer of this function.

South African Airways SOC Ltd: Transfer of Executive Authority Responsibilities for South African Airways (SAA) from Department of Public Enterprises to the National Treasury. The proclamation was signed by the President, MoPE and MoF on 12 December 2014 and gazetted on 19 December 2014.

South African Airways SOC Ltd: The agreement is in the process of being drawn up.

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

ANNEXURE 1B STATEMENT OF CONDITIONAL/UNCONDITIONAL GRANTS PAID TO MUNICIPALITIES

| NAME OF MUNICIPALITY | GRANT ALLOCATION | | | | TRANSFER | | |
|----------------------|----------------------------------|---------------------|----------------------|--------------------------|--------------------------|-------------------------|---|
| | Division of Revenue Act R'000 | Roll overs R'000 | Adjustments R'000 | Total available R'000 | Actual transfer R'000 | Funds withheld R'000 | Re-allocations by National Treasury or National Department R'000 |
| City of Tshwane | - | - | - | - | - | - | 2 |
| | - | - | - | - | - | - | 2 |

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

| NAME OF PUBLIC CORPORATION/PRIVATE ENTERPRISE | TRANSFER ALLOCATION | | | | EXPENDITURE | | | 2013/14 R'000 |
|---|-------------------------------------|---------------------|----------------------|--------------------------|----------------------------------|------------------|------------------|------------------|
| | Adjusted Appropriation Act R'000 | Roll overs R'000 | Adjustments R'000 | Total available R'000 | % of Available funds transferred | Capital R'000 | Current R'000 | |
| Public Corporations | | | | | | | | |
| Transfers | | | | | | | | |
| Denel | 63 141 | - | - | - | 100 | - | 63 141 | 57 250 |
| Total | 63 141 | - | - | - | 100 | - | 63 141 | 57 250 |

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

ANNEXURE 1G

STATEMENT OF TRANSFERS TO HOUSEHOLDS

| HOUSEHOLDS | TRANSFER ALLOCATION | | | | EXPENDITURE | | 2013/14 Appropriation Act R'000 |
|---------------------------|---|------------------------|----------------------|-----------------------------|-----------------------------|---|--|
| | Adjusted Appropriation Act R'000 | Roll overs R'000 | Adjustments R'000 | Total available R'000 | Actual transfer R'000 | % of Available funds transferred % | |
| | | | | | | | |
| Transfers | | | | | | | |
| Leave Gratuity | 611 | - | - | 611 | 611 | 100 | 113 |
| Bert Koster Percussion CC | 96 | - | - | 96 | 96 | 100 | - |
| Total | 707 | - | - | 707 | 707 | - | 113 |

ANNEXURE 1H

STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS RECEIVED

| NAME OF ORGANISATION | NATURE OF GIFT, DONATION OR SPONSORSHIP | 2014/15 | 2013/14 |
|-------------------------|---|--------------|------------|
| | | R'000 | R'000 |
| Received in kind | | | |
| McKinsey | McKinsey pro bono project for the turnaround strategy development for SAA | - | 350 |
| Deloitte | Sponsorship for the Department's Budget Vote cocktail event and business breakfast | | 296 |
| Dr. Sookraj | Dr. Sookraj pro bono for development of process economics for HEFA and FT Technologies for the production of bio-jet fuel | 1 692 | |
| Total | | 1 692 | 646 |

Note: The currency was dollars, then translated to ZAR @ spot rate on 31 March 2015

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

ANNEXURE 1J

STATEMENT OF GIFTS, DONATIONS AND SPONSORSHIPS MADE AND REMISSIONS, REFUNDS AND PAYMENTS MADE AS AN ACT OF GRACE

| NATURE OF GIFT, DONATION OR SPONSORSHIP Group major categories, but list material items, including name of organisation | 2014/15 | 2013/14 |
|--|------------|------------|
| | R'000 | R'000 |
| Made in kind | | |
| Leagometswe Safety Home | - | 47 |
| Commission for Gender Equity | - | 200 |
| 16 days activism against women and child abuse in Wattville | 368 | - |
| Total | 368 | 247 |

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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 14/15 | % Held 13/14 | Number of shares held | | Cost of investment R'000 | | Net Asset value of investment R'000 | | Profit/(Loss) for the year R'000 | | Losses guaranteed R'000 | |
|---|--|--------------|--------------|-----------------------|-----------------------|--------------------------|-------------------|-------------------------------------|--------------------|----------------------------------|------------------|-------------------------|--------|
| | | | | 2014/2015 | 2013/2014 | 2014/2015 | 2013/2014 | 2014/2015 | 2013/2014 | 2014/2015 | 2013/2014 | Yes/No | Yes/No |
| National/ Provincial public entity | | | | | | | | | | | | | |
| Alexkor Limited | II | 100% | 100% | 400 000 000 | 400 000 000 | 400 000 | 400 000 | 308 323 | 438 800 | 33 851 | (20 000) | | No |
| Aventura Limited | IIIB | 100% | 100% | 60 000 000 | 60 000 000 | 60 000 | 60 000 | Not Available | Not Available | Not Available | Not Available | | No |
| Broadband Infraco (Pty) Limited | II | 74% | 74% | 74 | - | - | - | - | 890 195 | - | (142 140) | | No |
| Denel (Pty) Ltd | II | 100% | 100% | 1 225 049 663 | 1 225 049 663 | 6 176 376 | 6 176 376 | 1 895 815 | 1 612 868 | 232 000 | 152 000 | | No |
| Eskom Limited | II | 100% | 100% | 1 | 1 | - | - | 122 247 000 | 119 784 000 | 3 618 | 7 089 000 | | No |
| SAFCOL Limited | II | 100% | 100% | 318 013 254 | 318 013 254 | 318 013 | 318 013 | 3 304 000 | 3 096 484 | (19 559) | (19 559) | | No |
| South African Airways (Pty) Ltd | II | 100% | 100% | - | 13 008 758 154 | - | 3 598 080 | - | (3 565 000) | - | (2 611 000) | | No |
| South African Express Airways (Pty)Ltd | II | 100% | 100% | 452 | 452 | 585 000 | 585 000 | - | - | 141 305 | 205 779 | | No |
| Transnet Limited | II | 100% | 100% | 12 660 986 310 | 12 660 986 310 | 12 660 986 | 12 660 986 | 105 460 000 | 97 113 000 | 5 194 000 | 4 959 000 | | No |
| Total | | | | 14 664 049 680 | 27 672 807 908 | 20 200 375 | 23 798 455 | 233 215 138 | 219 370 347 | 5 585 215 | 9 613 080 | | |

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

The movement in prior year's equity reflects R700 million, notwithstanding the payment of financial assets being R 1 050 million during 2012/2013. The difference arises from the fact that Alexkor received a payment for the purchase of equity amounting to R350 million during 2012/2013, but no shares had been issued as on 31 March 2013. The shares have subsequently been issued during 2013/2014 and the cost of investment now reflects R350 million increase accordingly.

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

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

| Department's financial statements Modified Cash Basis of Accounting | Transaction details | SAX' Financial statements | |
|--|--|---------------------------|---------------------|
| | | Shares valued @ | IFRS Accounting |
| Paid | To acquire SAX shares and acquire loan | R57 million | - |
| Transferred | Recapitalize SAX | R445 million | R357 million |
| Total | | R502 million | R357 million |

ANNEXURE 2B
STATEMENT OF INVESTMENTS IN AND AMOUNTS OWING BY/TO ENTITIES (CONTINUED)

| Name of public entity | Nature of business | Cost of investment R'000 | | Net Asset value of investment R'000 | | Amounts owing to entities R'000 | | Amounts owing by entities R'000 | |
|--|-----------------------|-----------------------------|-------------------|---|--------------------|---------------------------------------|----------|---------------------------------------|------------------|
| | | 2014/15 | 2013/14 | 2014/15 | 2013/14 | 2014/15 | 2013/14 | 2014/15 | 2013/14 |
| Controlled entities | | | | | | | | | |
| Alexkor Limited | Mining | 400 000 | 400 000 | 308 323 | 438 000 | - | - | - | - |
| Aventura Limited | Leisure | 60 000 | 60 000 | Not Available | Not Available | - | - | - | - |
| Broadband Infraco (Pty) Limited | ICT Sector | - | - | - | 890 195 | - | - | - | 1 135 130 |
| Denel (Pty) Ltd | Manufacturing of Arms | 6 176 376 | 6 176 376 | 1 895 815 | 1 612 868 | - | - | - | - |
| Eskom Limited | Energy | - | - | 122 247 000 | 119 784 000 | - | - | - | - |
| Safcol Limited | Forestry | 318 013 | 318 013 | 3 304 000 | 3 096 484 | - | - | - | - |
| South African Airways (Pty) Ltd | Transport | - | 3 598 080 | (3 565 000) | | - | - | - | 62 708 |
| South African Express Airways (Pty)Ltd | Transport | 585 000 | 585 000 | Not Available | Not Available | - | - | - | - |
| Transnet Limited | Transport | 12 660 986 | 12 660 986 | 105 460 000 | 97 113 000 | - | - | - | - |
| TOTAL | | 20 200 375 | 23 798 455 | 233 215 138 | 219 369 547 | - | - | - | 1 413 838 |

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

ANNEXURE 3A

STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2015 – LOCAL

| Guarantor institution | Guarantee in respect of | Original guaranteed capital amount | Opening balance 1 April 2014 | Guarantees draw downs during the year | Guarantees repayments/ cancelled/ reduced/ re-leased during the year | Revaluations | Closing balance 31 March 2015 | Guaranteed interest for year ended 31 March 2015 | Realised losses not recoverable i.e. claims paid out | |
|-----------------------|----------------------------|------------------------------------|------------------------------|---------------------------------------|--|--------------|-------------------------------|--|--|--|
| | | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | |
| Housing | | | | | | | | | | |
| First National Bank | Employees | 62 | 15 | - | 15 | - | - | - | - | |
| NEDCOR | Employees | 90 | 37 | - | 37 | - | - | - | - | |
| | Subtotal | 152 | 52 | - | 52 | - | - | - | - | |
| Other | | | | | | | | | | |
| SAA | SAA recapitalisation | - | - | - | - | - | - | - | - | |
| | Financial sustainability * | - | - | - | - | - | - | - | - | |
| | Going concern | - | - | - | - | - | - | - | - | |
| SAX | Convenants breached | 439 000 | 439 000 | - | - | - | 439 000 | - | - | |
| | Working capital | 100 000 | 100 000 | - | - | - | 100 000 | - | - | |
| Denel | Note Programme | 1 850 000 | 1 850 000 | - | - | - | 1 850 000 | - | - | |

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

| Guarantor institution | Guarantee in respect of | Original guaranteed capital amount | Opening balance 1 April 2014 | Guarantees draw downs during the year | Guarantees repayments/ cancelled/ reduced/ re-leased during the year | Revaluations | Closing balance 31 March 2015 | Guaranteed interest for year ended 31 March 2015 | Realised losses not recoverable i.e. claims paid out |
|-----------------------|-------------------------|------------------------------------|------------------------------|---------------------------------------|--|--------------|-------------------------------|--|--|
| | | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Eskom | Eskom bonds – ES15 | - | 4 684 038 | 1 118 600 | 3 578 993 | - | 2 223 645 | 15 066 | - |
| | Eskom bonds – ES18 | - | 9 405 011 | 1 480 971 | 1 196 506 | - | 9 689 476 | 401 351 | - |
| | Eskom bonds – ES23 | - | 11 435 369 | 2 062 745 | 1 961 318 | - | 11 536 796 | 210 238 | - |
| | Eskom bonds – ES26 | - | 17 664 627 | 2 242 426 | 1 124 847 | - | 18 782 206 | 725 767 | - |
| | Eskom bonds – ES33 | - | 25 279 239 | 4 386 360 | 2 454 462 | - | 27 211 137 | 94 144 | - |
| | Eskom bonds – ES42 | - | 8 127 182 | 1 834 915 | 1 222 820 | - | 8 739 277 | 322 446 | - |
| | Eskom bonds – EL16 | - | 5 000 000 | - | 2 953 000 | - | 2 047 000 | 20 959 | - |
| | Eskom bonds – EL28 | - | 3 000 000 | 900 000 | - | - | 3 900 000 | 48 011 | - |
| | Eskom bonds – EL29 | - | 3 000 000 | 700 000 | - | - | 3 700 000 | 29 267 | - |

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

| Guarantor institution | Guarantee in respect of | Original guaranteed capital amount | Opening balance 1 April 2014 | Guarantees draw downs during the year | Guarantees repayments/ cancelled/ reduced/ re-leased during the year | Revaluations | Closing balance 31 March 2015 | Guaranteed interest for year ended 31 March 2015 | Realised losses not recoverable i.e. claims paid out |
|-----------------------|---------------------------|------------------------------------|------------------------------|---------------------------------------|--|--------------|-------------------------------|--|--|
| | | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| | Eskom bonds – | - | | | | | | | |
| | EL30 | | 2 455 000 | 1 245 000 | - | - | 3 700 000 | 15 728 | - |
| | Eskom bonds – | - | | | | | | | |
| | EL31 | | - | 3 700 000 | - | - | 3 700 000 | 26 487 | - |
| | Eskom bonds – | - | | | | | | | |
| | EL36 | | - | 2 565 000 | - | - | 2 565 000 | 9 529 | - |
| | Eskom bonds – | - | | | | | | | |
| | EL37 | | - | 2 431 000 | - | - | 2 431 000 | 9 032 | - |
| | Issue Floating Rate Notes | - | - | - | - | - | - | - | - |
| | Eskom DMTN Programme | 150 000 000 | - | - | - | - | - | - | - |
| | Subtotal | 152 389 000 | 97 449 466 | 24 667 017 | 14 491 946 | - | 102 614 537 | 1 928 025 | - |
| | TOTAL | 152 389 152 | 97 449 518 | 24 667 017 | 14 491 946 | - | 102 614 589 | 1 928 025 | - |

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

ANNEXURE 3A STATEMENT OF FINANCIAL GUARANTEES ISSUED AS AT 31 MARCH 2015 – FOREIGN

| Guarantor institution | Guarantee in respect of | Original guaranteed capital amount | Opening balance 1 April 2014 | Guarantees draw downs during the year | Guarantees repayments/cancelled/reduced/released during the year | Revaluations | Closing balance 31 March 2015 | Guaranteed interest for year ended 31 March 2015 | Realised losses not recoverable i.e. claims paid out | |
|-----------------------|--|------------------------------------|------------------------------|---------------------------------------|--|--------------|-------------------------------|--|--|--|
| | | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | |
| Other | | | | | | | | | | |
| Transnet | Euro-Rand medium term note (Tranche 1) # | 2 000 000 | 2 000 000 | - | - | - | 2 000 000 | 256 685 | - | |
| | Euro-Rand medium term note (Tranche 2) # | 1 500 000 | 1 500 000 | - | - | - | 1 500 000 | 411 | - | |
| Eskom | AFDB loan (Euro) | 10 262 457 | 7 292 063 | 1 356 030 | 19 806 | (1 021 667) | 7 606 620 | 4 574 | - | |
| | AFDB loan (ZAR) | 10 630 000 | 10 314 211 | - | 343 807 | - | 9 970 404 | 98 863 | - | |
| | Worldbank loan USD | 21 809 745 | 9 243 788 | 7 428 796 | 16 347 386 | 501 857 | 827 055 | 7 523 | - | |
| | Worldbank loan ZAR | 5 960 880 | 5 960 880 | - | (16 726 709) | - | 22 687 589 | 712 728 | - | |
| | AFDB USD | 2 145 202 | 45 364 | 56 429 | - | (11 559) | 90 234 | 137 | - | |

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

| Guarantor institution | Guarantee in respect of | Original guaranteed capital amount | Opening balance 1 April 2014 | Guarantees draw downs during the year | Guarantees repaid/cancelled/reduced/released during the year | Revaluations | Closing balance 31 March 2015 | Guaranteed interest for year ended 31 March 2015 | Realised losses not recoverable i.e. claims paid out |
|-----------------------|-------------------------|------------------------------------|------------------------------|---------------------------------------|--|------------------|-------------------------------|--|--|
| | | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| | AFDB USD | 809 510 | 56 027 | 362 448 | - | 13 228 | 431 703 | 59 | - |
| | Worldbank | | | | | | | | - |
| | Renewables | 1 992 925 | 6 603 | 311 280 | - | 33 651 | 351 534 | 320 | |
| | AFDB | | | | | | | | |
| | (Pvt Sector) | 1 800 000 | | | 1 800 000 | | (1 800 000) | 21 309 | |
| | AFDB | | | | | | | | |
| | (Pvt Sector) | 3 175 228 | | | 3 175 228 | 10 334 | (3 164 894) | 7 736 | |
| | Total | 62 085 947 | 36 418 936 | 9 514 983 | 4 959 518 | (474 156) | 40 500 245 | 1 110 345 | - |

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

ANNEXURE 3B STATEMENT OF CONTINGENT LIABILITIES AS AT 31 MARCH 2015

| Nature of liability | Opening balance 1 April 2014 | Liabilities incurred during the year | Liabilities paid/ cancelled/reduced during the year | Liabilities recoverable (Provide details hereunder) | Closing balance 31 March 2015 |
|---|---------------------------------|---|---|---|----------------------------------|
| | 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 |
| Sable Hills vs Aventura and the Minister of Public Enterprises | 18 000 | - | - | - | 18 000 |
| By Choice Catering CC vs Department of Public Enterprises | 119 | - | - | - | 119 |
| Nabera vs Alexkor & Government | - | 123 000 | - | - | 123 000 |
| Assignments on Contract | - | 29 | - | - | 29 |
| TOTAL | 590 119 | 123 029 | - | - | 713 148 |

Note: Nabera vs Alexkor and Government of RSA, the amount collectively claimed is R123 m (i.e. R119 m for value addition and R4 m for management fee)

Assignments on Contract is claiming R29 190.70 from the Department.

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

ANNEXURE 4 CLAIMS RECOVERABLE

| Government entity | Confirmed balance outstanding | | Unconfirmed balance outstanding | | Total | |
|------------------------------------|-------------------------------|------------|---------------------------------|------------|------------|------------|
| | 31/03/2015 | 31/03/2014 | 31/03/2015 | 31/03/2014 | 31/03/2015 | 31/03/2014 |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Department | | | | | | |
| South African Police Services | - | - | 508 | 470 | 508 | 470 |
| Department of Defence | - | - | - | 15 | - | 15 |
| Department of Science & Technology | - | 12 | - | - | - | 12 |
| Department of Transport | - | - | - | 26 | - | 26 |
| Department of Economic Development | - | - | - | 9 | - | 9 |
| TOTAL | - | 12 | 508 | 520 | 508 | 532 |

ANNEXURE 5 INTER-GOVERNMENT PAYABLES

| Government entity | Confirmed balance outstanding | | Unconfirmed balance outstanding | | Total | |
|--|-------------------------------|------------|---------------------------------|------------|------------|------------|
| | 31/03/2015 | 31/03/2014 | 31/03/2015 | 31/03/2014 | 31/03/2015 | 31/03/2014 |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |
| Department | | | | | | |
| Department of Science & Technology | - | - | - | 2 | - | 2 |
| Department of Justice and Constitutional Development | - | 675 | - | - | - | 675 |
| TOTAL | - | 675 | - | - | - | 677 |

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

**ANNEXURE 6
INVENTORIES**

| Inventory | Note | 2014/15 | | 2013/14 | |
|---|------|------------|-----------|------------|-----------|
| | | Quantity | R'000 | Quantity | R'000 |
| Opening balance | | 170 | 28 | 184 | 23 |
| Add/(Less): Adjustments to prior year balance | | | - | - | - |
| Add: Additions/Purchases - Cash | | 5 034 | 43 | 40 129 | 2 402 |
| Add: Additions - Non-cash | | - | - | - | - |
| (Less): Disposals | | - | - | - | - |
| (Less): Issues | | (5 159) | (65) | (40 413) | (2 401) |
| Add/(Less): Adjustments | | 296 | 50 | - | 4 |
| Closing balance | | 341 | 56 | 170 | 28 |

ANNEXURES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

ANNEXURE 8A

INTER-ENTITY ADVANCES PAID (note 10)

| ENTITY | Confirmed balance outstanding | | Unconfirmed balance outstanding | | Total | |
|--------|-------------------------------|------------|---------------------------------|------------|------------|------------|
| | 31/03/2015 | 31/03/2014 | 31/03/2015 | 31/03/2014 | 31/03/2015 | 31/03/2014 |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |

NATIONAL DEPARTMENTS

Department of International Relations and Cooperations

| | | | | | |
|---|---|-----|-----|-----|-----|
| - | - | 171 | 114 | 171 | 114 |
|---|---|-----|-----|-----|-----|

| | | | | | | |
|--------------|----------|----------|------------|------------|------------|------------|
| Total | - | - | 171 | 114 | 171 | 114 |
|--------------|----------|----------|------------|------------|------------|------------|

ANNEXURE 8B

INTER-ENTITY ADVANCES RECEIVED (note 21 AND note 22)

| ENTITY | Confirmed balance outstanding | | Unconfirmed balance outstanding | | Total | |
|--------|-------------------------------|------------|---------------------------------|------------|------------|------------|
| | 31/03/2015 | 31/03/2014 | 31/03/2015 | 31/03/2014 | 31/03/2015 | 31/03/2014 |
| | R'000 | R'000 | R'000 | R'000 | R'000 | R'000 |

NATIONAL DEPARTMENTS

Current

16 days activism against women and child abuse

| | | | | | |
|-------|-------|---|---|-------|-------|
| 1 078 | 1 446 | - | - | 1 078 | 1 446 |
|-------|-------|---|---|-------|-------|

| | | | | | | |
|--------------|--------------|--------------|----------|----------|--------------|--------------|
| TOTAL | 1 078 | 1 446 | - | - | 1 078 | 1 446 |
|--------------|--------------|--------------|----------|----------|--------------|--------------|



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